

OFFICIAL STATEMENT

Dated September 15, 2025

Ratings:

S&P: "AA" (BAM Insured)

S&P: "AA-" (Underlying)

(See "OTHER INFORMATION -
Ratings"; "BOND INSURANCE" and
"BOND INSURANCE RISKS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Jackson Walker LLP, Special Tax Counsel to the City, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Special Tax Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein.

THE CERTIFICATES ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$8,590,000

CITY OF HUTCHINS, TEXAS

(Dallas County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025A

Dated Date: September 1, 2025

Due: February 15, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS. . . Interest on the \$8,590,000 City of Hutchins, Texas (the "City"), Combination Tax and Revenue Certificates of Obligation, Series 2025A (the "Certificates") will accrue from the date of initial delivery to the Underwriter of the Certificates (the "Delivery Date", anticipated to be on or about October 2, 2025), will be payable February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Hutchins, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited and subordinate pledge of \$1,000 of the Net Revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used to pay all or any part of the contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping and improving park and recreation facilities, including the acquisition of land and equipment therefor; (ii) constructing, repairing, improving the City's recreation and library facilities; (iii) purchasing of furniture, fixtures and equipment for the City's library and recreational center; (iv) acquiring and installing information technology equipment and software for City financial, human resources, public safety, city council and general municipal needs and administrative purposes; (v) acquiring public safety equipment, to-wit: an ambulance, police department vehicles and related equipment; and (vi) professional services rendered in connection with the above listed projects. (see "PLAN OF FINANCING - Purpose").

CUSIP PREFIX: 448125

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

MUNICIPAL BOND INSURANCE . . . The scheduled payment of the principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "BOND INSURANCE RISKS" herein.



LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the underwriter identified below (the "Underwriter") subject to the approving opinion of the Attorney General of Texas, and the opinion of West & Associates, L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion") and the opinion of Jackson Walker LLP, Houston, Texas, Special Tax Counsel (see Appendix D, "Form of Special Tax Counsel's Opinion"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, counsel for the Underwriter.

DELIVERY. . . It is expected that the Certificates will be available for initial delivery through the facilities of DTC on October 2, 2025.

ESTRADA HINOJOSA

MATURITY SCHEDULE

CUSIP Prefix: 448125⁽¹⁾

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 25,000	2028	5.000%	2.430%	JJ4
25,000	2029	5.000%	2.460%	JK1
40,000	2030	5.000%	2.560%	JL9
50,000	2031	5.000%	2.700%	JM7
430,000	2032	5.000%	2.880%	JN5
450,000	2033	5.000%	3.020%	JP0
475,000	2034	5.000%	3.130%	JQ8
495,000	2035	5.000%	3.320%	JR6
520,000	2036	5.000%	3.550% ⁽²⁾	JS4
550,000	2037	5.000%	3.720% ⁽²⁾	JT2
575,000	2038	5.000%	3.840% ⁽²⁾	JU9
605,000	2039	5.000%	3.960% ⁽²⁾	JV7
635,000	2040	5.000%	4.070% ⁽²⁾	JW5
670,000	2041	5.000%	4.190% ⁽²⁾	JX3
705,000	2042	5.000%	4.310% ⁽²⁾	JY1
740,000	2043	5.000%	4.420% ⁽²⁾	JZ8
780,000	2044	5.000%	4.500% ⁽²⁾	KA1
820,000	2045	5.000%	4.560% ⁽²⁾	KB9

(Interest to accrue from the Delivery Date.)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. The City, the Municipal Advisor and the Underwriter take no responsibility for the accuracy of such numbers.
- (2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2035, the first optional redemption call date for such Certificates, at a redemption price of par plus accrued interest to the redemption date.

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

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No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this 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.

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

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

NONE OF THE CITY, THE UNDERWRITER, OR THE MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC"), AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DTC.

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE CERTIFICATES OR THE ADVISABILITY OF INVESTING IN THE CERTIFICATES. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

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

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The cover page hereof, maturity schedule, this page, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary 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 summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY..... The City of Hutchins, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Dallas County, Texas and operates as a Type A general law municipality. The City covers approximately 9.09 square miles (see “INTRODUCTION - Description of the City”).

THE CERTIFICATES The Certificates are being issued as \$8,590,000 Combination Tax and Revenue Certificates of Obligation, Series 2025A (the “Certificates”). The Certificates are issued as serial certificates maturing February 15 in each of the years 2028 through 2045, inclusive (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption of the Certificates”).

PAYMENT OF INTEREST

ON THE CERTIFICATES..... Interest on the Certificates accrues from the date of initial delivery (the “Delivery Date”, anticipated to be October 2, 2025), and is payable February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption of the Certificates”).

AUTHORITY FOR ISSUANCE

FOR THE CERTIFICATES The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance of the Certificates”).

SECURITY FOR THE

CERTIFICATES The Certificates constitute direct obligations of the City, payable from the combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited and subordinate pledge of \$1,000 of the Net Revenues of the City’s Waterworks and Sewer System, as provided in the Ordinance (see “THE CERTIFICATES - Security and Source of Payment of the Certificates”).

OPTIONAL REDEMPTION

OF THE CERTIFICATES The City reserves the right, at its option, to redeem the Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption of the Certificates”).

TAX EXEMPTION In the opinion of Special Tax Counsel based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is not a specific preference item for purposes of the federal individual alternative minimum tax. See “TAX MATTERS” herein.

NOT QUALIFIED TAX-EXEMPT

OBLIGATIONS..... The Certificates are not designated as “Qualified Tax-Exempt Obligations” for financial institutions.

USE OF PROCEEDS FOR THE

CERTIFICATES Proceeds from the sale of the Certificates will be used to pay all or any part of the contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping and improving park and recreation facilities, including the acquisition of land and equipment therefor; (ii) constructing, repairing, improving the City’s recreation and library facilities; (iii) purchasing of furniture, fixtures and equipment for the City’s library and recreational center; (iv) acquiring and installing information technology equipment and software for City financial, human resources, public safety, city council and general municipal needs and administrative purposes; (v) acquiring public safety equipment, to-wit: an ambulance, police department vehicles and related equipment; and (vi) professional services

rendered in connection with the above listed projects. (see "PLAN OF FINANCING – Purpose").

RATING FOR THE

CERTIFICATES The Certificates will be rated "AA" by S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM") upon delivery of the Certificates to the Underwriter. The Certificates have been rated "AA-" by S&P without regard to credit enhancement (see "OTHER INFORMATION - Ratings"; "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

BOOK-ENTRY-ONLY

SYSTEM The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

PAYMENT RECORD The City has never defaulted in payment of its general obligation tax debt.

PAYING AGENT/REGISTRAR The initial Paying Agent/Registrar of the Certificates is The Bank of New York Mellon Trust Company, N.A.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Debt Per Capita
2022	5,614	\$ 816,133,225	\$ 145,375	\$ 19,978,000	2.45%	\$ 3,559
2023	6,100	994,531,800	163,038	43,643,000	4.39%	7,155
2024	6,450	1,236,605,271	191,722	46,952,000	3.80%	7,279
2025	6,500	1,548,058,477	238,163	79,820,000 ⁽⁴⁾	5.16%	12,280
2026	6,500	1,682,189,678	258,798	77,663,000 ⁽⁴⁾	4.62%	11,948

(1) Source: City officials.

(2) As reported by the Dallas Central Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt.

(4) Includes the Certificates.

For additional information regarding the City, please contact:

James Quin City Administrator City of Hutchins 321 N. Main Street Hutchins, Texas 75141 (972) 225-6121 jquin@cityofhutchinstx.gov	Maria Joyner Finance Director City of Hutchins 321 N. Main Street Hutchins, Texas 75141 (972) 225-6121 mjoyner@cityofhutchinstx.gov	James S. Sabonis Managing Director Hilltop Securities, Inc. 717 N. Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-4000 jim.sabonis@hilltopsecurities.com	Jorge Delgado Senior Vice President Hilltop Securities, Inc. 717 N. Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-4000 jorge.delgado@hilltopsecurities.com
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Occupation
Mario Vasquez Mayor	May 2026	Sales
Steve Nichols Mayor Pro Tem	May 2026	Plumber
Raymond Elmore Councilmember	May 2028	Electrician
Demarcus Odom Councilmember	May 2028	Network Engineer
America Rodriguez Councilmember	May 2028	Operations Manager
Brenda Campbell Councilmember	May 2026	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
James Quin	City Administrator	3 Years
Maria Joyner	Finance Director	2 Years
Cynthia Olguin	City Secretary	6 Years

CONSULTANTS AND ADVISORS

Auditors	Brooks Watson & Co., PLLC Houston, Texas
Bond Counsel	West & Associates, L.L.P. Dallas, Texas
Special Tax Counsel	Jackson Walker LLP Houston, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

OFFICIAL STATEMENT
RELATING TO
\$8,590,000
CITY OF HUTCHINS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025A

INTRODUCTION

This Official Statement, which includes the maturity schedule and Appendices hereto, provides certain information regarding the issuance of the \$8,590,000 City of Hutchins, Texas (the "City"), Combination Tax and Revenue Certificates of Obligation, Series 2025A (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates which authorized the issuance of the Certificates, except as otherwise indicated herein the ordinance authorizing the issuance of the Certificates (the "Ordinance").

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities, Inc. ("HilltopSecurities"), Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, as a Type A general law municipality. The City was incorporated in 1946. The City operates under a city administrator form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of three Councilmembers expiring in odd-numbered years. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The City's estimated 2025 population is 6,500. The City covers approximately 9.09 square miles.

PLAN OF FINANCING

PURPOSE. . . The Certificates are being issued to pay all or any part of the contractual obligations to be incurred for (i) constructing, acquiring, purchasing, renovating, enlarging, equipping and improving park and recreation facilities, including the acquisition of land and equipment therefor; (ii) constructing, repairing, improving the City's recreation and library facilities; (iii) purchasing of furniture, fixtures and equipment for the City's library and recreational center; (iv) acquiring and installing information technology equipment and software for City financial, human resources, public safety, city council and general municipal needs and administrative purposes; (v) acquiring public safety equipment, to-wit: an ambulance, police department vehicles and related equipment; and (vi) professional services rendered in connection with the above listed projects.

SOURCES AND USES OF FUNDS. . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS:

Par Amount of Certificates	\$ 8,590,000.00
Premium	685,202.35
TOTAL ISSUES:	<u>\$ 9,275,202.35</u>

USES OF FUNDS:

Deposit to Project Fund	\$ 9,000,000.00
Underwriter's Discount	60,827.33
Cost of Issuance ⁽¹⁾	214,375.02
TOTAL USES:	<u>\$ 9,275,202.35</u>

(1) Includes the municipal bond insurance policy premium.

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THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated September 1, 2025 (the “Dated Date”), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the “Delivery Date”, anticipated to be October 2, 2025), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance of the Certificates”).

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES. . . The Certificates constitute direct obligations of the City, payable from the combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited and subordinate pledge of \$1,000 of the Net Revenues of the City’s Waterworks and Sewer System, as provided in the Ordinance (see “THE CERTIFICATES - Security and Source of Payment of the Certificates”).

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of the \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION OF THE CERTIFICATES. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating 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. Redemptions of portions of the Certificates by the City 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 within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City 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 “THE CERTIFICATES – Book-Entry-Only System” herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when payment of the principal of such Certificates, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment. The Ordinance provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Certificates, which under current State law include the following: (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 are rated, on the date of their acquisition or purchase by the City, 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 have been refunded and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the 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.

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 may 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 as Defeasance Securities or for any other Defeasance Securities will be maintained at any particular rating category.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding Certificates secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt for any other purpose.

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 the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption, or take any other action amending the terms of the Certificates, are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 believes the source of such information to be reliable, but takes 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 securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of

DTC. One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each 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 of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through direct Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein 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 nominee effect no 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 security 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices relating to 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 such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities 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, security certificates will be printed and delivered.

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

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

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 Municipal Advisor or the Underwriter.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar of the Certificates is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE CERTIFICATES – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment 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 and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System" herein.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged 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 transfer or exchange 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, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, 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 business days after the receipt of the Certificates to be canceled, 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 of the same series, in denominations of \$5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (the “Record Date”) for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the month next preceding each interest payment date for the Certificates.

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

MUTILATED, DESTROYED, LOST AND STOLEN CERTIFICATES. . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for any Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Certificate has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BONDHOLDERS’ REMEDIES. . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and 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 do not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous language.” Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States 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 holders 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 remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS ... The City may, without the consent of or notice to any Holders, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency or formal defect or omission herein. In addition, the City may, with the consent of Holders holding a majority in aggregate principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition or rescission.

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become

due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISKS

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

BOND INSURANCE RISK FACTORS. . . 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 bond owner as a voidable preference under applicable bankruptcy law is covered by the policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City (unless BAM chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Bondholders' Remedies"). BAM 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 bondholders.

In the event BAM is unable to make payment of principal and interest as such payments become due under a policy, the Certificates are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE CERTIFICATES – Security and Source of Payment of the Certificates". In the event BAM 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 long-term ratings on the Certificates will be dependent in part on the financial strength of BAM 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 ratings on the Certificates, whether or not subject to a policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Certificates (see "OTHER INFORMATION – Rating").

The obligations of BAM under a policy are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law. None of the City, the City's Municipal Advisor or the Underwriter has made independent investigation into the claims-paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, 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 Certificates.

TAX INFORMATION

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 Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office; or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 (unless extended by Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

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

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

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

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

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) would provide a person with an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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 outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

OTHER EXEMPT PROPERTY. . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from taxation.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER. . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and

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

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

TAX ABATEMENT AGREEMENTS. . . 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.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – City Application of Tax Code” herein.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS. . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

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

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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

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

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

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

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

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

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

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS... The regular session of the 89th Texas Legislature concluded on June 2, 2025. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions during the 89th Texas Legislature. Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to the City and its finances.

The City is still in the process of reviewing legislation passed during the 89th Legislative Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July 1, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$30,000; the disabled are also granted an exemption of \$30,000.

The City has granted an additional exemption of 10% of the market value of residence homesteads; minimum exemption of \$5,000.

See "Table 1- Assessed Valuation and Exemption" for a listing of the amounts of the exemptions described above.

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

The City does not tax nonbusiness personal property; and the Dallas County Tax Office collects taxes for the City.

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

The City does not tax Freeport Property.

The City has taken action to tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY. . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. No more than fifty percent (50%) of the increase in the value of the real property being developed shall be abated for more than five (5) years. No more than thirty percent (30%) of the increase in the value of the real property being developed shall be abated for more than ten (10) years. Personal property investment of \$300,000 to \$500,000 shall be abated no more than fifteen percent (15%) of the taxable value for more than two (2) years or ten percent (10%) of the taxable value for three (3) years. Personal property investment of \$500,001 to \$1,000,000 shall be abated no more than three (3) years or fifteen percent (15%) of the taxable value for four (4) years. Personal property investment of \$1,000,001 and higher shall be abated no more than twenty-five percent (25%) of the taxable value for more than four (4) years or twenty percent (20%) of the taxable value for five (5) years.

TAX INCREMENT REINVESTMENT ZONE #1. . . The City of Hutchins designated Tax Increment Reinvestment Zone #1 ("TIRZ #1") on August 1, 2016. TIRZ #1 is set to expire on December 31, 2047 or at an earlier time as designated by City Council. TIRZ #1 will support the development of water and sanitary sewer services, as well as roads within TIRZ #1. As of September 30, 2024, TIRZ #1 had a fund balance of \$511,617.

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TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2025/26 Market Valuation Established by Dallas Central Appraisal District (including totally exempt property)		\$ 2,400,864,140
Less Exemptions/Reductions at 100% Market Value:		
Capped Value Loss	\$ 51,713,429	
Homestead Exemption	12,906,612	
Over 65 Exemption	5,856,177	
Disabled Persons	1,165,690	
Disabled Veterans	4,906,082	
Abatements	320,827,132	
Pollution Control	219,978	
Freeport Exemption	175,863,203	
Totally Exempt	101,393,567	
Under 2500	87,940	
Agricultural Loss	43,734,652	718,674,462
2025/26 Taxable Assessed Valuation		\$ 1,682,189,678
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/1/2025)	\$ 71,230,000	
The Certificates	8,590,000	\$ 79,820,000
Less: General Obligation Self-Supporting Debt (as of 9/1/2025) ⁽¹⁾		
Waterworks and Sewer System Supported General Obligation Debt		\$ 21,945,000
Net General Obligation Debt Payable from Ad Valorem Taxes ⁽²⁾		\$ 57,875,000
Interest and Sinking Fund (as of 8/1/2025)		\$ 939,883
Ratio of Total Funded General Obligation Tax Debt to Taxable Assessed Valuation		4.75%
Ratio of Net Funded Debt to Taxable Assessed Valuation		3.44%

2025 Estimated Population - 6,500
 Per Capita Taxable Assessed Valuation - \$258,798
 Per Capita Total Funded Debt - \$12,280
 Per Capita Net Funded Debt - \$8,904

- (1) General obligation debt in the amounts shown for which repayment is currently provided, as applicable, from Net Revenues of the System. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments.
- (2) Includes the Certificates.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 281,693,410	11.73%	\$ 277,343,370	12.71%	\$ 240,560,540	12.78%
Real, Residential, Multi-Family	30,985,160	1.29%	30,982,750	1.42%	27,838,310	1.48%
Real, Vacant Lots/Tracts	65,505,330	2.73%	66,215,470	3.03%	61,989,120	3.29%
Real, Acreage (Land Only)	46,847,660	1.95%	42,190,460	1.93%	50,414,110	2.68%
Real, Farm and Ranch Improvements	445,930	0.02%	445,930	0.02%	445,930	0.02%
Real, Commercial	1,236,701,560	51.51%	1,060,616,650	48.61%	757,929,870	40.25%
Real, Industrial	23,547,150	0.98%	18,186,700	0.83%	19,908,480	1.06%
Real and Tangible Personal, Utilities	38,139,010	1.59%	34,354,330	1.57%	31,494,080	1.67%
Tangible Personal, Commercial	615,584,000	25.64%	590,511,540	27.06%	637,454,230	33.85%
Tangible Personal, Industrial	44,139,350	1.84%	44,102,690	2.02%	45,941,220	2.44%
Tangible Personal, Mobile Homes	4,603,840	0.19%	4,823,450	0.22%	5,019,360	0.27%
Special Inventory	12,671,740	0.53%	12,095,820	0.55%	3,928,010	0.21%
Total Appraised Value Before Exemptions	\$ 2,400,864,140	100.00%	\$ 2,181,869,160	100.00%	\$ 1,882,923,260	100.00%
Less: Total Exemptions/Reductions	(718,674,462)		(633,810,683)		(646,317,989)	
Taxable Assessed Value	<u>\$ 1,682,189,678</u>		<u>\$ 1,548,058,477</u>		<u>\$ 1,236,605,271</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 162,489,630	10.72%	\$ 128,626,880	10.88%
Real, Residential, Multi-Family	23,462,980	1.55%	19,328,500	1.64%
Real, Vacant Lots/Tracts	55,162,650	3.64%	48,023,580	4.06%
Real, Acreage (Land Only)	49,047,100	3.24%	46,526,410	3.94%
Real, Farm and Ranch Improvements	445,930	0.03%	-	0.00%
Real, Commercial	585,392,870	38.61%	438,923,190	37.13%
Real, Industrial	19,876,260	1.31%	17,994,450	1.52%
Real and Tangible Personal, Utilities	29,638,770	1.95%	28,312,420	2.40%
Tangible Personal, Commercial	540,789,300	35.67%	415,467,430	35.15%
Tangible Personal, Industrial	39,467,020	2.60%	34,092,490	2.88%
Tangible Personal, Mobile Homes	4,257,290	0.28%	4,234,570	0.36%
Special Inventory	6,024,350	0.40%	458,550	0.04%
Total Appraised Value Before Exemptions	\$ 1,516,054,150	100.00%	\$ 1,181,988,470	100.00%
Less: Total Exemptions/Reductions	(521,522,350)		(365,855,245)	
Taxable Assessed Value	<u>\$ 994,531,800</u>		<u>\$ 816,133,225</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Debt Per Capita
2022	5,614	\$ 816,133,225	\$ 145,375	\$ 19,978,000	2.45%	\$ 3,559
2023	6,100	994,531,800	163,038	43,643,000	4.39%	7,155
2024	6,450	1,236,605,271	191,722	46,952,000	3.80%	7,279
2025	6,500	1,548,058,477	238,163	79,820,000 ⁽⁴⁾	5.16%	12,280
2026	6,500	1,682,189,678	258,798	77,663,000 ⁽⁴⁾	4.62%	11,948

(1) Source: City officials.

(2) As reported by the Dallas Central Appraisal District on City's annual State Property Tax Board Reports. Subject to change during the ensuing year.

(3) Includes self-supporting debt paid by revenues from the waterworks and sewer system.

(4) Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Taxable Assessed Valuation	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$ 651,768,211	\$ 0.6825	\$ 0.4793	\$ 0.2032	\$ 4,448,051	121.17%	121.48%
2022	816,133,225	0.6825	0.5246	0.1579	5,569,775	97.97%	98.83%
2023	994,531,800	0.6559	0.4980	0.1579	6,523,144	99.84%	100.64%
2024	1,236,605,271	0.6301	0.4798	0.1503	7,791,627	99.15%	100.89%
2025	1,548,058,477	0.6301	0.4426	0.1875	9,754,038	97.12% ⁽¹⁾	97.12% ⁽¹⁾

(1) Collections as of July 31, 2025 as reported by Dallas County Tax Assessor/Collector.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
PS Hutchins Phase Two LLC	Warehouse	\$ 80,169,640	4.77%
MPLD Cleveland 45 II LLC	Commercial BPP	72,066,330	4.28%
CFA Hutchins RE LLC	Warehouse	61,143,450	3.63%
IAC Wintergreen Vanderbilt LLC	Commercial BPP	50,716,320	3.01%
Duke Secured Financing 2009 UNM LLC	Finance	50,088,000	2.98%
SB Hutchins LLC	Warehouse	43,650,000	2.59%
FedEx Ground Package Systems Inc	Commercial BPP	43,469,240	2.58%
MPLD Cleveland 45 I LLC	Commercial BPP	37,644,462	2.24%
CIVF VI TX1B01 LLC	Commercial Land	37,434,865	2.23%
Georgia Pacific Consumer Products LP	Distribution Center	32,530,746	1.93%
		<u>\$ 508,913,053</u>	<u>30.25%</u>

Source: Dallas Central Appraisal District.

TAX VALUE CONCENTRATION . . . As shown in Table 5 above, the top ten taxpayers in the City currently account for approximately 30.25% of the City's tax base. Adverse developments in economic conditions, especially in shipping/courier and real estate industry, could adversely impact some of the largest taxpayers and the tax values in the City, resulting in less local tax revenue. The City does not make any representations as to any future trend with respect to such businesses. If any major taxpayer were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Certificates will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, which can only occur annually, or, perhaps,

to sell tax anticipation notes until such amounts could be collected, if ever. See "THE CERTIFICATES – Bondholders' Remedies" and "TAX INFORMATION" in this Official Statement.

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law (see "THE CERTIFICATES – Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

Net Principal and Interest Requirements, 2025	\$ 2,263,111
\$0.1373 Tax Rate at 98% Collection Produces	\$ 2,263,124
Net Average Annual Principal and Interest Requirements, 2025-2045	\$ 4,295,087 ⁽¹⁾
\$0.2605 Tax Rate at 98% Collection Produces	\$ 4,295,121
Net Maximum Annual Principal and Interest Requirements, 2031	\$ 5,392,317 ⁽¹⁾
\$0.3271 Tax Rate at 98% Collection Produces	\$ 5,392,394

(1) Includes the Certificates.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2024/2025 Taxable Assessed Value ⁽¹⁾	2024/2025 Tax Rate ⁽¹⁾	Total G.O. Tax Debt As of 9/1/2025 ⁽¹⁾	Estimated % Applicable ⁽¹⁾	City's Overlapping G.O. Tax Debt as of 9/1/2025 ⁽²⁾
City of Hutchins	\$ 1,548,058,477	\$ 0.6301	\$ 79,820,000 ⁽²⁾	100.00%	\$ 79,820,000 ⁽²⁾
Dallas County	412,792,494,091	0.2155	179,530,000	0.42%	754,026
Dallas County Hospital	414,014,886,764	0.2120	511,285,000	0.42%	2,147,397
Dallas County CCD	423,071,753,336	0.1056	247,115,000	0.42%	1,037,883
Dallas ISD	194,055,575,689	0.9972	4,613,765,000	0.84%	38,755,626
Lancaster ISD	6,052,167,864	1.2244	140,145,000	1.55%	2,172,248
Total Direct and Overlapping G. O. Tax Debt					\$ 124,687,180
Ratio of Direct and Overlapping G. O. Tax Debt to 2024/25 Taxable Assessed Valuation					8.05%
Per Capita Overlapping G. O. Tax Debt					\$ 19,183

(1) As reported by the Municipal Advisory Council of Texas.

(2) Includes self-supporting debt. Includes the Certificates.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service			The Certificates			Less: W&S Revenue Supporting	Less: HEDC Supported	Net General Obligation	% of Principal
	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Debt Service	Debt Service	Retired
2025	\$ 1,952,000	\$ 1,895,686	\$ 3,847,686	\$ -	\$ -	\$ -	\$ 1,446,875	\$ 137,700	\$ 2,263,111	
2026	2,157,000	3,510,821	5,667,821	-	373,426	373,426	1,444,697	-	4,596,550	
2027	2,469,000	2,945,761	5,414,761	-	429,500	429,500	1,444,269	-	4,399,992	
2028	3,011,000	2,838,362	5,849,362	25,000	428,875	453,875	1,445,169	-	4,858,068	
2029	3,332,000	2,715,418	6,047,418	25,000	427,625	452,625	1,444,644	-	5,055,399	15.86%
2030	3,629,000	2,580,054	6,209,054	40,000	426,000	466,000	1,445,494	-	5,229,560	
2031	3,942,000	2,419,786	6,361,786	50,000	423,750	473,750	1,443,219	-	5,392,317	
2032	2,645,000	2,270,469	4,915,469	430,000	411,750	841,750	1,445,044	-	4,312,175	
2033	2,775,000	2,142,694	4,917,694	450,000	389,750	839,750	1,444,019	-	4,313,425	
2034	2,915,000	2,006,844	4,921,844	475,000	366,625	841,625	1,445,044	-	4,318,425	37.08%
2035	3,055,000	1,864,194	4,919,194	495,000	342,375	837,375	1,444,519	-	4,312,050	
2036	3,210,000	1,715,447	4,925,447	520,000	317,000	837,000	1,443,522	-	4,318,925	
2037	3,355,000	1,564,344	4,919,344	550,000	290,250	840,250	1,442,019	-	4,317,575	
2038	3,515,000	1,408,763	4,923,763	575,000	262,125	837,125	1,442,713	-	4,318,175	
2039	3,670,000	1,247,938	4,917,938	605,000	232,625	837,625	1,443,713	-	4,311,850	60.99%
2040	3,835,000	1,083,913	4,918,913	635,000	201,625	836,625	1,442,313	-	4,313,225	
2041	4,005,000	923,338	4,928,338	670,000	169,000	839,000	1,445,488	-	4,321,850	
2042	4,155,000	766,063	4,921,063	705,000	134,625	839,625	1,442,313	-	4,318,375	
2043	4,330,000	591,563	4,921,563	740,000	98,500	838,500	1,442,788	-	4,317,275	
2044	3,490,000	418,638	3,908,638	780,000	60,500	840,500	1,446,263	-	3,302,875	89.54%
2045	3,655,000	254,206	3,909,206	820,000	20,500	840,500	1,444,081	-	3,305,625	
2046	1,305,000	141,384	1,446,384	-	-	-	1,446,384	-	-	
2047	1,360,000	86,419	1,446,419	-	-	-	1,446,419	-	-	
2048	1,415,000	29,184	1,444,184	-	-	-	1,444,184	-	-	100.00%
	<u>\$ 73,182,000</u>	<u>\$ 37,421,284</u>	<u>\$ 110,603,284</u>	<u>\$ 8,590,000</u>	<u>\$ 5,806,426</u>	<u>\$ 14,396,426</u>	<u>\$ 34,665,188</u>	<u>\$ 137,700</u>	<u>\$ 90,196,822</u>	

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/25		\$ 2,263,111
Interest and Sinking Fund, Fiscal Year Ended 9/30/24 ⁽¹⁾	\$ 346,268	
Budgeted Interest and Sinking Fund Tax Collection	<u>2,935,393</u>	<u>3,281,661</u>
Estimated Balance, Fiscal Year Ending 9/30/25		<u>\$ 1,018,550</u>

(1) Unaudited.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds. The City may incur other financial obligations payable from its collection of taxes and other sources of revenue, including certificates of obligation maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, and leases for various purposes payable from ad valorem taxes and other City revenues.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT

The City does not anticipate issuing any tax supported debt obligations within the next twelve months.

TABLE 11 - OTHER OBLIGATIONS

At this time the City has no other obligations.

PENSION FUND. . . The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 919 currently administered by TMRS, an agent multiple-employer public employee retirement system. For more information about the City's retirement plan, refer to Appendix B "Excerpts of City of Hutchins, Texas Annual Financial Report as of Fiscal Year Ended September 30, 2023," Note 5, Section C.

OTHER POST-EMPLOYMENT BENEFITS . . . GASB released the Statement of General Accounting Standards No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB"), in June 2015. GASB 75 sets forth standards for the measurement, recognition and display of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. Those subject to this pronouncement are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 75 will be required to be recorded as a liability in the employer's financial statements.

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cites may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

As a result of its participation in TMRS and having no other post-employment benefit plans, the City has no obligations for other post-employment benefits within the meaning of GASB 75 and therefore the City has not been required to implement GASB 75.

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2023	2022	2021	2020	2019
<u>Revenues:</u>					
Property Taxes	\$ 4,594,135	\$ 3,801,992	\$ 3,081,478	\$ 2,576,433	\$ 2,172,782
Sales Tax	4,445,018	4,039,052	3,387,433	2,207,656	2,159,046
Franchise Tax	607,888	535,540	513,022	543,762	525,725
Licenses, Permits and Fees	1,726,363	1,482,962	385,083	421,732	360,885
Fines and Forfeitures	193,703	165,554	161,143	97,675	208,766
Charges for Current Services	143,728	306,879	422,685	410,553	336,072
Revenues from Use of Money and Property	-	-	3,442	10,618	20,360
Other	828,321	134,477	134,882	166,168	152,207
Intergovernmental	260,852	367,069	537,454	824,707	568,133
Total Revenues	<u>\$ 12,800,008</u>	<u>\$ 10,833,525</u>	<u>\$ 8,626,622</u>	<u>\$ 7,259,304</u>	<u>\$ 6,503,976</u>
<u>Expenditures:</u>					
General Government	\$ 2,075,686	\$ 1,553,840	\$ 1,424,364	\$ 1,344,784	\$ 1,304,843
Cultural and Recreational	162,876	127,922	139,513	135,161	138,760
Public Safety	6,127,008	5,377,064	5,023,871	4,596,304	4,699,315
Public Works	1,479,706	870,996	798,971	834,485	733,358
Municipal Court	23,310	27,873	-	-	-
Other	98,031	60,309	-	-	-
Principal Retirement	-	-	-	110,000	105,000
Interest and Fiscal Changes	-	-	-	25,100	29,075
Bond Issuance costs	-	-	58,935	-	16,934
Capital Outlay	462,036	245,663	1,321,750	-	-
Total Expenditures	<u>\$ 10,428,653</u>	<u>\$ 8,263,667</u>	<u>\$ 8,767,404</u>	<u>\$ 7,045,834</u>	<u>\$ 7,027,285</u>
Excess(deficiency) of Revenues					
Over Expenditures	<u>\$ 2,371,355</u>	<u>\$ 2,569,858</u>	<u>\$ (140,782)</u>	<u>\$ 213,470</u>	<u>\$ (523,309)</u>
<u>Other Financing Sources (Uses)</u>					
Bond Proceeds	\$ -	\$ -	\$ 295,000	\$ -	\$ 846,426
Insurance Proceeds	26,147	51,410	62,089	12,661	93,203
Transfers In	735,875	248,899	299,637	1,153	10,852
Transfers Out	-	-	(115,000)	-	(70,175)
Total other Financing Sources (uses)	<u>\$ 762,022</u>	<u>\$ 300,309</u>	<u>\$ 541,726</u>	<u>\$ 13,814</u>	<u>\$ 880,306</u>
Net Change in Fund Balances	\$ 3,133,377	\$ 2,870,167	\$ 400,944	\$ 227,284	\$ 356,997
Fund Balances at Beginning of Year	6,381,290 ⁽¹⁾	3,308,810	2,907,866 ⁽¹⁾	3,061,067	2,704,070
Fund Balances at End of Year	<u>\$ 9,514,667</u>	<u>\$ 6,178,977</u>	<u>\$ 3,308,810</u>	<u>\$ 3,288,351</u>	<u>\$ 3,061,067</u>

(1) Restated.

TABLE 13 - CONDENSED UTILITY FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Operating revenues:					
Water	\$ 3,086,862	\$ 2,521,920	\$ 2,299,066	\$ 2,070,804	\$ 2,732,359
Sewer	1,934,727	1,750,609	1,582,930	1,152,692	1,121,045
State Jail Water and Sewer	-	-	-	743,624	787,083
Penalties	153,341	149,352	72,356	76,350	69,905
Impact and Tap Fees	-	-	-	8,000	6,000
Miscellaneous	97,450	86,122	259,715	74,990	92,000
Total Operating Revenues	<u>\$ 5,272,380</u>	<u>\$ 4,508,003</u>	<u>\$ 4,214,067</u>	<u>\$ 4,126,460</u>	<u>\$ 4,808,392</u>
Operating expenses:					
Personnel Services	\$ 317,798	\$ 202,870	\$ 249,265	\$ 261,614	\$ 217,788
Supplies	146,503	122,079	308,109	56,035	62,124
Contractual Services	2,200,877	2,149,760	1,845,329	1,824,441	1,581,398
Garbage Collection	-	-	-	-	-
Utilities	96,712	71,965	-	70,920	88,501
Other Services	69,332	158,294	-	105,168	104,644
Repairs and Maintenance	95,203	135,780	-	187,662	213,466
Total Operating Expenses	<u>\$ 2,926,425</u>	<u>\$ 2,840,748</u>	<u>\$ 2,402,703</u>	<u>\$ 2,505,840</u>	<u>\$ 2,267,921</u>
Nonoperating revenue:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Earnings	827,702	48,589	3,564	27,467	57,174
Total Nonoperating Revenues	<u>827,702</u>	<u>48,589</u>	<u>3,564</u>	<u>27,467</u>	<u>57,174</u>
Net Revenue Available for Debt Service	<u><u>\$ 3,173,657</u></u>	<u><u>\$ 1,715,844</u></u>	<u><u>\$ 1,814,928</u></u>	<u><u>\$ 1,648,087</u></u>	<u><u>\$ 2,597,645</u></u>

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	1 Cent City Sales Tax Collections	1/2 Cent Property Tax Reduction Sales Tax Collections	1/2 Cent EDC Sales Tax Collections	Total Collected	Total Collections as a % of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2021	\$ 2,135,353	\$ 1,067,676	\$ 1,067,676	\$ 4,270,705	96.01%	0.6552
2022	2,582,570	1,291,285	1,291,285	5,165,140	92.74%	0.6329
2023	2,990,709	1,495,355	1,495,355	5,981,418	91.70%	0.6014
2024	2,841,580	1,420,790	1,420,790	5,683,159	72.94%	0.4596
2025	2,690,863 ⁽¹⁾	1,345,432 ⁽¹⁾	1,345,432 ⁽¹⁾	5,381,727	55.17%	0.3476

(1) Unaudited. Partial collections through August 2025. As reported by the Texas Comptroller of Public Accounts.

The sales tax breakdown for the City is as follows:

Hutchins Economic Development Corporation	½¢
Property Tax Reduction	½¢
City Sales and Use Tax	1¢
State Sales & Use Tax	6¼¢
TOTAL	8¼¢

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Ad valorem and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, franchise taxes, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned because they are measurable and available.

The accrual basis of accounting is utilized by proprietary funds.

Budgetary Procedures . . . The City Council follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to September 1, the Finance Officer submits to the City Council a proposed operating 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) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- (4) The finance office is authorized to transfer budgeted amounts within a category in a department. Transfers between categories or between departments require Council approval.
- (5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Fund and Debt Service Fund. Budgetary control is maintained at the function level.
- (6) Budgets for the General, Special Revenue, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (7) Budgetary data for the Capital Projects Funds are not presented in combined financial statements of the City as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such fund is not presented.

Fund Investments . . . The City's investment policy parallels the State laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government, governmental agencies, and to insured or collateralized bank certificates of deposit.

INVESTMENTS

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

LEGAL INVESTMENTS...Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. 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 directly 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 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 Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or

more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) 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 (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) 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 (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit 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 the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) 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) 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 (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 (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name 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; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The 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 AAA-m or an equivalent by at least one nationally recognized rating service. 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.

INVESTMENT POLICIES. . . Under State 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 includes a list of authorized investments for City funds, 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 State law, City 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 the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1)

the investment position of the City on the date of the report, (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 of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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 strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State 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 and 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; (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.

TABLE 15 - CURRENT INVESTMENTS

As of August 1, 2025, the City's investable funds were invested in the following categories:

Description	Market Value	% Total
TexPool	\$ 3,464,154	4.43%
TexSTAR	41,920,202	53.58%
Texas Class	32,855,264	41.99%
	<u>\$ 78,239,620</u>	<u>100.00%</u>

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

In the opinion of Jackson Walker LLP, Special Tax Counsel to the City ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. The proposed form of opinion of Special Tax Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel’s attention after the date of issuance of the Certificates may adversely affect the value of or the tax status of interest on the Certificates. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect the market price or marketability of the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel’s judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

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 specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2025) financial information and operating data with respect to the City of the general type in Tables 1 through 6 and 8 through 15 hereof and (2) if not provided as part of such financial information and operating data in item (1), audited financial statements of the City within 12 months after the end of each fiscal year ending in or after 2024. 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 such fiscal year when and if the audit report on such statements becomes available. Any financial statements so provided shall be prepared in accordance with the accounting principles described in Appendix B hereof and audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided.

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 SEC as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial

statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, unless the City changes its fiscal year it must provide updated financial information and operating data by March 31 in each year and provide its audited financial statements (or unaudited financial statements if audited financial statements are not available) by September 30. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS....The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (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) bond 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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into 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; and (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a Financial Bond (as defined below) 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 to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, (a) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Additionally, the City intends the words used in clauses (15) and (16) of the preceding paragraph and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION.... The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS.... The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Underwriter of the Certificates 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 (ii) either (a) the holders of a majority in aggregate principal amount of the respective outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and

to the extent that the provisions of this sentence would not prevent an Underwriter of the Certificates from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends its continuing disclosure agreement, it has agreed to 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . . During the last five years, the City has filed certain unaudited financial information and operating data within six months of its fiscal year end as required by its prior undertakings under the Rule. The City’s continuing disclosure undertaking related to the City’s Combination Tax and Revenue Certificates of Obligation, Series 2010 required filing the City’s audited or unaudited financial statements within six months after the end of each fiscal year (subsequent continuing disclosure undertakings of the City have required the filing of such information within twelve months of the City’s fiscal year end or, if not available by such time, when and if available). The City filed audited financial statements for the fiscal years ending in 2020, 2021, 2022, and 2023, on May 28, 2021, August 30, 2022, May 17, 2023, and November 5, 2024, respectively.

OTHER INFORMATION

RATINGS

The Certificates will be rated "AA" by S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM") upon delivery of the Certificates to the Underwriter. The Certificates have been rated "AA-" by S&P without regard to credit enhancement. The ratings reflect only the views of such organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

CYBERSECURITY

The City’s operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City’s control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City’s operations and/or financial condition.

WEATHER

If a future weather event significantly damages all or part of the properties comprising the tax base within the City's corporate limits, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City's tax rate. Under certain conditions, State law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster (see “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”). There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

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 City 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 Certificates provisions.

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 and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, 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 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 subdivisions, and are legal security for those deposits to the extent of their 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.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish to the Underwriter 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 Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, and the approving legal opinion of West & Associates, L.L.P., Bond Counsel, to like effect. The City will also furnish an opinion of Special Tax Counsel to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. 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 will also be furnished. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fees to be paid Bond and Special Tax Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinions of Bond and Special Tax Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "PLAN OF FINANCING", (except under the subcaptions "Sources and Uses of Fund"), "THE CERTIFICATES" (except under the subcaptions "Book-Entry-Only System," and "Bondholders' Remedies"), "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and the subcaptions "Legal Opinions and No Litigation Certificate" (except for the last two sentences of the first paragraph thereof), "Registration and Qualification of Certificates for Sale" and "Legal Investments and Eligibility to Secure Public Funds In Texas," under the caption "OTHER INFORMATION" and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. Special Tax Counsel was not requested to participate, and did not take part, in the preparation of this 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 Special Tax Counsel, such firm has reviewed the information under the captions "TAX MATTERS" in this Official Statement, and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such caption is an accurate and fair description of the laws and legal issues addressed therein.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 documents in all respects.

2021 AUDIT

In connection with the preparation of the City's audited financial statement for the fiscal year ending 2021, the City's auditors identified a number of material weaknesses and one significant deficiency with respect to the City's internal controls. The City is undertaking corrective action to correct these deficiencies in accordance with the auditors' recommendations. The City's auditors did not review this Official Statement. In addition, the City did not request the consent of the independent auditors to append to this Official Statement the general purpose financial statements of the issuer for fiscal year 2021 and the related opinion of the independent auditors. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

MUNICIPAL ADVISOR

HilltopSecurities is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an underwriting discount of \$60,827.33. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are not purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa."

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's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. 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.

The financial data and other information contained herein 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 documents in all respects. The Ordinance authorizing the issuance of the Certificates also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriter of the Certificates.

/s/ MARIO VASQUEZ
Mayor
City of Hutchins, Texas

ATTEST:

/s/ CYNTHIA OLGUIN
City Secretary
City of Hutchins, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Hutchins, Texas (the "City") is a suburban community located south of and adjacent to the City of Dallas on Interstate 45. Located 12 minutes south of downtown Dallas, Hutchins is served extensively by ground, air and rail. Both Interstate 20 and Interstate 45 serve Hutchins and Interstate 35 is just minutes away. Union Pacific Railroad, with its 360-acre state-of-art intermodal facility, runs through the City along Interstate 45. A second intermodal facility located adjacent to the City's western boundary and operated by BNSF is planned. Hutchins is also located near the planned Loop 9 transportation corridor, a TxDOT project that will improve east-west regional mobility and support future growth across southern Dallas County. Hutchins is just minutes away from Lancaster Municipal Airport. Hutchins is also less than a 40 minute drive from Dallas-Fort Worth International and Dallas Love Field Airports. Hutchins has an estimated population of 6,500. Additionally, over 55,000 residents live within a 10-minute drive of City Hall. Hutchins is home to one of the largest FedEx Ground facilities in the U.S., the Union Pacific Intermodal and the Dallas Logistics Hub. Hutchins boasts two parks, a community center and a library. With ongoing growth, the proximity to downtown Dallas, commercial, retail, industrial, and a host of other economic sectors will continue to expand in the region. Below is a listing of some of the major employers in Hutchins.

Employer	Nature of Business	Number of Employees
FedEx Ground	Shipping & Logistics	1300
Georgia Pacific	Paper Manufacturing	1300
Hutchins State Jail	Correctional Facilities	429
Chick-fil-A	Supply Distribution Center	325
SIGNACAST	Steel Investment Foundries	250
KTN Dallas Logistics Terminal	Plastics Manufacturing	250
Union Pacific Railroad Dallas Intermodal Terminal	Railroad Terminals	200
Republic Services	Other Waste Collection	200
Dallas County Sheriff Southeast Patrol Office	Sheriff's Office	164
Shipper Warehouse 2	Third Party Logistics	120
Taylor Communications	Manifold Business Forms Printing	100
Trinity Utility Service, Inc.	Specialty Trade Controls	100
Shipper Warehouse	Third Party Logistics	100
Cary Products	Plastics Products Manufacturing	90
City of Hutchins	General Public Administration	93
Brock's Board Packaging	Materials Manufacturing	50
Texas Department of Transportation	Transportation Administration	50
Biagi Warehousing Inc.	Beverage Distribution	50
Eagle National Steel	Metal Merchant Wholesale	45

Source: Hutchins Economic Development Corporation, Major Business list.

EDUCATION

The Dallas Independent School District serves the City with facilities consisting of five elementary schools, two middle/junior high schools and two high schools.

Higher education facilities located within a 35 mile radius of the City include Southern Methodist University, University of North Texas at Dallas, Texas Christian University, University of Dallas, University of Texas at Arlington, University of Texas at Dallas, Dallas Baptist University, Dallas County Community College District, and Paul Quinn College.

THE COUNTY

Dallas County is a national center for insurance, banking, transportation, electronics, data processing, conventions and trade shows. More than 3,000 manufacturing plants produce goods such as building materials, apparel, food, aviation equipment, oil fields supplies and silicon products. The principal sources of agricultural income are sorghum, wheat, hay, vegetables and livestock.

EMPLOYMENT

Sample employment statistics for Dallas County are as follows:

	May					
	2025	2024	2023	2022	2021	2020
Labor Force	1,447,187	1,433,463	1,400,967	1,380,726	1,354,284	1,335,197
Employed	1,391,289	1,375,000	1,344,877	1,327,910	1,278,432	1,231,616
Unemployed	55,898	58,463	56,090	52,816	75,852	103,581
Unemployment Rate	3.9%	4.1%	4.0%	3.8%	5.6%	7.8%

Source: Texas Workforce Commission Local Area Unemployment Statistics (LAUS) Report.

APPENDIX B

EXCERPTS FROM THE
CITY OF HUTCHINS, TEXAS
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Hutchins, Texas, Annual Financial Report for the Fiscal Year Ended September 30, 2023 (the "Report"), and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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CITY OF
HUTCHINS, TEXAS

321 NORTH MAIN ST. | HUTCHINS, TX 75141
WWW.CITYOFHUTCHINS.ORG | 972.225.6121

2023

**ANNUAL
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023







City of Hutchins, Texas

Annual Financial Report

For the Year Ended September 30, 2023

City Council

Mario Vasquez, Mayor
Steve Nichols, Mayor Pro Tem
Raymond Elmore, Council Member
Demarcus Odom, Council Member
Dominic Didehbani, Council Member
Brenda Campbell, Council Member

City Administrator
James Quin

Prepared by the
Finance Department



City of Hutchins, Texas

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September 30, 2023

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City of Hutchins, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Hutchins, Texas:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hutchins, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 City of Hutchins, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to accounting errors, the City restated beginning net position/fund balance for governmental activities, business-type activities, component unit activities, the general fund, the utility fund and a nonmajor governmental fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

This accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
October 21, 2024



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

As management of the City of Hutchins, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2023 by \$49,753,179. Of this amount, \$12,431,374 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$9,570,474. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$35,446,346 at September 30, 2023, an increase of \$16,681,963 from the prior fiscal year; this includes an increase of \$5,919 in the debt service fund, an increase of \$3,511,293 in the street impact fees fund, an increase of \$3,133,377 in the general fund, a decrease of \$884,466 in the street construction fund, an increase of \$10,373,993 in the New City Hall fund, and an increase of \$541,847 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$9,514,667 or 91% of total general fund expenditures.
- The City's total debt showed a net increase of \$25,069,593. The total governmental bonds payable (including premiums) at the close of the fiscal year was \$21,971,859. Self-supporting debt of the proprietary fund was \$23,772,896.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide 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.

City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City'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 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, public works, municipal court, and cultural and recreational. The business-type activities of the City include utility service funds, utility construction, and water/sewer impact fees.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Hutchins Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit are reported separately from the financial information presented for the primary government itself.

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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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

City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, street impact fees fund, street construction fund, and new city hall fund, which are considered to be major funds. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital project funds, utility funds, and most special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses seven enterprise funds to account for its water and sewer, water capital projects, utility impact fees, drainage/sanitation services, and sewer billing operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements 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 seven enterprise funds of the City. The utility fund consists of four combined funds, and three nonmajor funds.

City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

Component Unit

The City maintains the accounting and financial statements for one component unit. The Hutchins Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison for various major governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Hutchins, assets and deferred outflows exceed liabilities and deferred inflows by \$49,753,179 as of September 30, 2023 in the primary government.

The largest portion of the City's net position, \$25,624,899, reflects its investments in capital assets (e.g., land, buildings, automobiles, equipment, infrastructure assets, as well as the water and sewer system), less any debt used to acquire those assets that are 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 assets themselves cannot be used to liquidate these liabilities.

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 37,354,070	\$ 29,379,810	\$ 66,733,880	\$ 20,531,990	\$ 14,933,573	\$ 35,465,
Long term assets	266,857	286	267,143	1,752,670	42,454	1,795,
Capital assets, net	19,866,992	13,774,717	33,641,709	17,589,121	8,992,296	26,581,
Total Assets	57,487,919	43,154,813	100,642,732	39,873,781	23,968,323	63,842,
Total Deferred						
Outflows	1,073,777	64,239	1,138,016	355,167	33,623	388,
Other liabilities	3,091,800	4,064,096	7,155,896	3,190,078	1,128,963	4,319,
Long-term liabilities	21,240,452	23,337,534	44,577,986	9,902,872	8,929,817	18,832,
Total Liabilities	24,332,252	27,401,630	51,733,882	13,092,950	10,058,780	23,151,
Total Deferred						
Inflows	269,821	23,866	293,687	843,938	52,521	896,
Net Position:						
Net investment						
in capital assets	14,268,037	11,356,862	25,624,899	10,819,647	7,249,490	18,069,
Restricted	9,675,604	286	9,675,890	10,228,074	1,237,916	11,465,
Unrestricted	10,015,982	2,415,392	12,431,374	5,244,339	5,403,239	10,647,
Total Net Position	\$ 33,959,623	\$ 13,772,540	\$ 47,732,163	\$ 26,292,060	\$ 13,890,645	\$ 40,182,

Total current and other assets for the primary government increased primarily due to greater cash on hand, resulting from unspent bond proceeds as of yearend. Long-term assets for the primary government decreased as a direct result of the decline in the actuarial valuation of the City net pension asset. Capital assets for the primary government increased due to new capital improvements purchased during the year. Other liabilities for business-type activities increased due to nonrecurring payables for utility construction expenses at the end of the current yearend. Total long-term liabilities for the primary government increased resulting from bonds issued during the year.

City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

Statement of Activities:

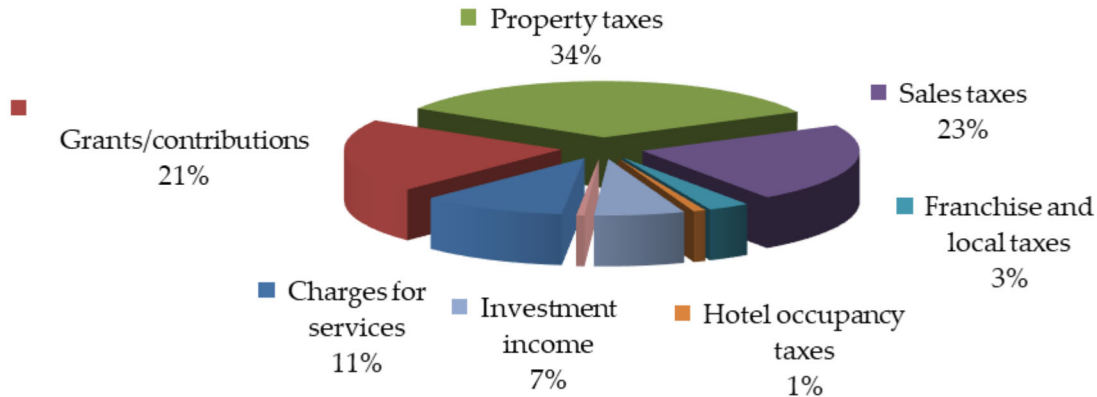
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities	Primary Government	Activities	Activities	Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,113,589	\$ 5,789,825	\$ 7,903,414	\$ 2,000,124	\$ 4,961,284	\$ 6,961,408
Operating grants/contri.	306,092	-	306,092	424,393	-	424,393
Capital grants/contri.	3,811,293	761,700	4,572,993	612,149	643,349	1,255,498
General revenues:						
Property taxes	6,615,519	-	6,615,519	5,582,229	-	5,582,229
Sales taxes	4,445,018	-	4,445,018	4,039,052	-	4,039,052
Franchise and local taxes	607,888	-	607,888	535,540	-	535,540
Hotel occupancy taxes	177,319	-	177,319	235,005	-	235,005
Investment income	1,311,464	887,945	2,199,409	31,415	48,886	80,301
Other revenues	119,392	97,450	216,842	140,929	86,122	227,051
Total Revenues	19,507,574	7,536,920	27,044,494	13,600,836	5,739,641	19,340,477
Expenses						
General government	2,603,454	-	2,603,454	1,838,491	-	1,838,491
Public safety	7,011,190	-	7,011,190	5,315,788	-	5,315,788
Public works	1,710,615	-	1,710,615	1,072,508	-	1,072,508
Culture and recreation	163,608	-	163,608	110,683	-	110,683
Interest and fiscal charges	1,087,019	-	1,087,019	302,180	-	302,180
Utility	-	4,521,151	4,521,151	-	3,741,610	3,741,610
Nonmajor enterprise	-	376,983	376,983	-	388,854	388,854
Total Expenses	12,575,886	4,898,134	17,474,020	8,639,650	4,130,464	12,770,114
Change in Net Position						
Before Transfers	6,931,688	2,638,786	9,570,474	4,961,186	1,609,177	6,570,363
Transfers	735,875	(735,875)	-	248,899	(248,899)	-
Total	735,875	(735,875)	-	248,899	(248,899)	-
Change in Net Position	7,667,563	1,902,911	9,570,474	5,210,085	1,360,278	6,570,363
Beginning Net Position	26,292,060	13,890,645	40,182,705	21,081,975	12,530,367	33,612,342
Ending Net Position	\$ 33,959,623	\$ 15,793,556	\$ 49,753,179	\$ 26,292,060	\$ 13,890,645	\$ 40,182,705

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

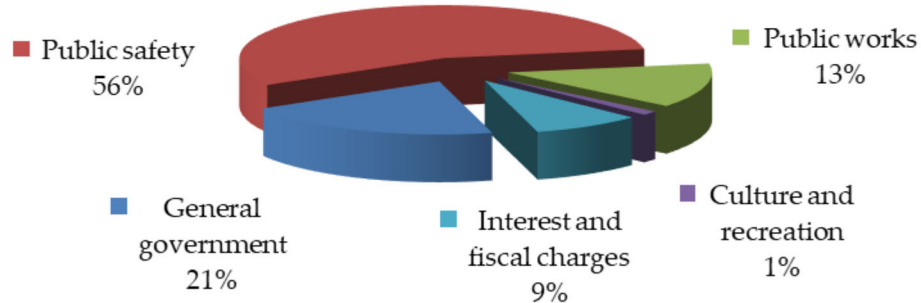


For the year ended September 30, 2023, revenues from governmental activities totaled \$19,507,574. Property tax, sales tax, and grants and contributions are the City's largest general revenue sources. Overall revenue increased \$5,906,738 or 43% compared to the prior year. Operating grants and contributions decreased \$118,301 or 28% due to nonrecurring grants received in the previous year. Capital grants and contributions increased by \$3,199,144 or 100% due to nonrecurring street impact fees received from developers, in addition to street improvement contributions received from the EDC in the current year. Property tax revenue increased \$1,033,290 or 19% due to greater appraised property values compared to the prior year. Sales tax increased by \$405,966 or 10% due to continued economic growth fueled by local purchases. Franchise and local taxes increased by \$72,348 or 14% primarily due to greater gas, garbage, and electric usage in the current year. Hotel occupancy taxes decreased by \$57,686 or 25% due to less tourism and hotel use in the City during the current year. Investment income increased by \$1,280,049 or over 100% primarily due to greater interest-bearing accounts and the realization of higher interest rates in the current year. Other revenues decreased by \$21,537 or 15% due to nonrecurring insurance proceeds received in the prior year. All other revenues remained relatively consistent with the previous year.

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

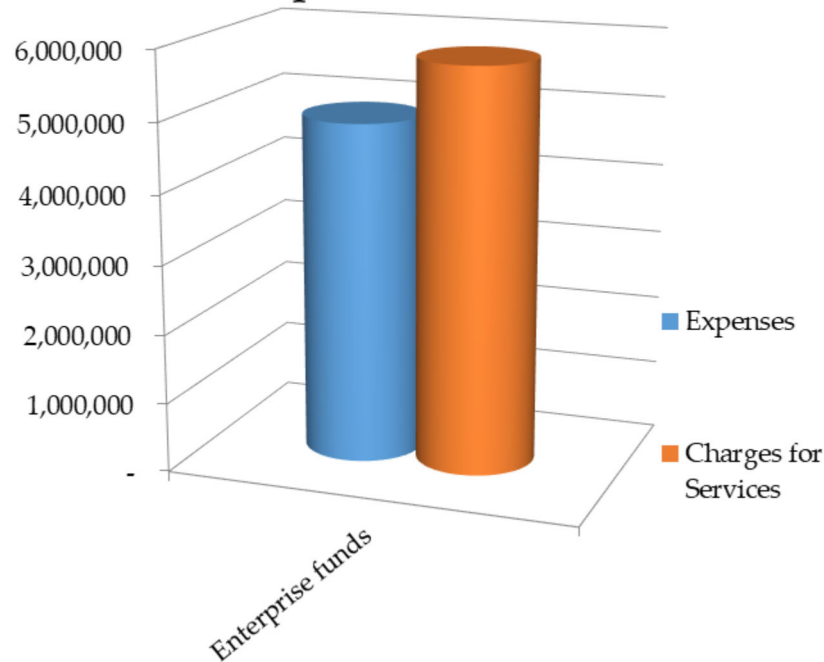


For the year ended September 30, 2023, expenses for governmental activities totaled \$12,575,886. This represents an increase of \$3,936,236 or 46% from the prior year. The City's largest functional expense is public safety of \$7,011,190 and increased by \$1,695,402 or 32% from prior year, due to greater personnel costs related to new hires in the current year. In addition, the increase is due to nonrecurring professional services and repairs and maintenance costs in the current year. General government and public works expenses increased by \$764,963 or 42% and \$638,107 or 59%, respectively, primarily due to an increase in personnel costs, resulting from hiring additional employees in the current year. In addition, public works increased due to nonrecurring professional services, engineering fees, and street maintenance expenses incurred in the current year. Culture and recreation expenses increased by \$52,925 or 48% primarily due to nonrecurring membership and subscription costs in the current year. Interest and fiscal charges increased by \$784,839 or over 100% due to nonrecurring bond issuances in the current year. All other expenses remained relatively consistent with the previous year.

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2023, charges for services by business-type activities totaled \$5,789,825. This represents an increase of \$828,541 or 17% from the previous year primarily due to increased consumption by the City's customer base.

Total expenses increased \$767,670 or 19% to a total of \$4,898,134, due primarily to greater water purchases and sewer treatment expenses, which is consistent with increased consumption over the course of the year. In addition, personnel costs increased due to new hires in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the year.

City of Hutchins, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

At September 30, 2023, the City's governmental funds reported combined fund balances of \$35,446,346, an increase of \$16,681,963 in comparison with the prior year. Approximately 27% of this amount, \$9,480,026, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form, or 2) restricted for particular purposes. As of the year ending September 30, 2023, there was a total restricted fund balance of \$25,966,320.

As of the end of the year, the general fund reflected a total fund balance of \$9,514,667, all of which is considered unassigned. The increase in fund balance of \$3,133,377 is attributable to greater than anticipated revenues and more transfers received from other funds compared to the budgeted amount.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of the general fund is 91% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$9,514,667 is 91% of total general fund expenditures.

The debt service fund had an ending fund balance of \$265,496 at September 30, 2023, a slight increase of \$5,919. The increase was a result of property tax and intergovernmental revenues exceeding current year debt services expenditures.

The street impact fees fund had an ending fund balance of \$5,836,891, an increase of \$3,511,293. The increase was due to impact fees received and no offsetting expenses or transfers out in the current year.

The street construction fund had an ending fund balance of \$2,171,520, a decrease of \$884,466. The decrease is a direct result of current year capital outlay expenses exceeding current year revenues.

The new city hall fund had an ending fund balance of \$10,373,993, an increase of \$10,373,993. The increase is a result of this being a new fund in the current year. During the year, the funds bond issuance proceeds (net of refunding to escrow agent) exceeded current year expenditures.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following are comments regarding operations of the enterprise funds:

- The City received capital contributions of \$761,700 in the form of impact fees.
- Operational expenses excluding depreciation and amortization were \$3,303,228.
- Cash and cash equivalents in the enterprise funds were \$27,976,001 at fiscal yearend.

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

There were various amendments approved during the fiscal year. There was a positive variance of \$3,662,379 over budgeted general fund revenues. The following are additional comments regarding appropriations:

- There was a total negative variance of \$124,212 in budgeted expenditure appropriations.
- \$3,538,167 is the budget surplus of revenues over expenditures before other financing sources (uses).
- There was an actual net positive change in fund balance of \$4,142,252.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$19,866,992 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$13,774,717 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure. The City's total investment in capital assets increased by \$7,060,292, net of depreciation.

Major capital asset events during the current year include the following:

- Skyline Drive reconstruction improvements \$1,601,095.
- Improvements to conceptual alignment on Lancaster & Hutchins Road for \$431,577.
- Improvements to Hutchins city hall totaling \$308,675.
- Radio system upgrades for \$169,450.
- Senior Center renovation project improvements totaling \$137,565.
- Southern wastewater collection system (main project) improvements totaling \$1,955,624.
- Southern lift station improvements totaling \$1,378,888.
- Shoreline interceptor project improvements totaling \$1,426,820.
- Advance metering infrastructure project investments totaling \$473,000.
- Purchased two Ford F150's for utility operations totaling \$87,177.
- Waterline replacements for \$25,120
- Sewer line updates for \$21,900
- DWU vault upgrades totaling \$38,938.

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

City of Hutchins, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2023

LONG-TERM DEBT

At the end of the current fiscal year, the City had total bonded debt obligations of \$43,643,000 (excluding premiums). Of this amount, \$22,955,000 is self-supporting through revenues collected from the rates of the City's utility fund. During the year, the City made \$3,410,000 in principal payments on long-term debt. During the year, the City issued \$11,520,000 and \$14,500,000 of Series 2023 GO Refunding bonds and Certificates of Obligation, respectively. In addition, the City issued \$1,055,000 of tax anticipation notes during the year. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Hutchins, Texas and improving services provided to their public citizens. The City is budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Director at 321 North Main Street, P.O. Box 500, Hutchins, TX 75141, phone: (972) 225-6121.

FINANCIAL STATEMENTS

City of Hutchins, Texas

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 36,501,148	\$ 27,565,539	\$ 64,066,687
Restricted cash	-	410,462	410,462
Receivables, net	1,016,308	1,092,690	2,108,998
Note receivable from component unit, current	125,000	-	125,000
Due from component unit	169,405	(21,672)	147,733
Internal balances	(332,791)	332,791	-
Total Current Assets	37,479,070	29,379,810	66,858,880
Noncurrent assets:			
Note receivable from component unit, noncurrent	135,000	-	135,000
Net pension asset	6,857	286	7,143
Capital assets:			
Non-depreciable	3,251,080	6,243,212	9,494,292
Net depreciable capital assets	16,615,912	7,531,505	24,147,417
Noncurrent Assets	20,008,849	13,775,003	33,783,852
Total Assets	57,487,919	43,154,813	100,642,732
<u>Deferred Outflows of Resources</u>			
Pension outflows	1,072,500	44,687	1,117,187
OPEB outflows	1,277	53	1,330
Deferred charge on refunding	-	19,499	19,499
Total Deferred Outflows of Resources	\$ 1,073,777	\$ 64,239	\$ 1,138,016

Component Unit
Hutchins
EDC

\$	4,498,762
	-
	247,321
	-
	-
	-
	4,746,083
	-
	-
	-
	49,656
	49,656
	4,795,739
	-
	-
	-
\$	-

City of Hutchins, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2023

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>Liabilities</u>			
Current liabilities:			
Accounts payable			
and accrued liabilities	\$ 950,462	\$ 3,440,465	\$ 4,390,927
Accrued interest payable	375,629	40,500	416,129
Customer deposits	-	140,868	140,868
Unearned revenue	728,192	-	728,192
Due to primary government	-	-	-
Compensated absences, current	180,517	2,263	182,780
Note payable due to primary government, current	-	-	-
Long term debt due within one year	857,000	440,000	1,297,000
Current Liabilities	3,091,800	4,064,096	7,155,896
Noncurrent liabilities:			
Note payable due to primary government, noncurrent	-	-	-
Compensated absences, noncurrent	20,057	252	20,309
Long-term debt due in more than one year	21,114,859	23,332,896	44,447,755
OPEB liability	105,536	4,386	109,922
Noncurrent Liabilities	21,240,452	23,337,534	44,577,986
Total Liabilities	24,332,252	27,401,630	51,733,882
<u>Deferred Inflows of Resources</u>			
Lease related	-	12,629	12,629
Pension inflows	215,176	8,966	224,142
OPEB inflows	54,645	2,271	56,916
Total Deferred Inflows of Resources	269,821	23,866	293,687
<u>Net Position</u>			
Net investment in capital assets	14,268,037	11,356,862	25,624,899
Restricted for:			
Debt service	265,496	-	265,496
Capital improvements	6,852,130	2,021,016	8,873,146
Public safety	300,086	-	300,086
Tourism	2,251,035	-	2,251,035
Pension	6,857	286	7,143
Economic development	-	-	-
Unrestricted	10,015,982	2,415,392	12,431,374
Total Net Position	\$ 33,959,623	\$ 15,793,556	\$ 49,753,179

See Notes to Financial Statements.

Component Unit
Hutchins
EDC

\$	19,151
	-
	-
	-
	147,733
	9,482
	125,000
	-
	301,366
	135,000
	1,053
	-
	-
	136,053
	437,419
	-
	-
	-
	-
	-
	-
	4,568,664
	-
\$	4,358,320

City of Hutchins, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,603,454	\$ -	\$ 273,652	\$ -
Public safety	7,011,190	387,226	32,440	-
Public works	1,710,615	1,726,363	-	3,811,293
Cultural and recreational	163,608	-	-	-
Interest and fiscal charges	1,087,019	-	-	-
Total Governmental Activities	<u>12,575,886</u>	<u>2,113,589</u>	<u>306,092</u>	<u>3,811,293</u>
Business-Type Activities				
Utility construction	4,521,151	5,174,930	-	-
Nonmajor funds	376,983	614,895	-	761,700
Total Business-Type Activities	<u>4,898,134</u>	<u>5,789,825</u>	<u>-</u>	<u>761,700</u>
Total Primary Government	<u>\$ 17,474,020</u>	<u>\$ 7,903,414</u>	<u>\$ 306,092</u>	<u>4,572,993</u>
Component Unit				
Hutchins Economic				
Development Corporation	\$ 668,435	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 668,435</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 Hotel occupancy taxes
 Investment income
 Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Hutchins EDC
\$ (2,329,802)	\$ -	\$ (2,329,802)	\$ -
(6,591,524)	-	(6,591,524)	-
3,827,041	-	3,827,041	-
(163,608)	-	(163,608)	-
(1,087,019)	-	(1,087,019)	-
(6,344,912)	-	(6,344,912)	-
-	653,779	653,779	-
-	999,612	999,612	-
-	1,653,391	1,653,391	-
(6,344,912)	1,653,391	(4,691,521)	-
			(668,435)
			(668,435)
6,615,519	-	6,615,519	-
4,445,018	-	4,445,018	1,481,673
607,888	-	607,888	-
177,319	-	177,319	-
1,311,464	887,945	2,199,409	142,833
119,392	97,450	216,842	-
735,875	(735,875)	-	-
14,012,475	249,520	14,261,995	1,624,506
7,667,563	1,902,911	9,570,474	956,071
26,292,060	13,890,645	40,182,705	3,402,249
\$ 33,959,623	\$ 15,793,556	\$ 49,753,179	\$ 4,358,320

City of Hutchins, Texas

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2023

	General	Debt Service	Street Impact Fees	Street Construction
<u>Assets</u>				
Cash and cash equivalents	\$ 8,065,914	\$ 267,583	\$ 3,997,959	\$ 4,021,361
Receivables, net	938,563	57,755	-	-
Due from component unit	-	-	-	300,000
Due from other funds	3,211,730	-	1,838,932	-
Total Assets	\$ 12,216,207	\$ 325,338	\$ 5,836,891	\$ 4,321,361
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 600,344	\$ 3,821	\$ -	\$ 145,615
Unearned revenue	728,192	-	-	-
Due to component unit	130,595	-	-	-
Due to other funds	1,069,360	-	-	2,004,226
Total Liabilities	2,528,491	3,821	-	2,149,841
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Property taxes	173,049	56,021	-	-
Total Deferred Inflows	173,049	56,021	-	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	265,496	-	-
Facility improvements	-	-	-	-
Impact fees	-	-	5,836,891	-
Street improvements	-	-	-	2,171,520
Public safety	-	-	-	-
Tourism	-	-	-	-
Unassigned	9,514,667	-	-	-
Total Fund Balances	9,514,667	265,496	5,836,891	2,171,520
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,216,207	\$ 325,338	\$ 5,836,891	\$ 4,321,361

See Notes to Financial Statements.

New City Hall	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,512,875	\$ 9,635,456	\$ 36,501,148
-	19,990	1,016,308
-	-	300,000
-	-	5,050,662
<u>\$ 10,512,875</u>	<u>\$ 9,655,446</u>	<u>\$ 42,868,118</u>
\$ 31,302	\$ 169,380	\$ 950,462
-	-	728,192
-	-	130,595
107,580	2,202,287	5,383,453
<u>138,882</u>	<u>2,371,667</u>	<u>7,192,702</u>
-	-	229,070
<u>-</u>	<u>-</u>	<u>229,070</u>
-	-	265,496
10,373,993	4,767,299	15,141,292
-	-	5,836,891
-	-	2,171,520
-	300,086	300,086
-	2,251,035	2,251,035
-	(34,641)	9,480,026
<u>10,373,993</u>	<u>7,283,779</u>	<u>35,446,346</u>
<u>\$ 10,512,875</u>	<u>\$ 9,655,446</u>	<u>\$ 42,868,118</u>



City of Hutchins, Texas

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

September 30, 2023

Fund Balances - Total Governmental Funds	\$	35,446,346
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Adjustments for the Statement of Net Position:

Long-term assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	3,251,080
Capital assets - net depreciable	16,615,912
Net pension asset	6,857

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	229,070
Note receivable from component unit	260,000

Deferred outflows (inflows) of resources represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.

Pension outflows	1,072,500
Pension inflows	(215,176)
OPEB outflows	1,277
OPEB inflows	(54,645)

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(375,629)
Bond premium	(1,283,859)
Compensated absences	(200,574)
Non-current liabilities due in one year	(857,000)
Non-current liabilities due in more than one year	(19,831,000)
OPEB liability	(105,536)

Net Position of Governmental Activities	\$	33,959,623
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See Notes to Financial Statements.

City of Hutchins, Texas

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

For the Year Ended September 30, 2023

	General	Debt Service	Street Impact Fees	Street Construction
<u>Revenues</u>				
Property tax	\$ 4,594,135	\$ 1,580,038	\$ -	\$ -
Sales tax	4,445,018	-	-	-
Franchise and local taxes	607,888	-	-	-
Hotel occupancy taxes	-	-	-	-
Charges for services	143,728	-	-	-
License, permits and fees	1,726,363	-	-	-
Fines and forfeitures	193,703	-	-	-
Intergovernmental	260,852	132,800	-	300,000
Contributions and donations	32,440	-	3,511,293	-
Investment income	702,636	39	-	15,560
Other revenue	93,245	-	-	-
Total Revenues	12,800,008	1,712,877	3,511,293	315,560
<u>Expenditures</u>				
Current:				
General government	2,075,686	-	-	-
Public safety	6,127,008	-	-	-
Public works	1,479,706	-	-	-
Municipal court	23,310	-	-	-
Cultural and recreation	162,876	-	-	-
Other	98,031	-	-	-
Debt Service:				
Principal	-	1,420,000	-	-
Interest and fiscal charges	-	283,208	-	-
Bond issuance costs	-	3,750	-	55,000
Capital outlay	462,036	-	-	2,200,026
Total Expenditures	10,428,653	1,706,958	-	2,255,026
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,371,355	5,919	3,511,293	(1,939,466)
<u>Other Financing Sources (Uses)</u>				
Transfers in	735,875	-	-	-
Insurance proceeds	26,147	-	-	-
Bond issuances	-	-	-	1,055,000
Premium on bonds issued	-	-	-	-
Payment to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	762,022	-	-	1,055,000
Net Change in Fund Balances	3,133,377	5,919	3,511,293	(884,466)
Beginning fund balances	6,381,290	259,577	2,325,598	3,055,986
Ending Fund Balances	\$ 9,514,667	\$ 265,496	\$ 5,836,891	\$ 2,171,520
See Notes to Financial Statements.				

New City Hall	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 390,522	\$ 6,564,695
-	-	4,445,018
-	-	607,888
-	177,319	177,319
-	-	143,728
-	-	1,726,363
-	49,795	243,498
-	-	693,652
-	-	3,543,733
326,392	266,837	1,311,464
-	-	93,245
<u>326,392</u>	<u>884,473</u>	<u>19,550,603</u>
16,672	-	2,092,358
-	-	6,127,008
-	-	1,479,706
-	28,830	52,140
-	-	162,876
-	-	98,031
-	-	1,420,000
-	-	283,208
446,751	-	505,501
716,958	313,796	3,692,816
<u>1,180,381</u>	<u>342,626</u>	<u>15,913,644</u>
(853,989)	541,847	3,636,959
-	-	735,875
-	-	26,147
11,520,000	-	12,575,000
1,087,982	-	1,087,982
(1,380,000)	-	(1,380,000)
<u>11,227,982</u>	<u>-</u>	<u>13,045,004</u>
10,373,993	541,847	16,681,963
-	6,741,932	18,764,383
<u>\$ 10,373,993</u>	<u>\$ 7,283,779</u>	<u>\$ 35,446,346</u>



City of Hutchins, Texas

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

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds	\$ 16,681,963
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,529,017
Depreciation expense	(1,251,146)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(69,176)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(49,434)
Accrued interest	(330,938)
Pension expense	(2,145)
OPEB expense	(10,224)

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

Issuance of debt	(12,575,000)
Premiums on current year debt issuances	(1,087,982)
Tax notes refunded	1,380,000
Amortization of debt premium	32,628
Principal payments on long-term debt	1,420,000

Change in Net Position of Governmental Activities	\$ 7,667,563
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See Notes to Financial Statements.

City of Hutchins, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

<u>Assets</u>	<u>Utility Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents	\$ 26,204,613	\$ 1,360,926	\$ 27,565,539
Restricted cash	410,462	-	410,462
Receivables, net	992,280	100,410	1,092,690
Due from other funds	700,000	2,685,760	3,385,760
Total Current Assets	28,307,355	4,147,096	32,454,451
<u>Noncurrent Assets</u>			
Net pension asset	286	-	286
Capital assets:			
Non-depreciable	6,243,212	-	6,243,212
Net depreciable capital assets	7,531,505	-	7,531,505
Total Noncurrent Assets	13,775,003	-	13,775,003
Total Assets	42,082,358	4,147,096	46,229,454
<u>Deferred Outflows of Resources</u>			
Pension outflows	44,687	-	44,687
OPEB outflows	53	-	53
Deferred charge on refunding	19,499	-	19,499
Total Deferred Outflows	\$ 64,239	\$ -	\$ 64,239

City of Hutchins, Texas
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
September 30, 2023

	<u>Utility Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable			
and accrued liabilities	\$ 3,347,760	\$ 92,705	\$ 3,440,465
Accrued interest	40,500	-	40,500
Customer deposits	140,868	-	140,868
Due to other funds	2,646,551	406,418	3,052,969
Due to component unit	21,672	-	21,672
Compensated absences - current	2,263	-	2,263
Bonds payable - current	440,000	-	440,000
Total Current Liabilities	<u>6,639,614</u>	<u>499,123</u>	<u>7,138,737</u>
<u>Noncurrent Liabilities</u>			
Compensated absences - noncurrent	252	-	252
Bonds payable - noncurrent	23,332,896	-	23,332,896
OPEB liability	4,386	-	4,386
Total Liabilities	<u>29,977,148</u>	<u>499,123</u>	<u>30,476,271</u>
<u>Deferred Inflows of Resources</u>			
Pension inflows	8,966	-	8,966
OPEB inflows	2,271	-	2,271
Lease related	12,629	-	12,629
Total Deferred Inflows	<u>23,866</u>	<u>-</u>	<u>23,866</u>
<u>Net Position</u>			
Net investment in capital assets	11,356,862	-	11,356,862
Restricted for pension	286	-	286
Capital improvements	-	2,021,016	2,021,016
Unrestricted	788,435	1,626,957	2,415,392
Total Net Position	<u>\$ 12,145,583</u>	<u>\$ 3,647,973</u>	<u>\$ 15,793,556</u>

See Notes to Financial Statements.



City of Hutchins, Texas

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

For the Year Ended September 30, 2023

	Utility Fund	Nonmajor Proprietary Funds	Total
<u>Operating Revenues</u>			
Water sales	\$ 3,086,862	\$ -	\$ 3,086,862
Sewer charges	1,934,727	-	1,934,727
Tap fees and penalties	153,341	-	153,341
Drainage charges	-	197,722	197,722
Sanitation fees	-	417,173	417,173
Other revenue	97,450	-	97,450
Total Operating Revenues	5,272,380	614,895	5,887,275
<u>Operating Expenses</u>			
Contractual services	2,200,877	376,983	2,577,860
Materials and supplies	146,503	-	146,503
Utilities	96,712	-	96,712
Repairs and maintenance	95,023	-	95,023
Personnel	317,798	-	317,798
Depreciation	666,407	-	666,407
Other expenses	69,332	-	69,332
Total Operating Expenses	3,592,652	376,983	3,969,635
Operating Income (Loss)	1,679,728	237,912	1,917,640
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	827,702	60,243	887,945
Interest expense	(543,429)	-	(543,429)
Bond issuance costs	(385,070)	-	(385,070)
Total Nonoperating Revenues (Expenses)	(100,797)	60,243	(40,554)
Income (Loss) Before Contributions and Transfers	1,578,931	298,155	1,877,086
<u>Contributions and Transfers</u>			
Capital contributions - impact fees	-	761,700	761,700
Transfers (out)	(723,588)	(12,287)	(735,875)
Change in Net Position	855,343	1,047,568	1,902,911
Beginning net position	11,290,240	2,600,405	13,890,645
Ending Net Position	\$ 12,145,583	\$ 3,647,973	\$ 15,793,556

See Notes to Financial Statements.

City of Hutchins, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2023

	Utility Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 4,751,907	\$ 576,325	\$ 5,328,232
Unpaid payables to vendors	3,071,314	-	3,071,314
Interfund and component unit transactions	1,632,253	(2,310,580)	(678,327)
Payments to suppliers	(2,608,447)	(353,505)	(2,961,952)
Payments to employees	(328,786)	-	(328,786)
Net Cash Provided (Used) by Operating Activities	6,518,241	(2,087,760)	4,430,481
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers (out)	(723,588)	(12,287)	(735,875)
Net Cash (Used for) Noncapital Financing Activities	(723,588)	(12,287)	(735,875)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchase of capital assets	(5,448,828)	-	(5,448,828)
Impact fees	-	761,700	761,700
Proceeds from capital debt	14,890,548	-	14,890,548
Principal paid on debt	(610,000)	-	(610,000)
Bond issuance costs paid	(385,070)	-	(385,070)
Interest paid on debt	(581,699)	-	(581,699)
Net Cash Provided by Capital and Related Financing Activities	7,864,951	761,700	8,626,651
<u>Cash Flows from Investing Activities</u>			
Interest on investments	827,702	60,243	887,945
Net Cash Provided (Used) by Investing Activities	827,702	60,243	887,945
Net Increase (Decrease in Cash & Cash Equivalents	14,487,306	(1,278,104)	13,209,202
Beginning cash and cash equivalents	12,127,769	2,639,030	14,766,799
Ending Cash and Cash Equivalents	\$ 26,615,075	\$ 1,360,926	\$ 27,976,001

See Notes to Financial Statements.

City of Hutchins, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2023

	Utility Fund	Nonmajor Proprietary Funds	Total Proprietary Funds
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	\$ 1,679,728	\$ 237,912	\$ 1,917,640
Adjustments to reconcile operating income to net cash provided:			
Depreciation	666,407	-	666,407
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(520,138)	(38,570)	(558,708)
Due from other funds	1,610,581	(2,685,760)	(1,075,179)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	3,071,314	23,478	3,094,792
Due to other funds	-	375,180	375,180
Due to component unit	21,672	-	21,672
Compensated absences	(3,398)	-	(3,398)
Customer deposits	13,400	-	13,400
Deferred inflows/outflows - Pension	(26,684)	-	(26,684)
Deferred inflows/outflows - OPEB	(21,891)	-	(21,891)
Deferred inflows - lease related	(13,735)	-	(13,735)
OPEB liability	(1,183)	-	(1,183)
Net pension liability	42,168	-	42,168
Net Cash Provided (Used) by Operating Activities	\$ 6,518,241	\$ (2,087,760)	\$ 4,430,481

See Notes to Financial Statements.



City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hutchins, Texas (the "City") is a municipal corporation governed by an elected mayor and a five-member council. The City provides the following services: public safety (police and fire), cultural and recreation, public works, municipal court, general administration, water and sewer, drainage and sanitation services.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Financial Reporting Entity

The City of Hutchins, Texas was incorporated in 1964 and operates under a general law form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Discretely Presented Component Unit

Hutchins Economic Development Corporation

The Hutchins Economic Development Corporation (the "EDC") is responsible for collecting and disbursing one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors of which three shall be persons who are not employees, officers of the City or members of the City Council. The Corporation is presented as a governmental fund type and has a September 30 year end.

Separate financial reports are available for the EDC. The report may be obtained by contacting the following office: City of Hutchins, Texas, 321 North Main, Hutchins, Texas 75141.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds (excluding special revenue funds):

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and cultural and recreation. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all certificates of obligation, general obligation bonds, and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

Street Impact Fees Fund

The street impact fees fund accounts for the collection and utilization of impact fees. The impact fees are used to improve street infrastructure needed due to the local growth and development. This fund is considered to be a major fund.

Street Construction Fund

This fund accounts for the resources provided and expended for the improvements to streets throughout the City. This fund is considered to be a major fund.

New City Hall Fund

The new city hall fund is used to track the capital development of the city hall. This fund is considered to be a major fund.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The government reports the following major enterprise funds:

Utility Fund

The Utility Fund is used to account for the provision of water and sewer services to the residents of the City and others. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary to ensure integrity of the funds.

The government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the Municipal Court Security, Municipal Court Technology, 911 Fees, Hotel Occupancy, Facilities Improvement, Parkland Dedication, and Tax Increment Finance Fund.

Capital Project Funds

These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition of capital facilities and other capital assets. Capital project funds include New City Hall and Street Construction funds, in addition to the nonmajor funds Park Construction and Tax Notes CIP.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and drainage/lighting systems) 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery and equipment	5 - 15 years
Infrastructure	20 years
Improvements	10 – 40 years
Buildings	15 - 30 years

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City's goal is to maintain an unassigned fund balance/position of at least \$300,000 in both governmental and proprietary fund types.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, unamortized premiums/discounts, and other notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Estimates

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

11. 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.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

13. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

14. Leases

Lessor: The City is a lessor for a noncancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures 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. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement 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.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation-pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary 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.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 water and sewer fund are charges to customers for sales and services. The water and sewer 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 fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes 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 long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, utility funds, and various special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made during the year.

A. Expenditures Over Appropriations

During the year, general fund expenditures exceeded appropriations at the legal level of control by \$124,212.

B. Deficit Fund Equity

At September 30, 2023, the park construction fund had a deficit fund balance of \$34,641. The deficit balances will be eliminated in the future with transfers from the general fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools, such as TexPool and TexStar) are included in this category. Although the City's investments are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. As of September 30, 2023, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity	Credit Rating
External investment pools			
TexPool	\$ 2,163,066	28 days	AAAm
TexSTAR	12,349,644	30 days	AAAm
TexasCLASS	48,740,715	49 days	AAAm
Total fair value	<u>\$ 63,253,425</u>		

As of September 30, 2023, the City's component unit had the following investments:

Investment Type	Value	Weighted Average Maturity	Credit Rating
External investment pools			
TexPool	\$ 1,002,181	28 days	AAAm
TexasCLASS	3,298,325	49 days	AAAm
Total fair value	<u>\$ 4,300,506</u>		

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity to an average of 90 days

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

or less; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2023, the City's investment in TexPool and TexStar was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over 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 of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At

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NOTES TO FINANCIAL STATEMENTS, Continued
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September 30, 2023, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

TexSTAR

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

TexasCLASS

Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch. There were no limitations or restrictions on withdrawals.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

B. Receivables

1. The following comprise receivable balances of the primary government at year end:

			Nonmajor	Total
	General	Debt Service	Governmental	Governmental
Property taxes	\$ 233,535	\$ 72,980	\$ -	\$ 306,515
Sales tax	741,964	-	-	741,964
Franchise taxes	18,637	-	-	18,637
Occupancy taxes	-	-	19,990	19,990
Allowance	(55,573)	(15,225)	-	(70,798)
	<u>\$ 938,563</u>	<u>\$ 57,755</u>	<u>\$ 19,990</u>	<u>\$ 1,016,308</u>

	Water & Sewer	Nonmajor Proprietary	Total Proprietary
Accounts	\$ 989,424	\$ 99,251	1,088,675
Lease	12,629	-	12,629
Other	1,155	1,159	2,314
Allowance	(10,928)	-	(10,928)
	<u>\$ 992,280</u>	<u>\$ 100,410</u>	<u>\$ 1,092,690</u>

2. The following comprise receivable balances of the component unit at year end:

	Hutchins	
	EDC	Total
Sales tax	\$ 247,321	\$ 247,321
	<u>\$ 247,321</u>	<u>\$ 247,321</u>

3. On October 1, 2021, the City entered into a 35-month lease as lessor for the use of 205 W. Hickman Street. An initial lease receivable was recorded in the amount of \$40,054. As of September 30, 2023, the value of the lease receivable is \$12,629, as reported in the Water and Sewer fund. The lessee is required to make monthly fixed payments of \$1,150. The lease has an interest rate of 0.328%. The estimated useful life of the land asset was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2023 was \$12,629, and the City recognized lease revenue of \$13,735 during the current fiscal year. The lessee has 3 extension option(s), each for 60 months.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

C. Note Receivables from Component Unit

The following summarizes the changes in note receivables from component unit of the primary government during the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Note receivable from component unit	\$ 380,000	\$ -	\$ (120,000)	\$ 260,000	\$ 125,000
Total Governmental Activities	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 260,000</u>	<u>\$ 125,000</u>
 Note Receivables Due in More than One Year				<u>\$ 135,000</u>	

The Hutchins Economic Development Corporation, a discretely presented component unit of the City, is obligated to the City to cover the cost of the City's 2010 certificate of obligation.

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NOTES TO FINANCIAL STATEMENTS, Continued
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D.Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 91,041	\$ 505,048	\$ -	\$ 596,089
Construction in progress	51,689	2,603,302	-	2,654,991
Total capital assets not being depreciated	<u>142,730</u>	<u>3,108,350</u>	<u>-</u>	<u>3,251,080</u>
Capital assets, being depreciated:				
Buildings	8,683,405	-	-	8,683,405
Machinery and equipment	5,948,046	284,719	-	6,232,765
Infrastructure	11,056,640	135,948	-	11,192,588
Total capital assets being depreciated	<u>25,688,091</u>	<u>420,667</u>	<u>-</u>	<u>26,108,758</u>
Less accumulated depreciation				
Buildings	1,841,557	418,686	-	2,260,243
Machinery and equipment	3,625,304	493,912	-	4,119,216
Infrastructure	2,774,839	338,548	-	3,113,387
Total accumulated depreciation	<u>8,241,700</u>	<u>1,251,146</u>	<u>-</u>	<u>9,492,846</u>
Net capital assets being depreciated	17,446,391	(830,479)	-	16,615,912
Total Capital Assets	<u><u>\$ 17,589,121</u></u>	<u><u>\$ 2,277,871</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,866,992</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 8,774
Public safety	863,272
Public works	379,100
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,251,146</u></u>

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 77,615	\$ -	\$ -	\$ 77,615
Construction in progress	878,607	5,346,990	(60,000)	6,165,597
Total capital assets not being depreciated	<u>956,222</u>	<u>5,346,990</u>	<u>(60,000)</u>	<u>6,243,212</u>
Capital assets, being depreciated:				
Buildings	17,350	-	-	17,350
Improvements	19,968,715	-	60,000	20,028,715
Machinery and equipment	848,605	101,838	-	950,443
Total capital assets being depreciated	<u>20,834,670</u>	<u>101,838</u>	<u>60,000</u>	<u>20,996,508</u>
Less accumulated depreciation				
Buildings	13,375	868	-	14,243
Improvements	12,190,787	610,989	-	12,801,776
Machinery and equipment	594,434	54,550	-	648,984
Total accumulated depreciation	<u>12,798,596</u>	<u>666,407</u>	<u>-</u>	<u>13,465,003</u>
Net capital assets being depreciated	8,036,074	(564,569)	60,000	7,531,505
Total Capital Assets	<u><u>\$ 8,992,296</u></u>	<u><u>\$ 4,782,421</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,774,717</u></u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 666,407
Total Business-Type Activities Depreciation Expense	<u><u>\$ 666,407</u></u>

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, being depreciated:				
Building improvements	\$ 23,928	\$ -	\$ -	\$ 23,928
Machinery and equipment	36,950	43,415	-	80,365
Other improvements	14,260	-	-	14,260
Total capital assets being depreciated	<u>75,138</u>	<u>43,415</u>	<u>-</u>	<u>118,553</u>
Less accumulated depreciation				
Building improvements	10,072	743	-	10,815
Machinery and equipment	36,950	6,874	-	43,824
Other improvements	13,941	317	-	14,258
Total accumulated depreciation	<u>60,963</u>	<u>7,934</u>	<u>-</u>	<u>68,897</u>
Net capital assets being depreciated	<u>14,175</u>	<u>35,481</u>	<u>-</u>	<u>49,656</u>
Total Capital Assets	<u><u>\$ 14,175</u></u>	<u><u>\$ 35,481</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 49,656</u></u>

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 151,140	\$ 185,460	\$ (136,026)	\$ 200,574	\$ 180,517
Total Governmental Activities	<u>\$ 151,140</u>	<u>\$ 185,460</u>	<u>\$ (136,026)</u>	<u>\$ 200,574</u>	<u>\$ 180,517</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 20,057</u>	
Business-Type Activities:					
Compensated Absences	\$ 5,913	\$ 1,924	\$ (5,322)	\$ 2,515	\$ 2,263
Total Business-Type Activities	<u>\$ 5,913</u>	<u>\$ 1,924</u>	<u>\$ (5,322)</u>	<u>\$ 2,515</u>	<u>\$ 2,263</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 252</u>	
Component Unit Activities - EDC:					
Compensated Absences	\$ 13,422	\$ 9,193	\$ (12,080)	\$ 10,535	\$ 9,482
Total Component Unit Activities	<u>\$ 13,422</u>	<u>\$ 9,193</u>	<u>\$ (12,080)</u>	<u>\$ 10,535</u>	<u>\$ 9,482</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 1,053</u>	

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

E. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2023. In general, the City uses the debt service fund and general fund to liquidate governmental long-term liabilities and pension liabilities, respectively.

	Beginning Balance	Additions	Reductions/ Refundings	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Certificates of Obligation	\$ 5,250,000	\$ -	\$ (235,000)	\$ 5,015,000	\$ 245,000
General Obligation Refunding Bonds	-	11,520,000	-	11,520,000	-
Tax anticipation notes	5,663,000	1,055,000	(2,565,000)	4,153,000	612,000
Less deferred amounts:					
Premium	228,505	1,087,982	(32,628)	1,283,859	-
Total Governmental Activities	<u>\$ 11,141,505</u>	<u>\$ 13,662,982</u>	<u>\$ (2,832,628)</u>	<u>\$ 21,971,859</u>	<u>\$ 857,000</u>
Long-term liabilities due in more than one year				<u>\$ 21,114,859</u>	
Business-Type Activities:					
Certificates of Obligation	\$ 6,950,000	\$ 14,500,000	\$ (130,000)	\$ 21,320,000	\$ 235,000
General Obligation Refunding Bonds	2,115,000	-	(480,000)	1,635,000	205,000
Less deferred amounts:					
Premium	468,657	390,548	(41,309)	817,896	-
Total Business-Type Activities	<u>\$ 9,533,657</u>	<u>\$ 14,890,548</u>	<u>\$ (651,309)</u>	<u>\$ 23,772,896</u>	<u>\$ 440,000</u>
Long-term liabilities due in more than one year				<u>\$ 23,332,896</u>	
Component Unit					
Note payable to City	\$ 380,000	\$ -	\$ (120,000)	\$ 260,000	\$ 125,000
Total Component Unit Activities	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 260,000</u>	<u>\$ 125,000</u>
Long-term liabilities due in more than one year				<u>\$ 135,000</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Long-term debt at year end was comprised of the following debt issues:

Description	Maturity Date	Interest Rates	Original Balance	Current Balance
Governmental Activities:				
2010 Certificates of Obligation	2/15/2025	2.00-4.00%	\$ 1,600,000	\$ 260,000
2018 Certificates of Obligation	2/15/2030	3.00-4.00%	5,845,000	4,755,000
Total Certificates of Obligation Bonds			<u>7,445,000</u>	<u>5,015,000</u>
2023 General Obligation Ref. Bonds	2/15/2043	4.00-4.50%	11,520,000	11,520,000
Total General Obligation Refunding Bonds			<u>11,520,000</u>	<u>11,520,000</u>
2017 Tax Notes	2/15/2024	1.89%	2,589,000	557,000
2022 Tax Notes	2/15/2029	2.63%	2,740,000	2,541,000
2023 Tax Notes	2/15/2030	3.60%	1,055,000	1,055,000
Total Tax Anticipation Notes			<u>9,292,000</u>	<u>4,153,000</u>
Total Governmental Activities			<u>\$ 28,257,000</u>	<u>\$ 20,688,000</u>
Business-Type Activities:				
2019 Certificates of Obligation	2/15/2044	3.00-5.00%	\$ 7,340,000	\$ 6,820,000
2023 Certificates of Obligation	2/15/2048	4.00-5.00%	14,500,000	14,500,000
Total Certificates of Obligation Bonds			<u>\$ 21,840,000</u>	<u>\$ 21,320,000</u>
2019 General Obligation	2/15/2030	3.00-4.00%	\$ 2,830,000	\$ 1,635,000
Total General Obligation Bonds			<u>\$ 2,830,000</u>	<u>\$ 1,635,000</u>
Total Business-Type Activities			<u>\$ 24,670,000</u>	<u>\$ 22,955,000</u>
Component Unit Activities:				
Note Payable owed to the City	2/15/2025	2.00-4.00%	\$ 1,600,000	\$ 260,000
Total Component Unit Activities			<u>\$ 1,600,000</u>	<u>\$ 260,000</u>

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation		Tax Anticipation Notes	
	Principal	Interest	Principal	Interest
2024	\$ 245,000	\$ 184,050	\$ 612,000	\$ 117,903
2025	835,000	162,750	142,000	102,519
2026	730,000	128,950	462,000	97,941
2027	760,000	96,450	754,000	89,154
2028	790,000	65,450	772,000	72,320
2029-2030	1,655,000	50,025	1,411,000	59,941
Total	\$ 5,015,000	\$ 687,675	\$ 4,153,000	\$ 539,778

Year ending September 30,	General Obligation Bonds	
	Principal	Interest
2024	\$ -	\$ 752,585
2025	405,000	503,975
2026	200,000	488,850
2027	-	483,850
2028	110,000	481,100
2029-2033	2,480,000	2,137,500
2034-2038	3,730,000	1,338,775
2039-2043	4,595,000	474,500
Total	\$ 11,520,000	\$ 6,661,135

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obli. Refunding Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2024	\$ 205,000	\$ 64,025	\$ 235,000	\$ 964,390
2025	210,000	53,650	360,000	823,226
2026	225,000	42,775	365,000	811,922
2027	235,000	32,450	380,000	796,819
2028	245,000	22,850	400,000	777,319
2029-2033	515,000	16,925	3,145,000	3,545,493
2034-2038	-	-	4,480,000	2,737,815
2039-2043	-	-	5,420,000	1,796,613
2044-2048	-	-	6,535,000	692,332
Total	\$ 1,635,000	\$ 232,675	\$ 21,320,000	\$ 12,945,929

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The annual requirements to amortize component unit activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2024	\$ 125,000	12,800
2025	135,000	10,600
Total	\$ 260,000	\$ 23,400

F. Interfund Transactions

Transfers between the primary government funds during the 2023 year were as follows:

Transfers Out	Transfers In:	
	General	Total
Utility	\$ 723,588	\$ 723,588
Nonmajor proprietary	12,287	12,287
Total	\$ 735,875	\$ 735,875

Transfers between funds were primarily to support debt service requirements and operation of funds.

During the year, the EDC discretely present component unit contributed \$19,099 and \$300,000 to the general fund and street construction fund, respectively, for operating expenses.

The compositions of interfund balances as of year end were as follows:

Due to other funds (Payable Funds):	Due from other funds (Receivable Funds):				Total
	General	Street Impact Fees	Utility	Nonmajor Utility	
General	\$ -	\$ 369,360	\$ 700,000	\$ -	\$ 1,069,360
Street Construction	2,004,226	-	-	-	2,004,226
New City Hall	-	107,580	-	-	107,580
Nonmajor governmental	840,295	1,361,992	-	-	2,202,287
Utility	-	-	-	2,646,551	2,646,551
Nonmajor proprietary	367,209	-	-	39,209	406,418
Total	\$ 3,211,730	\$ 1,838,932	\$ 700,000	\$ 2,685,760	\$ 8,436,422

Interfund receivables and payables relate to various amounts used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

As of yearend, the EDC recorded a payable to the primary government totaling \$147,733.

H. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted net position of the City:

	Governmental Activities	Business-Type Activities	Hutchins EDC
Restricted for:			
Debt service	\$ 265,496	\$ -	\$ -
* Public safety	300,086	-	-
Capital improvements	6,852,130	2,021,016	-
Economic development	-	-	4,568,664
Pension	6,857	286	-
Tourism	2,251,035	-	-
Total	\$ 9,675,604	\$ 2,021,302	\$ 4,568,664

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded 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. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on its Basic Financial Statements.

C. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Hutchins 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 agent 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 Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. 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.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits 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 2021</u>	<u>Plan Year 2022</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	1.5 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% Repeating Transfers	50% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	30% of CPI

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	73
Active employees	85
Total	180

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Employees for the City of Hutchins were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hutchins were 7.65% and 7.58% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$435,887, and equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75 per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

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

Discount Rate:

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

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Sensitivity of the Net Pension Liability (Asset) 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 (asset) 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%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,874,422	\$ (7,143)	\$ (1,518,460)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/21	\$ 10,259,136	\$ 11,674,260	\$ (1,415,124)
Changes for the year:			
Service Cost	749,950	-	749,950
Interest	705,662	-	705,662
Change in benefit terms	-	-	-
Difference between expected and actual experience	(166,393)	-	(166,393)
Changes of assumptions	-	-	-
Contributions – employer	-	382,474	(382,474)
Contributions – employee	-	349,977	(349,977)
Net investment income	-	(852,639)	852,639
Benefit payments, including refunds of emp. contributions	(359,717)	(359,717)	-
Administrative expense	-	(7,374)	7,374
Other changes	-	8,800	(8,800)
Net changes	929,502	(478,479)	1,407,981
Balance at 12/31/22	\$ 11,188,638	\$ 11,195,781	\$ (7,143)

Pension Plan Fiduciary Net Position:

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

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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

For the year ended September 30, 2023, the City recognized pension expense of \$393,713.

At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ -	\$ (224,142)
Changes in actuarial assumptions	1,191	-
Investment earnings	779,911	-
Contributions subsequent to the measurement date	336,085	-
Total	\$ 1,117,187	\$ (224,142)

The City reported \$336,085 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$ (61,423)
2024	128,116
2025	162,140
2026	328,127
2023	-
Thereafter	-
Total	\$ 556,960

Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This 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 or not including retirees. The City elected, by ordinance, to provide group-term life insurance

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The City offers supplemental death to:	Plan Year 2021	Plan Year 2022
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF 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.

The City's contributions to the TMRS SDBF for the years ended 2023 and 2022 were \$1,722 and \$1,650, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.03%	0.03%	100.0%
2023	0.03%	0.03%	100.0%

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	9
Active employees	85
Total	111

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease (3.05%)	Current Single Rate Assumption 4.05%	1% Increase (5.05%)
\$ 135,326	\$ 109,922	\$ 90,514

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2021	\$ 171,822
Changes for the year:	
Service Cost	16,999
Interest	3,304
Difference between expected and actual experience	(13,333)
Changes of assumptions	(67,370)
Benefit payments	(1,500)
Net changes	(61,900)
Balance at 12/31/2022	<u>\$ 109,922</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of
Resources Related to OPEB**

For the year ended September 30, 2023, the City recognized OPEB expense of \$13,199.

City of Hutchins, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Assumption changes	\$ -	(27,242)
Difference between expected and actual experience	-	(29,674)
Contributions subsequent to measurement date	1,330	-
Total	<u>\$ 1,330</u>	<u>\$ (56,916)</u>

The City reported \$1,330 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:

2023	\$ (7,104)
2024	(7,458)
2025	(8,012)
2026	(10,322)
2027	(12,101)
Thereafter	(11,919)
	<u>\$ (56,916)</u>

D. Tax Abatement Disclosures

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements may be established upon property in designated reinvestment zones within the City. No incentive shall be provided which abates taxes on real property or personal property by more than a total of seven hundred percent (700%) of investment in eligible property. The duration of an agreement shall not exceed ten (10) years or one-half (1/2) the economic life of the property, whichever is less. The threshold criteria used for the abatement include creating at least five new, full-time equivalent jobs and an investment of at least \$350,000 in property improvements or in personal property. The City recaptures any and all property tax revenue lost as a result of the agreement if the owner of the property is in default of the agreement. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax

City of Hutchins, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

abatement, which is not to exceed ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner. The City abated \$108,393 under the agreements during the current year.

E. Restatements

The City restated beginning net position/fund balance of governmental activities, business-type activities, component unit activities, the general fund, the utility fund, and a nonmajor governmental fund in order to correct prior year payroll accruals, occupancy revenue, and capital assets. The restatements are summarized below:

	Governmental Activities	General Fund	Nonmajor Governmental
Prior year ending net position/fund balance, as reported	\$ 26,079,913	\$ 6,178,977	\$ 6,701,555
Correct payroll accrual	202,313	202,313	-
Correct hotel occupancy revenue	40,377	-	40,377
Correct capital asset balances	(30,543)	-	-
Restated beginning net position/fund balance	<u>\$ 26,292,060</u>	<u>\$ 6,381,290</u>	<u>\$ 6,741,932</u>
	Business-Type Activities	Utility Fund	
Prior year ending fund balance/net position, as reported	\$ 13,852,906	\$ 11,252,501	
Correct payroll accrual	7,196	7,196	
Correct capital asset balances	30,543	30,543	
Restated beginning fund balance/net position	<u>\$ 13,890,645</u>	<u>\$ 11,290,240</u>	
	Component- Unit Activities		
Prior year ending net position, as reported	\$ 3,397,790		
Correct payroll accrual	4,459		
Restated beginning net position	<u>\$ 3,402,249</u>		

F. Subsequent Events

There were no material subsequent events through October 21, 2024, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION



City of Hutchins, Texas

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

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 4,477,916	\$ 4,477,916	\$ 4,594,135	\$ 116,219
Sales tax	2,644,838	2,644,838	4,445,018	1,800,180
Franchise and local taxes	518,000	518,000	607,888	89,888
License, permits and fees	727,500	727,500	1,726,363	998,863
Intergovernmental	278,500	278,500	260,852	(17,648)
Fines and forfeitures	119,650	119,650	193,703	74,053
Charges for services	355,000	355,000	143,728	(211,272)
Contributions and donations	11,700	11,700	32,440	20,740
Investment income	3,500	3,500	702,636	699,136
Other revenue	1,025	1,025	93,245	92,220
Total Revenues	9,137,629	9,137,629	12,800,008	3,662,379
<u>Expenditures</u>				
Current:				
General government	2,219,851	2,244,576	2,075,686	168,890
Public safety	6,871,425	6,347,442	6,127,008	220,434
Public works	1,172,971	1,333,254	1,479,706	(146,452)
Municipal court	-	-	23,310	(23,310)
Cultural and recreation	162,921	174,921	162,876	12,045
Other	63,691	75,691	98,031	(22,340)
Capital outlay	960,620	128,557	462,036	(333,479)
Total Expenditures	11,451,479	10,304,441	10,428,653	(124,212) *
Revenues Over (Under)				
Expenditures	(2,313,850)	(1,166,812)	2,371,355	3,538,167
<u>Other Financing Sources (Uses)</u>				
Transfers in	292,937	342,937	735,875	392,938
Transfers (out)	-	(185,000)	-	185,000
Debt issuance	1,395,383	-	-	-
Insurance proceeds	-	-	26,147	26,147
Total Other Financing Sources	1,688,320	157,937	762,022	604,085
Net Change in Fund Balance	\$ (625,530)	\$ (1,008,875)	3,133,377	\$ 4,142,252
Beginning fund balance			6,381,290	
Ending Fund Balance			\$ 9,514,667	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control (fund level).

City of Hutchins, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2022	12/31/2021	12/31/2020
Total pension liability			
Service cost	\$ 749,950	\$ 681,662	\$ 619,925
Interest	705,662	639,505	650,856
Changes in benefit terms	-	(894,557)	-
Differences between expected and actual experience	(166,393)	(62,214)	(246,055)
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(359,717)	(266,283)	(392,095)
Net change in total pension liability	929,502	98,113	632,631
Total pension liability - beginning	\$ 10,259,136	\$ 10,161,023	\$ 9,528,392
Total pension liability - ending (a)	\$ 11,188,638	\$ 10,259,136	\$ 10,161,023
Plan fiduciary net position			
Contributions - employer	\$ 382,474	\$ 413,929	\$ 380,079
Contributions - members	349,977	317,397	293,406
Net investment income	(852,639)	1,293,274	680,204
Benefit payments, including refunds of participant contributions	(359,717)	(266,283)	(392,095)
Administrative expenses	(7,374)	(5,985)	(4,403)
Other	8,800	41	(172)
Net change in plan fiduciary net position	(478,479)	1,752,373	957,019
Plan fiduciary net position - beginning	11,674,260	9,921,887	8,964,868
Plan fiduciary net position - ending (b)	\$ 11,195,781	\$ 11,674,260	\$ 9,921,887
Fund's net pension liability (asset) - ending (a) - (b)	\$ (7,143)	\$ (1,415,124)	\$ 239,136
Plan fiduciary net position as a percentage of the total pension liability	100.06%	113.79%	97.65%
Covered payroll	\$ 4,999,664	\$ 4,556,562	\$ 4,191,511
Fund's net position as a percentage of covered payroll	-0.14%	-31.06%	5.71%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014 ¹
\$ 617,503	\$ 566,528	\$ 525,819	\$ 445,512	\$ 345,790	\$ 292,822
594,784	528,032	464,247	417,233	387,112	350,099
-	-	-	-	148,704	-
(103,481)	125,548	269,235	71,042	(4,828)	(114,725)
27,647	-	-	-	26,164	-
(221,842)	(291,505)	(377,892)	(176,980)	(129,117)	(220,126)
914,611	928,603	881,409	756,807	773,825	308,070
\$ 8,613,781	\$ 7,685,178	\$ 6,803,769	\$ 6,046,962	\$ 5,273,137	\$ 4,965,067
\$ 9,528,392	\$ 8,613,781	\$ 7,685,178	\$ 6,803,769	\$ 6,046,962	\$ 5,273,137
\$ 367,210	\$ 327,188	\$ 294,402	\$ 238,522	\$ 175,269	\$ 133,871
295,456	273,308	252,971	215,670	176,424	161,849
1,141,048	(218,980)	869,489	379,823	7,957	287,871
(221,842)	(291,505)	(377,892)	(176,980)	(129,117)	(220,126)
(6,455)	(4,229)	(4,503)	(4,287)	(4,846)	(3,005)
(194)	(221)	(228)	(231)	(241)	(247)
1,575,223	85,561	1,034,239	652,517	225,446	360,213
7,389,645	7,304,084	6,269,845	5,617,328	5,391,882	5,031,669
\$ 8,964,868	\$ 7,389,645	\$ 7,304,084	\$ 6,269,845	\$ 5,617,328	\$ 5,391,882
\$ 563,524	\$ 1,224,136	\$ 381,094	\$ 533,924	\$ 429,634	\$ (118,745)
94.09%	85.79%	95.04%	92.15%	92.90%	102.25%
\$ 4,220,799	\$ 3,904,398	\$ 3,613,875	\$ 3,080,994	\$ 2,520,338	\$ 2,312,131
13.35%	31.35%	10.55%	17.33%	17.05%	-5.14%

City of Hutchins, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Actuarially determined employer contributions	\$ 435,887	\$ 440,251	\$ 393,127
Contributions in relation to			
the actuarially determined contribution	<u>\$ 435,887</u>	<u>\$ 440,251</u>	<u>\$ 393,127</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,738,437	\$ 5,048,380	\$ 4,341,428
Employer contributions as			
a percentage of covered payroll	7.60%	8.72%	9.06%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 378,562	\$ 353,047	\$ 320,273	\$ 289,216	\$ 210,759	\$ 161,023
<u>\$ 378,562</u>	<u>\$ 353,047</u>	<u>\$ 320,273</u>	<u>\$ 289,216</u>	<u>\$ 210,759</u>	<u>\$ 161,023</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,221,372	\$ 4,096,339	\$ 3,848,955	\$ 3,573,032	\$ 2,817,230	\$ 2,412,603
8.97%	8.62%	8.32%	8.09%	7.48%	6.67%

City of Hutchins, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended December 31,

	2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 16,999	\$ 15,037	\$ 12,155	\$ 9,286
Interest	3,304	3,355	3,863	3,782
Differences between expected and actual experience	(13,333)	(12,248)	(15,649)	(2,893)
Changes of assumptions	(67,370)	6,379	26,585	27,335
Benefit payments, including refunds of participant contributions	(1,500)	(1,823)	(419)	(422)
Net change in total OPEB liability	(61,900)	10,700	26,535	37,088
Total OPEB liability - beginning	\$ 171,822	\$ 161,122	\$ 134,587	\$ 97,499
Total OPEB liability - ending	\$ 109,922	\$ 171,822	\$ 161,122	\$ 134,587
Covered payroll	\$ 4,999,664	\$ 4,556,562	\$ 4,191,511	\$ 4,220,799
Fund's net position as a percentage of covered payroll	2.20%	3.77%	3.84%	3.19%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>2018</u>	<u>2017</u> ¹
\$ 8,590	\$ 6,866
3,227	2,949
1,544	-
(8,854)	9,166
(390)	(361)
<u>4,117</u>	<u>18,620</u>
\$ 93,382	\$ 74,762
<u>\$ 97,499</u>	<u>\$ 93,382</u> ²
\$ 3,904,398	\$ 3,613,875
2.50%	2.58%

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FORM OF BOND COUNSEL OPINION – WEST & ASSOCIATES, LLP

_____, 2025

WE HAVE ACTED as Bond Counsel for the CITY OF HUTCHINS, TEXAS, a municipal corporation of the State of Texas (the “City”) in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF HUTCHINS, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025A, dated September 1, 2025, in the aggregate principal amount of \$8,590,000, maturing on February 15 in the years 2028 through and including 2045. The Certificates are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest and may be transferred and exchanged as set out in the Certificates and in the ordinance (the “Ordinance”) adopted by the City Council of the City (the “City Council”) authorizing their issuance.

WE HAVE ACTED as Bond Counsel 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. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. I-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium

or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law;

(2) The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

(3) The Certificates are further secured by the revenues to be derived from the City's water and sewer system after the payment of all operation and maintenance expenses thereof in an amount not to exceed \$1,000, to the extent that ad valorem taxes are ever insufficient or unavailable for such purposes.

The City has reserved the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind secured by a pledge of the Net Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of net revenues securing the Certificates.

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

Respectfully submitted,

APPENDIX D

FORM OF SPECIAL TAX COUNSEL'S OPINION

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FORM OF SPECIAL TAX COUNSEL OPINION

October 2, 2025

Re: City of Hutchins, Texas
Combination Tax and Revenue Certificates of Obligation, Series 2025A

Ladies and Gentlemen:

We have served as special tax counsel to the City of Hutchins, Texas (the “City”) in connection with its issuance of its Combination Tax and Revenue Certificates of Obligation, Series 2025A (the “Certificates”), in the principal amount of \$8,590,000. The Certificates are authorized by an ordinance to be passed by the City Council of the City (the “City Council”) on September 15, 2025 (the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

We have served as special tax counsel for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the federal income tax law and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, including the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates.

Based on our examination as described above and in reliance on the legal opinion of West & Associates L.L.P., as Bond Counsel, dated the date hereof, that the Certificates have been authorized and issued in accordance with the Constitution and laws of the State of Texas and is a valid and legally binding obligation of the City, we are of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

The opinion set forth in the first sentence of the immediately preceding paragraph is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be,

excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance and the Tax Certificate executed by the City on the date hereof to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinion is based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

Our opinion is based on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion 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 opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgment as of the date hereof based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

JACKSON WALKER LLP

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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Municipal Advisory Services
Provided By

