HTS Continuing Disclosure Services
A Division of Hilltop Securities

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated April 2, 2025

Ratings:
S&P: "AA"
Moody's: "Aa3"
See "OTHER INFORMATION - Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – The Certificates and 2025A Bonds" herein.

THE CERTIFICATES **WILL NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

Terrell AMERICA®

$4,250,000*
CITY OF TERRELL, TEXAS
(Kaufman County)
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM
(LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: April 1, 2025
Interest to Accrue from Date of Delivery

Due: August 15, as shown on page 2

PAYMENT TERMS. . . Interest on the $4,250,000* City of Terrell, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Date of Delivery, and 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 OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the City's Home Rule Charter, 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 Chapter 1371, Texas Government Code, as amended, and an ordinance (the "Certificates Ordinance") passed by the City Council (the "Council") of the City of Terrell, Texas (the "City") on March 4, 2025, in which the Council delegated pricing of the Certificates and certain other matters to a "Pricing Officer" who will approve and execute a "Certificates Pricing Certificate" which will complete the sale of the Certificates (the Certificates Ordinance and Certificates Pricing Certificate are jointly referred to as the "Certificates Ordinance"), and constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of the Net Revenues of the City's waterworks and sewer system (the "System"), as provided in the Ordinance (see "THE OBLIGATIONS - Authority for Issuance of the Certificates" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (i) equipment related to public safety to-wit: two (2) fire engines and radio communications equipment, including site processors, transceivers and distribution systems; and (ii) professional services rendered in connection therewith.

CUSIP PREFIX: 881388

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the issuance of the $8,435,000* City of Terrell, Texas, General Obligation Refunding Bonds, Series 2025A (the "2025A Bonds") and the $3,615,000* City of Terrell, Texas, General Obligation Refunding Bonds, Taxable Series 2025B (the "2025B Txbl Bonds," sometimes referred to collectively as the "Bonds") under a common Official Statement. The 2025A Bonds, 2025B Txbl Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". While the Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters (shown below) of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton LLP, Dallas, Texas.

DELIVERY. . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about May 8, 2025 ("Date of Delivery").

RAYMOND JAMES **CABRERA CAPITAL MARKETS LLC**

* Preliminary, subject to change.

CUSIP Prefix: 881388 [1]

MATURITY SCHEDULE*

**COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM
(LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

Maturity (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [1]
2026	$ 210,000			
2027	285,000			
2028	300,000			
2029	315,000			
2030	325,000			
2031	340,000			
2032	355,000			
2033	375,000			
2034	390,000			
2035	405,000			
2036	175,000			
2037	180,000			
2038	190,000			
2039	200,000			
2040	205,000			

(Interest to accrue from the Date of Delivery)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein provided is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters, the Financial Advisor or their agents or counsel shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 20____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial certificates of consecutive maturities are combined into one or more "term" Certificates (the "Term Certificates") by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with provisions of the Certificate Ordinance.

* Preliminary, subject to change.

HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated April 2, 2025

Ratings:
S&P: "AA"
Moody's: "Aa3"
See "OTHER INFORMATION - Ratings" herein

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the 2025A Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – The Certificates and 2025A Bonds" herein.

THE 2025A BONDS **WILL NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

Terrell AMERICA®

$8,435,000*
CITY OF TERRELL, TEXAS
(Kaufman County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025A

Dated Date: April 1, 2025
Interest to Accrue from Date of Delivery

Due: February 15, as shown on page 4

PAYMENT TERMS. . . Interest on the $8,435,000* City of Terrell, Texas, General Obligation Refunding Bonds, Series 2025A (the "2025A Bonds") will accrue from the Date of Delivery, and will be payable February 15 and August 15 of each year, commencing August 15, 2025, 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 2025A Bonds 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 2025A Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the 2025A Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2025A Bonds 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 2025A Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The 2025A are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and an ordinance (the "2025A Bonds Ordinance") passed by the City Council (the "Council") of the City of Terrell, Texas (the "City") on March 4, 2025, in which the Council delegated pricing of the 2025A Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "2025A Bonds Pricing Certificate" which will complete the sale of the 2025A Bonds (the 2025A Bonds Ordinance and 2025A Bonds Pricing Certificate are jointly referred to as the "2025A Bonds Ordinance," and together with the Certificate Ordinance and 2025B Txbl Bond Ordinance, herein collectively referred to as the "Ordinances"). The 2025A Bonds constitute direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax on all taxable property in the City, within the limits prescribed by law (see "THE OBLIGATIONS - Security and Source of Payments").

PURPOSE. . . Proceeds from the sale of the 2025A Bonds will be used for (i) refunding a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

CUSIP PREFIX: 881388

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

SEPARATE ISSUES . . . The 2025A Bonds are being offered by the City concurrently with the issuance of the $4,250,000* City of Terrell, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") and the $3,615,000* City of Terrell, Texas, General Obligation Refunding Bonds, Taxable Series 2025B (the "2025B Txbl Bonds" and with the 2025A Bonds, sometimes collectively referred to as the "Bonds") under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Certificates and Bonds are hereinafter sometimes referred to as collectively as the "Obligations". While the Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY. . . The 2025A Bonds are offered for delivery when, as and if issued and received by the Underwriters (shown below) of the 2025A Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton LLP, Dallas, Texas.

DELIVERY. . . It is expected that the 2025A Bonds will be available for delivery through the facilities of DTC on or about May 8, 2025 ("Date of Delivery").

RAYMOND JAMES **CABRERA CAPITAL MARKETS LLC**

* Preliminary, subject to change.

CUSIP Prefix: 881388 [(1)]

MATURITY SCHEDULE*

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025A

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
2026	$ 565,000			
2027	820,000			
2028	865,000			
2029	905,000			
2030	955,000			
2031	1,005,000			
2032	1,050,000			
2033	1,105,000			
2034	1,165,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem the 2025A Bonds having stated maturities on and after February 15, 20____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025A Bond Ordinance.

* Preliminary, subject to change.

HTS Continuing Disclosure Services
A Division of Hilltop Securities
(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated April 2, 2025

Ratings:
S&P: "AA"
Moody's: "Aa3"
See "OTHER INFORMATION - Ratings" herein

NEW ISSUE - Book-Entry-Only

Interest on the 2025B Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS – 2025B Txbl Bonds" herein.

Terrell AMERICA

$3,615,000*
CITY OF TERRELL, TEXAS
(Kaufman County)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2025B

Dated Date: April 1, 2025 **Due: February 15, as shown on page 6**
Interest to Accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $3,615,000* City of Terrell, Texas, General Obligation Refunding Bonds, Taxable Series 2025B (the "2025B Txbl Bonds") will accrue from the Date of Delivery, and will be payable February 15 and August 15 of each year, commencing August 15, 2025, 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 2025B Txbl Bonds 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 2025B Txbl Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the 2025B Txbl Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the 2025B Txbl Bonds 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 2025B Txbl Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The 2025B Txbl Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and an ordinance (the "2025B Txbl Bonds Ordinance") passed by the City Council (the "Council") of the City of Terrell, Texas (the "City") on March 4, 2025, in which the Council delegated pricing of the 2025B Txbl Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "2025B Txbl Bonds Pricing Certificate" which will complete the sale of the 2025B Txbl Bonds (the 2025B Txbl Bonds Ordinance and 2025B Txbl Bonds Pricing Certificate are jointly referred to as the "2025B Txbl Bond Ordinance," and together with the Certificate Ordinance and 2025A Bond Ordinance, herein collectively referred to as the "Ordinances"). The 2025B Txbl Bonds constitute direct obligations of the City, payable from a levy and collection of a direct and continuing annual ad valorem tax on all taxable property in the City, within the limits prescribed by law (see "THE OBLIGATIONS - Security and Source of Payments").

PURPOSE. . . Proceeds from the sale of the 2025B Txbl Bonds will be used for (i) refunding a portion of the City's outstanding taxable debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

CUSIP PREFIX: 881388

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 6

SEPARATE ISSUES . . . The 2025B Txbl Bonds are being offered by the City concurrently with the issuance of the $4,250,000* City of Terrell, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") and the $8,435,000* City of Terrell, Texas, General Obligation Refunding Bonds, Series 2025A (the "2025A Bonds," and with the 2025B Txbl Bonds sometimes referred to collectively as the "Bonds") under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". While the Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY. . . The 2025B Txbl Bonds are offered for delivery when, as and if issued and received by the Underwriters (shown below) of the 2025B Txbl Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton LLP, Dallas, Texas.

DELIVERY. . . It is expected that the 2025B Txbl Bonds will be available for delivery through the facilities of DTC on or about May 8, 2025 ("Date of Delivery").

RAYMOND JAMES **CABRERA CAPITAL MARKETS LLC**

* Preliminary, subject to change.

CUSIP Prefix: 881388 [(1)]

MATURITY SCHEDULE*

GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2025B

Maturity (2/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
2026	$ 145,000			
2027	155,000			
2028	160,000			
2029	170,000			
2030	175,000			
2031	190,000			
2032	200,000			
2033	215,000			
2034	225,000			
2035	235,000			
2036	250,000			
2037	265,000			
2038	280,000			
2039	300,000			
2040	315,000			
2041	335,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem the 2025B Txbl Bonds having stated maturities on and after February 15, 20____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025B Txbl Bonds Ordinance.

* Preliminary, subject to change.

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, this document, as the same may be supplemented or corrected from time to time, may be treated as an Official Statement with respect to the Obligations described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

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

The prices and other terms respecting the offering and sale of the Obligations may be changed from time to time by the Underwriters after the Obligations are released for sale, and the Obligations may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Obligations into investment accounts.

THE OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY.

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

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

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 "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER."

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

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

PRELIMINARY 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 Obligations 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 Terrell, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Kaufman County, Texas. The City covers approximately 28 square miles (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS....................... The $4,250,000* City of Terrell, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") are currently expected to be issued as serial certificates maturing August 15 in each of the years 2026 through 2040, unless the Underwriters designate one or more maturities as Term Certificates (see "THE OBLIGATIONS - Description of the Obligations").

The $8,435,000* City of Terrell, Texas General Obligation Refunding Bonds, Series 2025A (the "2025A Bonds"), are expected to be issued as serial bonds maturing on February 15 in each of the years 2026 through 2034, unless the Underwriters designate one or more maturities as Term Bonds (see "THE OBLIGATIONS – Description of the Obligations").

The $3,615,000* City of Terrell, Texas General Obligation Refunding Bonds, Taxable Series 2025B (the "2025B Txbl Bonds"), are expected to be issued as serial bonds maturing on February 15 in each of the years 2026 through 2041, unless the Underwriters designate one or more maturities as Term Bonds (see "THE OBLIGATIONS – Description of the Obligations").

The 2025A Bonds, 2025B Txbl Bonds and the Certificates are sometimes referred to collectively herein as the "Obligations".

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Date of Delivery, and is payable commencing February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

Interest on the 2025A Bonds accrues from the Date of Delivery and is payable August 15, 2025, and each February 15 and August 15 thereafter until maturity or prior redemption. (See "THE OBLIGATIONS - Description of the Obligations").

Interest on the 2025B Txbl Bonds accrues from the Date of Delivery and is payable August 15, 2025, and each February 15 and August 15 thereafter until maturity or prior redemption. (See "THE OBLIGATIONS - Description of the Obligations").

AUTHORITY FOR ISSUANCE .... The Certificates are authorized and issued pursuant to the City's Home Rule Charter, the Constitution and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended and an ordinance (the "Certificate Ordinance") passed by the City Council of the City (the "Council") on March 4, 2025, in which the Council delegated pricing of the Certificates and certain other matters to a "Pricing Officer" who will approve and execute a "Certificates Pricing Certificate" which will complete the sale of the Certificates (the Certificates Ordinance and Certificates Pricing Certificate are jointly referred to as the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").

The 2025A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and an ordinance (the "2025A Bonds Ordinance") passed by the City Council of the City (the "Council") on March 4, 2025, in which the Council delegated pricing of the 2025A Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "2025A Bonds Pricing Certificate" which will complete the sale of the 2025A Bond (the 2025A Bond Ordinance and 2025A Bond Pricing Certificate are jointly referred to as the "2025A Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Obligations of the 2025A Bonds").

* Preliminary, subject to change.

The 2025B Txbl Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and an ordinance (the "2025B Txbl Bonds Ordinance") passed by the City Council of the City (the "Council") on March 4, 2025, in which the Council delegated pricing of the 2025B Txbl Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "2025B Txbl Bonds Pricing Certificate" which will complete the sale of the 2025B Txbl Bond (the 2025B Txbl Bond Ordinance and 2025B Txbl Bond Pricing Certificate are jointly referred to as the "2025B Txbl Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Obligations of the 2025B Txbl Bonds").

The 2025A Bond Ordinance, 2025B Txbl Bond Ordinance and Certificate Ordinance, herein are sometimes collectively referred to as the "Ordinances".

SECURITY FOR THE CERTIFICATES............................... The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the ordinance authorizing the Certificates and a limited pledge (not to exceed $1,000) of the Net Revenues of the System (see "THE OBLIGATIONS - Security and Source of Payment").

SECURITY FOR THE 2025A BONDS .... The 2025A Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the 2025A Bond Ordinance (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitation").

SECURITY FOR THE 2025B TXBL BONDS .... The 2025B Txbl Bonds constitute direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City as provided in the 2025B Txbl Bond Ordinance (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitation").

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City **will not** designate the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions.

REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial certificates of consecutive maturities are combined into one or more Term Certificates by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with provisions of the Certificate Ordinance.

The City reserves the right, at its option, to redeem 2025A Bonds having stated maturities on and after February 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more Term Bonds by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025A Bond Ordinance.

The City reserves the right, at its option, to redeem 2025B Txbl Bonds having stated maturities on and after February 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more Term Bonds by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025B Txbl Bond Ordinance.

TAX STATUS................................ In the opinion of Bond Counsel, the interest on the Certificates and 2025A Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS – Certificates and 2025A Bonds" herein.

Interest on the 2025B Bonds is **not** excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS – The 2025B Txbl Bonds" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) equipment related to public safety to-wit: two (2) fire engines and radio communications equipment, including site processors, transceivers and distribution systems; and (ii) professional services rendered in connection therewith.

Proceeds from the sale of the 2025A Bonds will be used for (i) refunding a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

Proceeds from the sale of the 2025B Txbl Bonds will be used for (i) refunding a portion of the City's outstanding taxable debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

RATINGS .... The Obligations and the currently outstanding tax supported debt of the City are rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations 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 Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations 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 Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population (1)	Taxable Assessed Valuation (2)	Per Capita Taxable Assessed Valuation	Funded Tax Debt (3)	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	18,000	$1,601,767,952	$ 88,987	$ 78,680,000	4,371	4.91%	98.92%
2022	20,924	1,718,502,573	82,131	74,685,000	3,569	4.35%	104.47%
2023	20,924	2,030,156,955	97,025	116,565,000	5,571	5.74%	97.54%
2024	21,480	2,380,862,274	110,841	112,620,000	5,243	4.73%	98.03% (4)
2025	21,480	2,621,466,181	122,042	112,540,000 (5)	5,239 (5)	4.29% (5)	73.93% (6)

(1) Source: U.S. Census Bureau
(2) As reported by the Kaufman Central Appraisal District on the City's annual State Property Tax Board Report and is subject to changes during ensuing year.
(3) Includes self-supporting debt.
(4) Unaudited.
(5) Projected. Includes the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.
(6) Collections as of January 31, 2025. Unaudited.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ending September 30,				
	2024[1]	2023	2022	2021	2020
Beginning Balance	$ 6,015,247	$ 6,009,498	$ 5,581,572	$ 4,817,209	$ 3,471,810
Total Revenue	36,850,912	33,093,059	28,752,309	26,631,141	23,534,713
Total Expenditures	38,232,140	31,150,429	28,559,110	25,521,712	23,459,824
Other Financing Sources (Uses)	1,642,815	(1,936,881)	234,727	(345,066)	1,270,510
Net Funds Available	261,587	5,749	427,926	764,363	1,345,399
Ending Balance	$ 6,276,834	$ 6,015,247	$ 6,009,498	$ 5,581,572	$ 4,817,209

(1) Unaudited.

For additional information regarding the City, please contact:

Mike Sims		Jason Hughes
City Manager		Senior Managing Director
City of Terrell	or	Hilltop Securities Inc.
201 E. Nash Street		717 N. Harwood Street, Suite 3400
Terrell, Texas 75160		Dallas, Texas 75201
(972) 551-6600		(214) 953-8707

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Rick Carmona Mayor	6 Years	May, 2025	Retired Business Owner
Donna Renee Anderson Councilmember, District 2	1 Year	May, 2027	Retired
Mayrani Velazquez, MBA Councilmember, District 3	6 Years	May, 2026	Social Worker
Stephanie Holmes-Thomas, PhD Mayor Pro Tem / Councilmember, District 4	4 Years	May, 2027	Nurse/College Professor
Phil Robison Deputy Mayor Pro-Tem / Councilmember, District 5	2 Years	May, 2026	Firefighter

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
Mike Sims	City Manager	17 Years	32 Years
Mark Mills	Assistant City Manager	1 Year	26 Years
Shelly Wallace(1)	Interim Director of Finance	5 Years	9 Years
Dawn Steil	City Secretary	7 Years	7 Years
Sue Pfleging	Human Resource Director	1 Year	20 Years
Chris Snapp	City Engineer	2 Years	8 Years
Arley Sansom	Police Chief	37 Years	37 Years
Shane LeCroy	Fire Chief	6 Years	37 Years

(1) As of the date of this Official Statement, the Director of Finance position is held on an interim basis. The City is conducting a search for a permanent replacement and does not anticipate any disruption to financial operations.

CONSULTANTS AND ADVISORS

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

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF TERRELL, TEXAS

$4,250,000* COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025	$8,435,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2025A

$3,615,000*
GENERAL OBLIGATION REFUNDING BONDS,
TAXABLE SERIES 2025B

INTRODUCTION

This Official Statement, which includes the cover pages, Schedule I and Appendices hereto, provides certain information regarding the issuance of the $4,250,000* Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates"), the $8,435,000* General Obligation Refunding Bonds, Series 2025A (the "2025A Bonds") and the $3,615,000* General Obligation Refunding Bonds, Taxable Series 2025B (the "2025B Txbl Bonds" and, together with the Certificates and the 2025A Bonds, the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "2025A Bond Ordinance" with respect to the 2025A Bonds, "2025B Txbl Bond Ordinance" with respect to the 2025B Txbl Bonds Ordinance, and the "Certificate Ordinance" with respect to the Certificates). The Pricing Officer will complete the sale of the 2025A Bonds, the 2025B Txbl Bonds and the Certificates, respectively, pursuant to authority granted thereto by the City Council of the City (the "Council") in the respective Ordinances. The 2025A Bond Ordinance, 2025B Txbl Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

There follows in this Preliminary Official Statement descriptions of the Obligations 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 Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1873, and first adopted its Home Rule Charter in 1973. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor, who is elected at-large, and four Councilmembers elected by district. The term of office for each position on Council is three years. Under the current election cycle, the term of the Mayor expires in 2025. The terms of District 3 and District 5 expire in 2026 and the terms of District 2 and District 4 expire in 2027. Elections are held each May. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways, streets, a municipal airport, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The City's current estimated population is 21,480. The City covers approximately 28 square miles.

PLAN OF FINANCING

PURPOSE . . . The Certificates are being issued for the purpose of (i) equipment related to public safety to-wit: two (2) fire engines and radio communications equipment, including site processors, transceivers and distribution systems; and (ii) professional services rendered in connection therewith.

The 2025A Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

The 2025B Txbl Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding taxable debt described in Schedule I (the "Refunded Obligations") for debt service savings; and (ii) professional services rendered in connection therewith.

* Preliminary, subject to change.

REFUNDED OBLIGATIONS . . . The Refunded Obligations are being called for redemption on the redemption date set forth in Schedule I. The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations, from funds to be deposited pursuant to a certain Deposit Agreement (the "Deposit Agreement") between the City and U.S. Bank Trust Company, National Association, Dallas, Texas (the "Deposit Agent"). The 2025A Bond Ordinance and the 2025B Txbl Bond Ordinance each provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriters and other funds of the City, if any, the City will deposit with the Deposit Agent an amount necessary, to accomplish the discharge and final payment of the Refunded Obligations on the redemption date. Such funds will be held by the Deposit Agent in a special escrow account (the "Deposit Fund") and used to pay principal and accrued interest on the Refunded Obligations on the redemption date. Under the Deposit Agreement, the Deposit Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. The funds on deposit in the Deposit Fund will not be available to pay debt service on the 2025A Bonds or the 2025B Txbl Bonds. Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the 2025A Bonds and the 2025B Txbl Bonds to the purchasers of such Bonds, the mathematical accuracy of the schedules that demonstrate that the escrowed securities will mature and pay interest in such amounts which, together with uninvested funds in the Deposit Fund, will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of principal of and interest on the Refunded Obligations on their respective redemption dates (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of the proceeds of the 2025A Bonds and the 2025B Txbl Bonds and other funds of the City, if any are required, with the Deposit Agent pursuant to the Deposit Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with applicable State law and the ordinances authorizing the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Deposit Fund held for such purpose by the Deposit Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes, nor for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Deposit Fund for the payment of the Refunded Obligations.

SOURCES AND USES OF OBLIGATION PROCEEDS . . . Proceeds from the sale of the Obligations are expected to be expended as follows:

	The Certificates	The 2025A Bonds	The 2025B Txbl Bond
Sources of Funds			
Par Amount	$ -	$ -	$ -
Reoffering Premium			
Total Sources of Funds	$ -	$ -	$ -
Uses of Funds			
Deposit to Project Construction Fund	$ -	$ -	$ -
Deposit to Deposit Fund			
Total Underwriter's Discount			
Costs of Issuance/Rounding			
Total Uses of Funds	$ -	$ -	$ -

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS. . . The Obligations are dated March 1, 2025 (the "Dated Date") and mature on August 15, with respect to the Certificates, and February 15, with respect to the 2025A Bonds and the 2025B Txbl Bonds, in each of the years and in the amounts shown on pages 2, 4 and 6 hereof. Interest on the Obligations will accrue from the date of initial delivery, 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, with respect to the Certificates, and August 15, 2025, with respect to the 2025A Bonds and the 2025B Txbl Bonds, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and 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. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations 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 Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State, including particularly Chapter 271, Subchapter C, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended and the Certificates Ordinance passed by the Council on March 4, 2025, in which the Council delegated pricing of the Certificates and certain other matters to the Pricing Officer who will approve and execute the Certificates Pricing Certificate which will complete the sale of the Certificates.

AUTHORITY FOR ISSUANCE OF THE 2025A BONDS . . . The 2025A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and the 2025A Bonds Ordinance passed by the Council on March 4, 2025, in which the Council delegated pricing of the 2025A Bonds and certain other matters to the Pricing Officer who will approve and execute the 2025A Bonds Pricing Certificate which will complete the sale of the 2025A Bonds .

AUTHORITY FOR ISSUANCE OF THE 2025B TXBL BONDS . . . The 2025B Txbl Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 Texas Government Code, as amended, and the 2025B Txbl Bonds Ordinance passed by the Council on March 4, 2025, in which the Council delegated pricing of the 2025B Txbl Bonds and certain other matters to the Pricing Officer who will approve and execute the 2025B Txbl Bonds Pricing Certificate which will complete the sale of the 2025B Txbl Bonds.

SECURITY AND SOURCE OF PAYMENT . . . The Obligations constitute direct obligations of the City payable from an annual direct and continuing ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "THE OBLIGATIONS - Tax Rate Limitation" below).

The Certificates are additionally payable from and secured by a limited pledge of the Net Revenues (not to exceed $1,000) of the City's waterworks and sewer system (the "System"), as provided in the Certificate Ordinance (See "THE OBLIGATIONS - Tax Rate Limitation" and "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations").

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct 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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes. The City's Home Rule Charter authorizes a tax rate up to the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In addition, if two or more serial certificates of consecutive maturities are combined into one or more Term Certificates by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with provisions of the Certificate Ordinance.

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.

The City reserves the right, at its option, to redeem 2025A Bonds having stated maturities on and after February 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more Term Bonds by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025A Bond Ordinance.

If less than all the 2025A Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the 2025A Bonds are in Book-Entry-Only form) shall determine by lot the 2025A Bonds, or portions thereof, within such maturity to be redeemed. If a 2025A Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such 2025A Bond (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.

The City reserves the right, at its option, to redeem 2025B Txbl Bonds having stated maturities on and after February 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The OBLIGATIONS - Optional Redemption"). In addition, if two or more serial bonds of consecutive maturities are combined into one or more Term Bonds by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the 2025B Txbl Bond Ordinance.

If less than all the 2025B Txble Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the 2025B Txble are in Book-Entry-Only form) shall determine by lot the 2025B Txble Bonds, or portions thereof, within such maturity to be redeemed. If a 2025B Txble Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such 2025B Txble Bond (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 Obligations, 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 Obligations 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 OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Obligations, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be 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 Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption relating to the Obligations, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations 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 Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Obligations 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 Obligations from the Beneficial Owners. Any such selection of Obligations within a maturity to be redeemed will not be governed by the Ordinances 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 Obligations or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Obligations for redemption. (See "Book-Entry-Only System" herein.)

DEFEASANCE. . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on such Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinances provide, unless otherwise changed by the applicable pricing certificates, that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Obligations. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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 Obligations. Because the Ordinances do not contractually limit such investments, registered owners shall 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 Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinances or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . . The City, may, without the consent of or notice to any Holders of the Obligations, from time to time and at any time, amend the Ordinances in any manner not detrimental to the interests of the Holders of the Obligations, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of the Obligations holding a majority in aggregate principal amount of the Obligations then Outstanding, affected thereby amend, add to, or rescind any of the provisions of the Ordinances; provided that, without the consent of all Holders of the Outstanding Obligations, affected by any such amendment, additional or rescission 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 Obligations, reduce the principal amount thereof, the redemption price, if applicable, 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 Obligations, (2) give any preference to any Obligations over any other Obligations, or (3) reduce the aggregate principal amount of the Obligations required to be held by Holders for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

Neither the City nor the Underwriters can and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, 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 Obligations), 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered security certificate will be issued for each maturity of the Obligations 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 Obligations. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations 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 and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.
To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations 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 the Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 shall be sent to DTC. If less than all of the Obligations 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. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to 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/Registrar on payable dates 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 in 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, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligations 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) with respect to of the Obligations. In that event, Obligations will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations 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 Obligations, 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 Ordinances 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 Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City with respect to the Obligations, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Obligations is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinances, 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 Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued with respect to the Obligations, printed Obligations will be issued to the registered owners of the Obligations and thereafter such printed Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender 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. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated 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 Obligations issued in an exchange or transfer of Obligations 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 Obligations 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 Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligations or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of an Certificate called for redemption in part.

PAYMENT PROVISIONS. . . Interest on the Obligations 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 (hereinafter defined), 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. Principal of the Obligations will be paid to the registered owner at the stated maturity or earlier redemption of an Obligation upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under “THE OBLIGATIONS - Book-Entry-Only System” herein. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“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 Holder of an Obligation 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.

REPLACEMENT OBLIGATIONS . . . If any Obligation is mutilated, destroyed, stolen or lost, a new Obligation in the same principal amount as the Obligation so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Obligation, such new Obligations will be delivered only upon surrender and cancellation of such mutilated Obligation. In the case of any Obligation issued in lieu of and substitution for a Obligation which has been destroyed, stolen or lost, such new Obligation will be delivered only (a) upon filing with the Paying Agent/Registrar evidence to the effect that such Obligation has been destroyed, stolen or lost and proof 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 Obligation must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

REMEDIES . . . The Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest, or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or Ordinances 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 Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, 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 April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests*, *Ltd*. v. *City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson"), that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance 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 the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of Obligations may not be able to bring such a suit against the City for breach of the obligations set forth in the Obligations or in the Ordinances covenants. 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 Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of Obligations 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 creditors' rights 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 Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

AD VALOREM PROPERTY TAXATION

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

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

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 “AD VALOREM PROPERTY TAXATION– City and Taxpayer Remedies”). On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non- homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2024.

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 be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

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

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

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

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

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

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

TAX ABATEMENT AGREEMENTS . . . 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 "AD VALOREM PROPERTY TAXATION – 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 12 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 "AD VALOREM PROPERTY TAXATION – 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.

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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

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

“unused increment rate” means the greater of (1) zero or (ii) the sum of the 2022 foregone revenue amount, the 2023 forgone revenue amount and the 2024 foregone revenue amount divided by the current total value.

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

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, based on a 90% tax collection rate as calculated at the time of issuance.

THE 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. The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the City and also affect the marketability or market value of the Obligations. The City can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the City, the City does not anticipate that the security for payment of the Obligations, specifically, the City's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

CITY APPLICATION OF TAX CODE . . . The City has granted an exemption of 10% of the market value of residence homesteads; minimum exemption of $5,000.

The City grants an additional $5,000 exemption to the market value of the residence homestead for persons 65 years of age or older; disabled individuals are not granted an additional exemption.

The City adopted the tax ceiling for citizens who are disabled or 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004. The tax ceiling for individuals 65 years of age or older was adopted in 2021. The tax ceiling for disabled individuals was adopted in 2024.

The City does not tax nonbusiness personal property; and the Kaufman County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment are not allowed, although permitted on a local option basis by State law.

The City does not tax freeport property.

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, as described below.

See Table 1 for a listing of the amounts of the exemptions described above.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. The City's abatement criteria include a variety of factors that will determine the amount and duration of a tax abatement, including the number of jobs to be created and the value to be added to the City's tax base. Abatements are generally not available for, among other types of property, land, inventories, movable personal property and property with a useful life of less than 15 years. In order to qualify for abatement, the property must add a minimum of $500,000 to the City's tax base. Other considerations include the location of the project within targeted areas of the City, the impact that the project may have on existing businesses in the City and certain environmental factors. For projects adding less than $5 million in value, the abatement criteria permit agreements with 100% tax abatement for the first year, declining to 0% in year 8 or 9, depending on whether the project is a new project or an addition to an existing business. For properties that meet the criteria and that add value that exceeds $5 million, the terms of the abatement agreement are negotiable. The City currently has 11 abatement agreements in effect. The value of property subject to abatement is shown in Table 1.

TAX INCREMENT FINANCING ZONE NO. 1. . . The Terrell Tax Increment Financing District Reinvestment Zone, No. 1 (the "TIF #1") was created through an interlocal agreement between the City and Kaufman County in November 2007. The TIF #1 covers approximately 4,371 acres, or a little over 6.8 square miles. The TIF #1 contains approximately 4,000 undeveloped acres. The project plan associated with the TIF #1 calls for a maximum of $158,500,000 in public improvements over the 30 year life of the TIF #1, none of which are expected to be financed with bond proceeds.

The City contributes 75% of its tax rate on real property within the TIF #1 to a separate TIF#1 fund. Kaufman County contributes 50% of its tax rate, excluding the Road & Bridge Tax Rate and the Debt Service Tax Rate, to the TIF #1 fund. The incremental increase in value for the TIF #1 for fiscal year September 30, 2024 was $463,089,604. The amount of revenue generated to the TIF #1 fund for September 30, 2024 was $3,058,531.

TAX INCREMENT REINVESTMENT ZONE NO. 2. . . The Terrell Tax Increment Reinvestment Zone, No. 2 (the "TIF #2") was created through an interlocal agreement between the City and Kaufman County in September 2022. The TIF #2 covers approximately 1,789.48 acres, or a little over 1.7 square miles. The project plan associated with the TIF #2 calls for a maximum of $528,106,425 in public improvements over the 40 year life of the TIF #2, none of which are expected to be financed with bond proceeds.

The City contributes 80% of its tax rate on real property, excluding the Debt Service Tax Rate, with the TIF #2 to a separate TIF #2 fund. Kaufman County contributes 90% of its tax rate, excluding the Road & Bridge Tax Rate and the Debt Service Tax Rate, to the TIF #2 fund. The incremental increase in value for the TIF #2 for fiscal year September 30, 2024 was $2,025,348. The amount of revenue generated to the TIF #2 fund for September 30, 2024 was $992,243.

TAX INCREMENT REINVESTMENT ZONE NO. 3. . . The Terrell Tax Increment Reinvestment Zone, No. 3 (the "TIF #3") was created through an interlocal agreement between the City and Kaufman County in August 2022. The TIF #3 covers approximately 766.09 acres, or a little over 1.2 square miles. The TIF #3 contains approximately 766.09 undeveloped acres. The project plan associated with the TIF #3 calls for a maximum of $228,890,633 in public improvements over the 40 year life of the TIF #3, none of which are expected to be financed with bond proceeds.

The City contributes 80% of its tax rate on real property, excluding the Debt Service Tax Rate, with the TIF #3 to a separate TIF #3 fund. Kaufman County contributes 90% of its tax rate, excluding the Road & Bridge Tax Rate and the Debt Service Tax Rate, to the TIF #3 fund. The incremental increase in value for the TIF #3 for fiscal year September 30, 2024 was $52,521,031. The amount of revenue generated to the TIF #3 fund for September 30, 2024 was $9,304.

TAX INCREMENT REINVESTMENT ZONE NO. 4. . . The Terrell Tax Increment Reinvestment Zone, No. 4 (the "TIF #4") was created through an interlocal agreement between the City and Kaufman County in November 2022. The TIF #4 covers approximately 700.41 acres, or a little over 1.09 square miles. The TIF #4 contains approximately 700.41 undeveloped acres. The project plan associated with the TIF #4 calls for a maximum of $311,769,923 in public improvements over the 40 year life of the TIF #4, none of which are expected to be financed with bond proceeds.

The City contributes 80% of its tax rate on real property, excluding the Debt Service Tax Rate, with the TIF #4 to a separate TIF #4 fund. Kaufman County contributes 90% of its tax rate, excluding the Road & Bridge Tax Rate and the Debt Service Tax Rate, to the TIF #4 fund. The incremental increase in value for the TIF #4 for fiscal year September 30, 2024 was $35,819,870. The amount of revenue generated to the TIF #4 fund for September 30, 2024 was $9,736.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by the Kaufman Central Appraisal District (excluding totally exempt property)		$ 3,162,256,566
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Homestead Exemptions	$ 5,711,277	
Optional Percentage Homestead Exemptions	77,908,868	
Disabled Veteran Exemption	18,485,262	
Freeport Exemption	91,012,430	
Pollution Control	5,225,213	
Productivity Loss	136,404,201	
Abatements	8,841,928	
Solar	132,396	
Homestead Cap Loss	160,989,453	
Low Income Housing	5,170,000	
Community Housing Development Organizations	8,897,491	
Circuit Breaker Limitation	22,011,866	540,790,385
2024/25 Taxable Assessed Valuation		$ 2,621,466,181
Funded Debt Payable from Ad Valorem Taxes (as of 2/15/25)		
Outstanding Debt[(1)]	$ 98,355,000	
The 2025A Bonds[(2)]	8,435,000	
The 2025B Txbl Bonds[(2)]	3,615,000	
The Certificates[(2)]	4,250,000	
Total City Funded Debt Payable from Ad Valorm Taxes (as of 2/15/25)[(2)]		$ 114,655,000
Less Self-Supporting Debt[(3)]		
System Revenues	$ 48,405,865	
TIRZ/PADIC[(4)]	9,430,000	$ 57,835,865
Net Funded Debt Payable from Ad Valorem Taxes (as of 2/15/25)		$ 56,819,135
Interest and Sinking Fund (as of 2/15/25)		$ 703,615
Ratio Total Funded Debt to Taxable Assessed Valuation		4.37%
Ratio Net Funded Debt to Taxable Assessed Valuation		2.17%

2025 Estimated Population - 21,480
Per Capita Taxable Assessed Valuation - $122,042
Per Capita Total Funded Debt - $5,338
Per Capita Net Funded Debt - $2,645

(1) Excludes the Refunded Obligations. Preliminary, subject to change. Does not include any limited tax debt obligations payable from the City's Maintenance & Operations tax rate (see "TABLE 11 – OTHER OBLIGATIONS").
(2) Preliminary, subject to change.
(3) Subject to annual appropriation by the City Council from various net revenues sources. It is the City's current policy to pay such self-supporting debt from such revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. Includes a portion of the Certificates. Preliminary, subject to change.
(4) PADIC is the City of Terrell Park and Downtown Improvement Corporation.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$1,244,701,751	39.36%	$1,179,871,878	40.54%	$ 992,291,474	39.56%
Real, Residential, Multi-Family	136,669,423	4.32%	98,593,687	3.39%	88,240,052	3.52%
Real, Vacant Lots/Tracts	99,458,257	3.15%	96,570,894	3.32%	61,813,191	2.46%
Real, Acreage (Land Only)	137,301,266	4.34%	107,719,998	3.70%	102,888,047	4.10%
Real, Farm and Ranch Improvements	67,195,333	2.12%	61,004,173	2.10%	49,660,055	1.98%
Real, Commercial	537,204,071	16.99%	491,434,511	16.89%	434,528,229	17.32%
Real, Industrial	252,012,316	7.97%	243,501,928	8.37%	221,110,670	8.81%
Real and Tangible, Personal Utilities	49,431,057	1.56%	36,797,902	1.26%	33,769,942	1.35%
Tangible Personal, Commercial	167,528,011	5.30%	144,520,135	4.97%	132,056,868	5.26%
Tangible Personal, Industrial	428,112,725	13.54%	393,134,920	13.51%	358,010,079	14.27%
Tangible Personal, Mobile Homes	10,119,319	0.32%	7,656,214	0.26%	6,781,304	0.27%
Real, Inventory	7,565,993	0.24%	23,431,195	0.81%	4,092,126	0.16%
Intangibles	24,957,044	0.79%	26,185,716	0.90%	23,188,547	0.92%
Total Appraised Value Before Exemptions	$3,162,256,566	100.00%	$2,910,423,151	100.00%	$2,508,430,584	100.00%
Less: Total Exemptions/Adjustments	540,790,385		529,560,877		478,273,629	
Taxable Assessed Value	$2,621,466,181		$2,380,862,274		$2,030,156,955	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 763,615,214	37.20%	$ 698,305,706	34.50%
Real, Residential, Multi-Family	58,848,071	2.87%	45,471,735	2.25%
Real, Vacant Lots/Tracts	61,052,612	2.97%	59,463,078	2.94%
Real, Acreage (Land Only)	97,331,710	4.74%	95,012,983	4.69%
Real, Farm and Ranch Improvements	30,639,592	1.49%	25,729,501	1.27%
Real, Commercial	401,621,252	19.57%	374,031,587	18.48%
Real, Industrial	168,103,529	8.19%	169,065,368	8.35%
Real and Tangible, Personal Utilities	32,503,348	1.58%	31,241,530	1.54%
Tangible Personal, Commercial	132,577,344	6.46%	136,159,470	6.73%
Tangible Personal, Industrial	279,835,142	13.63%	371,708,710	18.36%
Tangible Personal, Mobile Homes	6,333,886	0.31%	8,155,690	0.40%
Real Property, Inventory	2,853,969	0.14%	919,900	0.05%
Intangibles	17,222,774	0.84%	8,926,820	0.44%
Total Appraised Value Before Exemptions	$2,052,538,443	100.00%	$2,024,192,078	100.00%
Less: Total Exemptions/Reductions	334,035,870		422,424,126	
Taxable Assessed Value	$1,718,502,573		$1,601,767,952	

NOTE: Valuations shown are certified taxable assessed values reported by the Kaufman 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.

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	Tax Supported Debt Outstanding at End of Year [(3)]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2021	18,000	$ 1,601,767,952	$ 88,987	$ 78,680,000	4.91%	$ 4,371
2022	20,924	1,718,502,573	82,131	74,685,000	4.35%	3,569
2023	20,924	2,030,156,955	97,025	116,565,000	5.74%	5,571
2024	21,480	2,380,862,274	110,841	112,620,000	4.73%	5,243
2025	21,480	2,621,466,181	122,042	112,540,000 (4)	4.29% (4)	5,239 (4)

(1) Source: U.S. Census Bureau
(2) As reported by the Appraisal District on the City's annual State Property Tax Reports and excludes total exemptions and reductions; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected. Includes the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.7642	$ 0.6042	$ 0.1600	$ 12,465,467	98.71%	98.92%
2022	0.7642	0.6042	0.1600	11,521,687	101.39%	104.47%
2023	0.7642	0.6142	0.1500	15,529,679	96.08%	97.54%
2024	0.7642	0.6142	0.1500	17,901,786	97.19% (1)	98.03% (1)
2025	0.7642	0.6142	0.1500	19,767,712	73.44% (2)	73.93% (2)

(1) Unaudited.
(2) Collections as of January 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Autozone Inc.	Automotive Parts	$ 69,168,876	2.64%
TX Terrell American LLC	Strip Mall	51,685,986	1.97%
Spectum Gulf Coast LLC	Electric Utility	40,000,360	1.53%
SRC Magnolia Grove LLC	Apartments	38,000,000	1.45%
Wal-Mart Stores 01/265	Retail	32,283,996	1.23%
Woodlands Terrell LP	Developer	31,294,121	1.19%
BFI 301 Apache Trail LLC	Warehouse	29,414,138	1.12%
Oncor Electric Delivery Co.	Electric Utility	29,349,600	1.12%
Terrell Multi Family LLC	Developer	29,150,850	1.11%
Madix Inc.	Shelving & Display Manufacturing	28,755,242	1.10%
		$ 379,103,169	14.46%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 6 - 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 obligations ("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	2024/25 Taxable Assessed Value	2024/25 Tax Rate	Total Funded Debt As of 2/15/25	Estimated % Applicable	City's Overlapping Funded Debt As of 2/15/25
City of Terrell	$ 2,621,466,181	$0.76420	$ 56,819,135 (1)	100.00%	$ 56,819,135
Forney Independent School Distict	10,029,436,898	1.28700	1,150,717,272	**	0
Kaufman County	25,918,220,919	0.41500	175,490,000	12.60%	22,111,740
Terrell Independent School District	3,411,983,646	1.05500	33,992,793	67.73%	23,023,319
Total Direct and Overlapping Funded Debt					$ 101,954,194
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					3.89%
Per Capita Overlapping Funded Debt					$ 4,873

(1) Excludes self-supporting debt. Includes the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change. Does not include any limited tax debt obligations payable from the City's Maintenance & Operations tax rate (see "TABLE 11 - OTHER OBLIGATIONS")

(2)

** Less than 0.01%.

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TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1] Principal	Outstanding Debt Service[1] Interest	Outstanding Debt Service[1] Total	The Certificates[2] Principal	The Certificates[2] Interest	The 2025A Bonds[3] Principal	The 2025A Bonds[3] Interest	The 2025B Taxable Bonds[4] Principal	The 2025B Taxable Bonds[4] Interest	Total General Obligation Debt Service	Less: W&S Net Revs Supported Debt Service[5]	Less: Self-Supporting Debt paid From Other Revenues[6]	Total Debt Less System Requirements	% of Principal Retired
2025	$ 4,070,000	$ 3,452,796	$ 7,522,796	$ -	$ -	$ -	$ 156,985	$ -	$ 59,913	$ 7,679,780	$ 3,491,820	$ 517,603	$ 3,670,357	
2026	3,415,000	3,068,116	6,483,116	210,000	262,438	565,000	407,625	145,000	199,678	7,928,179	3,555,351	519,431	3,853,396	
2027	3,625,000	2,996,549	6,621,549	285,000	181,800	820,000	373,000	155,000	191,818	8,281,349	3,504,626	515,839	4,260,884	
2028	3,640,000	2,921,265	6,561,265	300,000	168,975	865,000	330,875	160,000	183,565	8,226,115	3,399,392	516,840	4,309,883	
2029	3,545,000	2,849,069	6,394,069	315,000	155,475	905,000	286,625	170,000	174,868	8,056,169	3,216,175	512,552	4,327,443	19.89%
2030	3,640,000	2,774,910	6,414,910	325,000	141,300	955,000	240,125	175,000	165,664	8,076,335	3,219,843	517,164	4,339,328	
2031	3,710,000	2,694,372	6,404,372	340,000	126,675	1,005,000	191,125	190,000	155,798	8,067,172	3,216,375	520,548	4,330,249	
2032	3,045,000	2,608,928	5,653,928	355,000	111,375	1,050,000	139,750	200,000	145,140	7,310,053	2,919,203	518,539	3,872,311	
2033	3,120,000	2,525,796	5,645,796	375,000	95,400	1,105,000	85,875	215,000	133,748	7,307,071	2,931,369	516,180	3,859,522	
2034	3,215,000	2,438,505	5,653,505	390,000	78,525	1,165,000	29,125	225,000	121,614	7,316,155	2,940,665	513,516	3,861,975	41.15%
2035	3,345,000	2,345,336	5,690,336	405,000	60,975	-	-	235,000	108,813	6,156,311	2,711,359	515,488	2,929,464	
2036	3,450,000	2,246,541	5,696,541	175,000	42,750	-	-	250,000	95,170	5,914,291	2,714,021	516,937	2,683,334	
2037	3,545,000	2,145,724	5,690,724	180,000	34,875	-	-	265,000	80,396	5,905,599	2,714,349	517,867	2,673,382	
2038	3,630,000	2,042,588	5,672,588	190,000	26,775	-	-	280,000	64,564	5,889,363	2,703,335	513,475	2,672,553	
2039	3,750,000	1,933,235	5,683,235	200,000	18,225	-	-	300,000	47,520	5,901,460	2,714,448	518,796	2,668,216	58.48%
2040	3,670,000	1,826,770	5,496,770	205,000	9,225	-	-	315,000	29,255	5,710,995	2,528,309	518,207	2,664,480	
2041	3,485,000	1,715,430	5,200,430	-	-	-	-	335,000	9,950	5,200,430	2,235,731	516,782	2,447,917	
2042	3,205,000	1,597,828	4,802,828	-	-	-	-	-	-	4,802,828	1,477,376	514,786	2,810,667	
2043	3,320,000	1,476,128	4,796,128	-	-	-	-	-	-	4,796,128	1,478,965	517,110	2,800,054	
2044	3,445,000	1,349,476	4,794,476	-	-	-	-	-	-	4,794,476	1,478,904	514,007	2,801,565	73.90%
2045	3,585,000	1,214,623	4,799,623	-	-	-	-	-	-	4,799,623	1,482,042	515,479	2,802,102	
2046	3,725,000	1,073,734	4,798,734	-	-	-	-	-	-	4,798,734	1,473,471	516,450	2,808,812	
2047	3,410,000	935,965	4,345,965	-	-	-	-	-	-	4,345,965	1,478,247	521,820	2,345,898	
2048	3,535,000	801,623	4,336,623	-	-	-	-	-	-	4,336,623	1,475,977	516,665	2,343,982	
2049	3,685,000	661,844	4,346,844	-	-	-	-	-	-	4,346,844	1,481,919	516,083	2,348,842	89.28%
2050	3,660,000	516,985	4,176,985	-	-	-	-	-	-	4,176,985	1,311,960	515,001	2,350,025	
2051	3,805,000	367,570	4,172,570	-	-	-	-	-	-	4,172,570	1,311,620	513,417	2,347,534	
2052	2,670,000	231,617	2,901,617	-	-	-	-	-	-	2,901,617	1,149,017	-	1,752,600	
2053	2,365,000	110,175	2,475,175	-	-	-	-	-	-	2,475,175	724,800	-	1,750,375	100.00%
	$ 100,310,000	$ 52,923,495	$ 153,233,495	$ 4,250,000	$ 1,514,788	$ 8,435,000	$ 2,241,110	$ 3,615,000	$ 1,967,471	$ 169,674,392	$ 67,040,667	$ 13,946,580	$ 88,687,145	

(1) "Outstanding Debt" includes self-supporting debt. Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Average life of the Certificates - 7.920 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.
(3) Average life of the 2025A Bonds - 5.177 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.
(4) Average life of the 2025B Txbl Bonds - 9.471 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.
(5) General obligation debt in the amounts shown for which repayment is projected to be provided from revenues of the Water and Sewer System. It is the City's current policy to provide these payments from certain other revenues of the City; this policy is subject to change in the future. See "Table 9 – Computation of Self-Supporting Debt."
(6) Includes debt service paid by various revenue sources; see "Table 1 – Valuation, Exemptions and General Obligation Debt".

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/25[1]		$ 3,670,357
Interest and Sinking Fund, Fiscal Year Ending 9/30/24[2]	$ 1,574,000	
Calculated Interest and Sinking Fund Tax Levy (@ 98% collection)	2,674,599	$ 4,248,599
Estimated Balance, Fiscal Year Ending 9/30/25		$ 578,242

(1) Includes the Obligations; excludes self-supporting debt. Preliminary, subject to change.
(2) Unaudited.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

FY 24/25 Net Water and Sewer System Revenue Available[1]	$ 24,231,893
Less: FY 24/25 Requirements for Water and Sewer System Revenue Bonds	-
Balance Available for Other Purposes	$ 24,231,893
Requirements for FY 24/25 Water and Sewer System Tax Debt	3,491,820
Percentage of Water and Sewer System Tax Supported Debt Self-Supporting	100%

(1) Unaudited.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City anticipates the financing of approximately $5,000,000 through the Texas Water Development Board to fund lead pipe replacement in summer of 2025.

TABLE 11 - OTHER OBLIGATIONS

NOTES PAYABLE

Notes Payable

As of September 30, 2024, the City's notes payable consisted of the following:

On December 1, 2019, the City entered into a $2,255,000 note payable with a financial institution for the acquisition of equipment and vehicles for the street and waterworks and sewer system departments and the construction and improvement of park facilities. Annual payments begin on August 15, 2020, with the last payment due on August 15, 2026. Interest is paid annually at 1.975%. As of September 30, 2024, the balance on the note was $786,620.63.

During fiscal year 2023, the City entered into a $194,818 note payable with a financial institution for the acquisition of a dump truck for use in the streets department. Annual payments begin in 2023 and the note matures in 2024. Interest is paid annually at 2.8%. As of September 30, 2024, the balance on the note was $81,507.

During fiscal year 2023, the City entered into a $1,150,000 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was $1,128,274.

During fiscal year 2023, the City entered into a $760,053 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was $504,890.

During fiscal year 2023, the City entered into a $636,558 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was $422,635.

Future maturities and amounts paid under the notes after September 30, 2024, are as follows:

	Governmental Activities		
FYE	Principal	Interest	Total
2024	$ 271,207	$ 49,889	$ 321,096
2025	282,467	32,255	314,722
2026	211,912	18,328	230,240
2027	155,390	7,696	163,086
2028	10,003	79	10,082
Total	$ 930,979	$ 108,247	$ 1,039,226

LEASES PAYABLE

The city has entered into a master lease agreement with Enterprise Fleet Management for the lease of various City fleet vehicles. During fiscal year 2024, the City had ___ vehicles leased under the master agreement. All leased vehicles are for a 60-month period. The leases are paid in monthly installments and range from $275 to $1,355. Interest rates range between 3.67% and 7.71%.

During fiscal year ending September 30, 2023, the City leased 8 new vehicles amounting to $426,940 at an average interest rate of 6.28%.

	Governmental Activities		
FYE	Principal	Interest	Total
2024	$ 371,207	$ 49,889	$ 421,096
2025	282,467	32,255	314,722
2026	211,912	18,328	230,240
2027	155,390	7,696	163,086
2028	10,003	79	10,082
Total	$ 1,030,979	$ 108,247	$ 1,139,226

SUBSCRIPTION PAYABLE

The city has entered into a software subscription agreement with Tyler Technologies for software for the City. During fiscal year 2023, the City had 3 software agreements under separate agreements. All agreements are for a 60-month period. The agreements are paid in monthly installments and range from $2,290 to $23,233. Interest rate of 4.20%.

Future principal and interest lease payments as of September 30, 2023, are as follows for the governmental activities:

	Governmental Activities		
FYE	Principal	Interest	Total
2024	$ 380,346	$ 51,383	$ 431,729
2025	399,805	31,924	431,729
2026	420,260	11,469	431,729
Total	$ 1,200,411	$ 94,776	$ 1,295,187

INTERGOVERNMENTAL PAYABLE

The City entered into an agreement to partner with Kaufman County, Texas to perform State highway projects. They are the Spur 557 frontage roads and ramps along with improvements to FM 148 North. The County has agreed to assist with funds from their 2014 bond issuance. The County will advance funds not to exceed $8.5 million for the aforementioned projects. The City will reimburse these funds with grant money from the Texas Department of Transportation contract that will be available upon conclusion of the two projects. Kaufman County has funded the City $7,763,881 as of September 30, 2023.

Contingent Liabilities

On November 28, 1997, the City was issued an Administrative Order from Region VI of the U. S. Environmental Protection Agency ("EPA") for apparent violations of the County's National Pollution Discharge Elimination System Permit ("NPDES" Permit) for exceeding the allowable amount of silver, wich could be discharged from the City's wastewater treatment plant. Failure of the City to comply with the Order could result in substantial penalties being assessed against the City.

Pension Fund

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

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

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

At retirement, the 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.

A summary of plan provisions of the City were as follows:

	Plan Year 2021	Plan Year 2022
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

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 current receiving benefits	148
Active employees	193
	341

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2023, the City made contributions of 16.52% and 17.03% in calendar years 2022 and 2023 respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $2,543,255 and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.75% per year
Investment Rate of Return	6.75% net of pension plan expense including inflation

Salary increases were 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 2018 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 morality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuarial firm 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 equity	35.0%	7.70%
Core Fixed Income	6%	4.90%
Non-Core Fixed Income	20%	8.70%
Other Public and Private Markets	12%	8.10%
Real Estate	12%	5.80%
Hedge Funds	5%	6.90%
Private Equity	10%	11.80%
Total	100%	

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 statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 71,385,783	$ 67,526,314	$ 3,859,469
Changes for the year:			
Service cost	2,446,168	-	2,446,168
Interest	4,798,934	-	4,798,934
Difference between expected and			-
actual experience	2,079,389	-	2,079,389
Change in assumptions	-	-	-
Contributions - employer	-	2,219,201	(2,219,201)
Contributions - employee	-	956,602	(956,602)
Net investment income	-	(4,930,913)	4,930,913
Benefits payments, including refunds of			-
employee contributions	(3,027,088)	(3,027,088)	-
Administrative expense	-	(42,654)	42,654
Other Change	-	50,899	(50,899)
Net Changes	6,297,403	(4,773,953)	11,071,356
Balance at 12/31/2022	$ 77,683,186	$ 62,752,361	$ 14,930,825

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	in Discount Rate (5.75%)	Discount Rate (6.75%)	in Discount Rate (7.75%)
City's net pension liability	$ 25,969,811	$ 14,930,825	$ 5,871,210

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the City recognized pension expense of $3,735,096.

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

	of Resources	of Resources
Differences between expected and actual economic experience	$ 2,576,744	$ -
Changes in actuarial assumptions	10,563	-
Difference between projected and actual investment earnings	4,302,987	-
Contributions subsequent to the measurement date	1,895,137	-
Totals	$ 8,785,431	$ -

$1,895,137 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,		
2023	$	1,043,364
2024		1,817,471
2025		1,796,005
2026		2,233,454

Other Post-Employment Benefit (OPEB) Plans

TMRS Supplemental Death Benefits Fund

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	18
Active employees	193
Total	316

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.27% for 2022 and 0.38% for 2023, of which 0.17% for 2022 and 0.17% for 2023 represented the retiree-only portion for both years, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2023 were $22,392 and $50,033, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Measurement year ended December 31,	2022
Inflation rate	2.50%
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

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

Salary increases were based on a service-related table.

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

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	$ 709,049	$ 600,242	$ 514,715

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2023, the City reported a liability of $600,242 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2022. For the year ended September 30, 2023, the City recognized OPEB expense of $41,722. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

	Total OPEB Liability
Balance at 12/31/2021	$ 877,190
Chnages for the year:	
Service cost	43,730
Interest	16,329
Difference between expected and actual experience	(29,807)
Changes of assumptios	(283,968)
Benefits payments	(23,232)
Net Changes	(276,948)
Balance at 12/31/2022	$ 600,242

In the governmental activities, the total OPEB liability is generally liquidated by the General Fund.

At September 30, 2023, the City reported deferred outflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,138	$ 45,312
Changes in actuarial assumptions	3,347	245,354
Contributions subsequent to the measurement date	43,252	-
Totals	$ 47,737	$ 290,666

$43,252 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,	
2024	$ (22,755)
2025	(20,391)
2026	(31,112)
2027	(44,521)
2028	(51,250)
Thereafter	(6,152)

Retiree Health Insurance Plan

Plan Description. The City sponsors a Retiree Health Insurance Benefits Plan (the "Plan"). The Plan provides these other post-employment benefits ("OPEB") for retired employees and their eligible dependents through a self-insured PPO plan. Employees qualifying for retirement from the City may receive City paid health coverage for up to seven years after they have retired or reached age 65, whichever occurs first. Employees become eligible to elect retiree coverage at age 55, with the last 20 years employed by the City, or 20 years total with the last 10 years employed by the City. Additionally, employees must have an accumulated 20 years of TMRS service without regard to age. The City pays the full monthly contribution for individual coverage. The retiree pays the full monthly contribution for any dependent coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Inactive employees or beneficiaries current receiving benefits	6
Active employees	114
Active employees with dependant coverage	74
	194

Actuarial Methods and Assumptions. Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2022
Actuarial Cost Method	Individual Entry Age Normal Cost Method-Level Percentage of Projected Salary
Discount Rate	4.77%
Inflation Rate	2.50%
Salary Scale	3.50%
Demographic Assumptions	Based on the actuarial assumptions used in the 2017 actuarial report for the TMRS
Mortality	RPH-2014 Total Table with Projection MP-2021
Health care cost trend rates	Level 4.50% for medical
Participation rates	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.77% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was the Bond Buyer GO Bond 20 Index.

Changes in the Total OPEB Liability. The City's total OPEB liability of $4,962,794 was measured as of September 30, 2023 and was determined by an actuarial valuation as of September 30, 2023.

		Total OPEB Liability
Balance at 10/1/2022	$	4,780,012
Changes for the year:		
Service cost		194,948
Interest on the toal OPEB liability		231,494
Difference between expected and actual experience		-
Changes of assumptions		-
Benefit payment		(243,660)
Net Changes		182,782
Balance at 9/30/2023	$	4,962,794

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
Total OPEB Liability	$ 4,573,040	$ 4,962,794	$ 5,389,668

Healthcare Cost Trend Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 4,474,269	$ 4,962,794	$ 5,528,194

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2023, the City recognized OPEB expense of $345,642. At September 30, 2023, the City reported deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ 1,104,409	$ 13,594
Changes in actuarial assumptions/inputs	-	844,574
Totals	$ 1,104,409	$ 858,168

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2024[1]	2023	2022	2021	2020
Revenues:					
Taxes [1]	$ 29,917,872	$ 27,705,941	$ 25,812,474	$23,397,681	$21,212,251
Licenses and Permits	1,042,170	1,160,077	309,187	94,690	370,402
Fines, Fees, Forfeits and Penalties	533,394	475,237	530,841	656,402	321,041
Charges for Services	1,012,088	1,088,069	756,910	822,699	583,945
Intergovernmental	3,670,783	2,125,807	1,027,677	1,350,428	466,045
Interest	141,828	138,093	11,855	835	11,012
Miscellaneous	532,777	399,835	303,365	308,406	570,017
Total Revenues	$ 36,850,912	$ 33,093,059	$ 28,752,309	$26,631,141	$23,534,713
Expenditures:					
General Government	$ 15,973,342	$ 10,437,610	$ 10,742,717	$ 9,833,038	$ 8,233,842
Public Safety	15,312,727	13,752,027	12,791,293	11,424,707	10,099,689
Highways and Streets	4,530,024	4,616,295	3,481,804	2,982,615	3,127,004
Sanitation	844,740	755,394	658,477	703,388	554,952
Culture and Recreation	1,323,534	856,906	654,356	567,068	578,218
Capital Outlay	247,773	732,197	230,463	10,896	445,868
Debt Service:					
Principal Retirement	-	-	-	-	374,016
Interest and Fiscal Charges	-	-	-	-	46,235
Total Expenditures	$ 38,232,140	$ 31,150,429	$ 28,559,110	$25,521,712	$23,459,824
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,381,228)	$ 1,942,630	$ 193,199	$ 1,109,429	$ 74,889
Other Financing Sources (Uses):					
Loan Proceeds	$ -	$ -	$ -	$ -	$ -
Gain on the Sale of Assets	-	-	188	19,137	27,824
Transfers In	4,137,586	2,757,280	2,643,387	2,861,549	2,898,705
Transfers Out	(2,494,771)	(4,694,161)	(2,408,848)	(3,225,752)	(1,656,019)
Total Other Financing Sources (Uses)	1,642,815	(1,936,881)	234,727	(345,066)	1,270,510
Net Change in Fund Balances	261,587	5,749	427,926	764,363	1,345,399
Beginning Fund Balance	6,015,247	6,009,498	5,581,572	4,817,209	3,471,810
Ending Fund Balance	$ 6,276,834	$ 6,015,247	$ 6,009,498	$ 5,581,572	$ 4,817,209

(1) Unaudited.

TABLE 12A - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2024[1]	2023	2022	2021	2020
Revenues:					
Program Revenues:					
Charges for Services	$ 6,723,103	$ 6,238,145	$ 5,267,673	$ 3,562,051	$ 3,222,091
Operating Grants and Contributions	9,485,927	9,423,252	6,447,452	4,464,240	8,799,478
Capital Grants and Contributions	-	-	1,567,768	865,307	2,989,593
General Revenues:					
Taxes:					
Property Taxes	17,711,297	15,002,553	12,742,625	12,176,457	10,593,716
Franchise Taxes	3,121,407	2,260,050	1,636,334	1,462,354	1,534,031
Sales Tax	19,176,929	18,622,964	18,431,126	17,579,778	14,945,001
Hotel/Motel Tax	816,971	932,990	839,371	772,102	475,209
Investment Earnings	1,720,105	661,486	65,750	18,295	102,590
Gain on Sale of Capital Asset	54,500	712,588	3,438,992	-	-
Miscellaneous	195,129	704,692	319,512	668,768	1,056,562
Total Revenues	$ 59,005,368	$ 54,558,720	$ 50,756,603	$ 41,569,352	$ 43,718,271
Expenses:					
General Government	$ 22,818,010	$ 19,424,083	$ 17,195,732	$ 13,260,238	$ 14,491,788
Public Safety	15,312,727	15,420,101	12,827,566	11,480,741	10,141,501
Streets	7,563,346	10,285,180	12,294,330	8,963,004	13,612,127
Sanitation	844,740	978,338	739,219	755,018	521,636
Culture and Recreation	856,906	1,586,981	874,788	656,139	574,305
Public Welfare	3,150,712	3,000,678	2,779,690	2,743,053	2,803,978
Interest on Long Term Debt	1,156,400	1,780,601	1,584,745	1,713,586	1,504,699
Total Expenses	$ 51,702,841	$ 52,475,962	$ 48,296,070	$ 39,571,779	$ 43,650,034
Transfers	1,010,051	4,331,693	3,755,852	1,789,084	3,678,361
Change in Net Position	8,312,578	6,414,451	6,216,385	3,786,657	3,746,598
Prior Period Adjustment	-	-	-	-	-
Beginning Net Position	$ 53,277,790	$ 46,863,339	$ 40,646,954	$ 36,860,297	$ 33,113,699
Change in Accounting Principle	-	-	-	-	-
Ending Net Position	$ 61,590,368	$ 53,277,790	$ 46,863,339	$ 40,646,954	$ 36,860,297

(1) Unaudited.

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TABLE 13 - 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 Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Additionally, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development which was reduced to 3.8 of 1%, effective July 2019 and an additional one-half of one percent (½ of 1%) for property tax reduction. The sales tax for economic development is collected at 1/8 of 1% for benefit of the Park and Downtown Improvement Corporation (PADIC) and 3/8 of 1% the it of the Terrell Economic Development Corporation ("TEDC"), and may be pledged to secure payment of sales tax revenue bonds issued by TEDC.

Fiscal Year Ended 9/30	Total Collected(1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita(2)
2021	$12,322,030	98.85%	$ 0.7693	$ 685
2022	13,825,809	120.00%	0.8045	661
2023	13,893,110	89.46%	0.6843	774
2024 (3)	14,441,223	80.67%	0.6066	672
2025 (4)	4,090,661	20.42%	0.1560	196

(1) Includes the sales tax for reduction of property taxes; does not include the sales tax for economic development.
(2) Based on population estimates of the City.
(3) Unaudited.
(4) Collections as of February 2025.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50%
Economic and Community Development	0.50%
City Sales and Use Tax	1.00%
State Sales and Use Tax	6.25%
Total	8.25%

FINANCIAL POLICIES

Basis of Accounting . . . The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise finds are reported as separate columns in the fund financial statements.

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

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

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

Budgets and Budgetary Accounting . . .The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before August 1, the City Manager 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. Prior to October 1, the budget is legally enacted through passage of an ordinance.

3. The City Council approves, by ordinance, budget appropriations on a departmental basis. The City Manager is authorized to transfer budget amounts within any department; however, any revisions that alter the total departmental appropriation must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations for each department.

4. A formal budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

5. Several budget amendments may be made during the year.

6. Appropriations lapse at year end.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. 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) certificates of deposit 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 365 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 may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES. . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended). All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, 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, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment 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 City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of September 30, 2024, the City's investable general funds were invested in the following categories:

Description	Book Value	% of Portfolio
Investment Pool - Texas Range	$ 24,988,532	62.10%
Investment Pool - TexStar	3,003,993	7.46%
Investment Pool - TexPool	4,834,759	12.01%
Certificates of Deposit	341,061	0.85%
BOKF - TWDB(1)	7,072,987	17.58%
Total	$ 40,241,332	100.00%

(1) Represents money held in escrow for utility related projects to be constructed per Texas Waster Development Board financing program guidelines.

TAX MATTERS – THE CERTIFICATES AND 2025A BONDS

TAX EXEMPTION . . .The delivery of the Certificates and 2025A Bonds is subject to the opinions of Norton Rose Fulbright US LLP ("Bond Counsel") to the effect that interest on the Certificates and 2025A Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates and 2025A Bonds pertaining to the use, expenditure, and investment of the proceeds of the Certificates and 2025A Bonds and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Certificates and 2025A Bonds. The Certificate Ordinance and 2025A Bond Ordinance each contain covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and 2025A Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates and 2025A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates and 2025A Bonds to be includable in the gross income of the owners thereof from the date of the issuance of such Certificates and 2025A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates or 2025A Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates or 2025A Bonds, as applicable, would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates and

2025A Bonds, the City may have different or conflicting interests from the owners of the Certificates and 2025A Bonds. Public awareness of any future audit of the Certificates and 2025A Bonds could adversely affect the value and liquidity of the Certificates and 2025A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates and 2025A Bonds. Prospective purchasers of the Certificates and 2025A Bonds should be aware that the ownership of tax-exempt obligations such as the Certificates and 2025A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates and 2025A Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates and 2025A Bonds.

Existing law may change to reduce or eliminate the benefit to holders of the exclusion of interest on the Certificates and 2025A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates and 2025A Bonds. Prospective purchasers of the Certificates and 2025A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN OBLIGATIONS. . .The initial public offering price of certain Certificates and 2025A Bonds (the "Discount Obligations") may be less than the amount payable on such Certificates and 2025A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Obligation. A portion of such original issue discount allocable to the holding period of such Discount Obligation by the initial purchaser will upon the disposition of such Discount Obligation (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates and 2025A Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may have been deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption sale or other taxable disposition of a Discount Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Obligations may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates and 2025A Bonds (the "Premium Obligations") paid by an owner may be greater than the amount payable on such Certificates and 2025A Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Obligation over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Obligation in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Obligation, the yield based on a call date that results in the lowest yield on the Obligation).

Purchasers of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

TAX MATTERS –THE 2025B TXBL BONDS

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2025B Txbl Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2025B Txbl Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the 2025B Txbl Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the 2025B Txbl Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such 2025B Txbl Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2025B TXBL BONDS.

PAYMENTS OF STATED INTEREST ON THE CERTIFICATES . . . The stated interest paid on the 2025B Txbl Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount . . .If a substantial amount of the 2025B Txbl Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity by more than one quarter of one percent times the number of complete years to maturity, the 2025B Txbl Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the stated redemption price at maturity of such 2025B Txbl Bonds over its Issue Price, and the amount of the original issue discount on the 2025B Txbl Bonds will be amortized over the life of the 2025B Txbl Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the 2025B Txbl Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the 2025B Txbl Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the 2025B Txbl Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the 2025B Txbl Bonds will increase the adjusted tax basis of the 2025B Txbl Bonds in the hands of such beneficial owner.

PREMIUM . . .If a beneficial owner purchases a 2025B Txbl Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the 2025B Txbl Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the 2025B Txbl Bond and may offset interest otherwise required to be included in respect of the 2025B Txbl Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2025B Txbl Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2025B Txbl Bond. However, if the 2025B Txbl Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2025B Txbl Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

MEDICARE CONTRIBUTION TAX . . .Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2025B Txbl Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the 2025B Txbl Bonds as well as gain on the sale of a 2025B Txbl Bond.

DISPOSITION OF THE 2025B TXBL BONDS AND MARKET DISCOUNT . . .A beneficial owner of 2025B Txbl Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 2025B Txbl Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the 2025B Txbl Bonds. Generally, the beneficial owner's adjusted tax basis in the 2025B Txbl Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the 2025B Txbl Bonds.

Under current law, a purchaser of a 2025B Txbl Bond who did not purchase the 2025B Txbl Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the 2025B Txbl Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the 2025B Txbl Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the 2025B Txbl Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2025B Txbl Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of 2025B Txbl Bonds could have a material effect on the market value of the 2025B Txbl Bonds.

LEGAL DEFEASANCE . . .If the City elects to defease the 2025B Txbl Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2025B Txbl Bonds (a "legal defeasance"), under current tax law, a beneficial owner of 2025B Txbl Bonds may be deemed to have sold or exchanged its 2025B Txbl Bonds. In the event of such a legal defeasance, a beneficial owner of 2025B Txbl Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2025B Txbl Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2025B Txbl Bonds.

BACKUP WITHHOLDING . . .Under section 3406 of the Code, a beneficial owner of the 2025B Txbl Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the 2025B Txbl Bonds. This withholding applies if such beneficial owner of 2025B Txbl Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2025B Txbl Bonds. Beneficial owners of the 2025B Txbl Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

WITHHOLDING ON PAYMENTS TO NONRESIDENT ALIEN INDIVIDUALS AND FOREIGN CORPORATIONS . . .Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the 2025B Txbl Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2025B Txbl Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the 2025B Txbl Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2025B Txbl Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

FOREIGN ACCOUNT TAX COMPLIANCE ACT . . . Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2025B Txbl Bonds and sales proceeds of 2025B Txbl Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

REPORTING OF INTEREST PAYMENTS . . .Subject to certain exceptions, interest payments made to beneficial owners with respect to the 2025B Txbl Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a 2025B Txbl Bond for U.S. federal income tax purposes.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 (the "Updated Tables"), and the information in Appendix B. The City will update and provide the information in the Updated Tables within six months after the end of each fiscal year ending in and after 2025. If the City does not provide audited financial statements with the Updated Tables, the City will provide audited financial statements when and if available, within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix 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 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 Web site identified below or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide the Updated Tables by the last day of March in each year and audited financial statements, or unaudited financial statements if audited financial statements are not yet available, must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In 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, and (B) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain 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 Obligations 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 Obligations 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 to purchase or sell Obligations 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 outstanding Obligations 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 Obligations. 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 from lawfully purchasing or selling Obligations in the primary offering of the Obligations. 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 . . . The City became obligated to file annual reports with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system in an offering that took place in 2011. Due to an administrative oversight, certain annual financial information was not timely filed with EMMA for fiscal year ending 2023.

OTHER INFORMATION

RATINGS

The currently outstanding tax supported debt of the City are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "Aa3" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement. Applications have been made to S&P and Moody's for contract ratings on the Obligations. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the views of such organizations 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 they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price or marketability of the Obligations.

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.

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.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration 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 Obligations are negotiable instruments, 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 of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations 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 Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations 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 Obligations are legal investments for various institutions in those states. No representation is made that the Obligations 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 Obligations for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Obligations for such purposes.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . Public Finance Partners LLC, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the escrowed securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the 2025A Bonds will be excluded from gross income for federal income tax purposes.

LEGAL MATTERS . . . The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates and the 2025A Bonds 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 – Certificates and 2025A Bonds" herein. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF

FINANCING", "The Obligations" (exclusive of the subcaptions "Tax Rate Limitation" "Book-Entry-Only System," and "Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Obligations for Sale," "Legal Matters" (exclusive of the last two sentences of the first paragraph hereunder) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations 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.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public shown on page 2 of this Official Statement, less an underwriting discount of $____________. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased.

The Underwriters have agreed, subject to certain conditions, to purchase the 2025A Bonds from the City, at a price equal to the initial offering prices to the public shown on page 4 of this Official Statement, less an underwriting discount of $____________. The Underwriters will be obligated to purchase all of the 2025A Bonds if any 2025A Bonds are purchased.

The Underwriters have agreed, subject to certain conditions, to purchase the 2025B Txbl Bonds from the City, at a price equal to the initial offering prices to the public shown on page 6 of this Official Statement, less an underwriting discount of $____________. The Underwriters will be obligated to purchase all of the 2025B Txbl Bonds if any 2025B Txbl Bonds are purchased.

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

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.

MISCELLANEOUS . . . 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 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.

In the Ordinances, Council authorized a Pricing Officer to approve, and in the Pricing Certificates the Pricing Officer will approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement, or amendment thereto and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Obligations in accordance with the provisions of the Rule.

____
Mayor
City of Terrell, Texas

ATTEST:

____
City Secretary
City of Terrell, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2014

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date
3/1/2014	2/15/2026	3.125%	$ 820,000	$ 820,000	5/13/2025
	2/15/2027	5.000%	850,000	850,000	5/13/2025
	2/15/2028	3.500%	890,000	890,000	5/13/2025
	2/15/2029	5.000%	925,000	925,000	5/13/2025
	2/15/2030	5.000%	975,000	975,000	5/13/2025
	2/15/2031	5.000%	1,025,000	1,025,000	5/13/2025
	2/15/2032	5.000%	1,075,000	1,075,000	5/13/2025
	2/15/2034 (1)	4.000%	2,295,000	2,295,000	5/13/2025
			$ 8,855,000	$ 8,855,000	

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Taxable Series 2011A

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date
2/15/2011	2/15/2026 (2)	6.000%	$ 125,000	$ 125,000	5/13/2025
	2/15/2031 (1)	6.600%	760,000	760,000	5/13/2025
	2/15/2041 (1)	6.600%	2,570,000	2,570,000	5/13/2025
			$ 3,455,000	$ 3,455,000	

(1) Represents a Term Certificate.
(2) Represents single maturity of Term Certificate.
* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

THE CITY

The City of Terrell is located on U.S. Highway 80 just north of Interstate 20, and approximately 32 miles east of Dallas, Texas. The current estimated population for the City is 21,480. The City is approximately 28 square miles in area.

ECONOMY

The City of Terrell is the principal commercial center of Kaufman County. The economy of Terrell is based on general commerce, retail and wholesale trade activity, commuters, services, federal-state-local governments, construction and miscellaneous.

Kaufman County is a northeast Texas County and a component of the Dallas Primary Metropolitan Statistical Area, traversed by Interstate Highway 20, U.S. Highways 80 and 175 and State Highways 34, 248 and 274. The County's economy is based on manufacturing and agriculture.

MAJOR EMPLOYERS

Name of Firm	Type of Business	Approximate Number of Employees
Madix	Manufacturing	827
AutoZone Distribution Center	Distribution	800
Terrell State Hospital	Healthcare	750
Terrell ISD	Education	658
Oldcastle Building Envelope	Manufacturing	600
Walmart Distribution Center	Distribution	575
J.S. Helwig & Son	Distribution	460
Nucor Co.	Manufacturing	366
Buc-ee's	Retail	315
American National Bank	Finance	250
City of Terrell	Government	244
Veka Inc.	Manufacturing	120
Unified Power	Service	115
Home Depot	Retail	100
Olympic Trailer Services	Service	100
STAR Transit	Service	90
Lakes Regional MGMR Center	Healthcare	90
Lineage Logistics	Distribution	84
Platinum Form	Car Dealership	84
R&R Design	Manufacturing	80
Carlisle Construction Materials / Carlisle Su	Manufacturing	80
Renfro Industries	Manufacturing	75
Platinum Chrysler Dodge Ram jeep	Car Dealership	63
Mechanical Sheet Metal	Manufacturing	57
Fine Line Metal Fabricators	Manufacturing	54
Conecsus Aerospace	Recycling	50
Gold Star Transit	Service	50

EDUCATION

The Terrell Independent School District is located thirty miles east of Dallas in northern Kaufman County and extends into a portion of Hunt County. The District's campuses include three elementary schools, one middle school, one high school, the W.H. Burnett Early Childhood Center, the Global Leadership Academy, Terrell Adolescent Center and Discipline Alternative Education Program (DAEP).

Southwestern Christian College, located in Terrell, is a co-educational liberal arts college, which was founded in 1949. The College is fully accredited by the Southern Association of Texas Colleges and Universities. The Trinity Valley Community College is a comprehensive Community College serving Terrell and the surrounding area. Within commuting distance are six four-year colleges, several junior colleges and the Baylor University School of Medicine.

EMPLOYMENT/LABOR FORCE

	Average Annual				
	2024	2023	2022	2021	2020
Kaufman County					
Civilian Labor Force	79,104	77,440	75,163	72,056	69,207
Total Employment	75,654	74,279	72,313	68,507	64,784
Unemployment	3,450	3,161	2,850	3,549	4,423
Unemployment Rate	4.4%	4.1%	3.8%	4.9%	6.4%
State of Texas					
Civilian Labor Force	15,418,231	15,067,153	14,672,312	14,292,315	13,941,490
Total Employment	14,785,923	14,472,524	14,093,906	13,486,624	12,872,070
Unemployment	632,308	594,629	578,406	805,691	1,069,420
Unemployement Rate	4.1%	3.9%	3.9%	5.6%	7.7%

Source: Texas Employment Commission, Austin, Texas.

APPENDIX B

EXCERPTS FROM THE

CITY OF TERRELL, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Terrell, Texas Annual Financial Report for the Year Ended September 30, 2023, 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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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Terrell, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Terrell, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Terrell, Texas' basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter - Change of Accounting Principle

As described in the notes to the financial statements, in fiscal year 2023 the City of Terrell, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Terrell, Texas’ internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2024, on our consideration of the City of Terrell, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Terrell, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
August 27, 2024

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MANAGEMENT’S
DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Terrell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget); and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the information found throughout this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Terrell exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $114,342,204 (net position). Of this amount, $1,627,856 (unrestricted net position - deficit), if it were positive, may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by $9,959,025 from operations.

- As of the close of the current fiscal year, the City of Terrell's governmental funds reported combined ending fund balances of $35,886,923, a decrease of $12,521,789 in comparison with the prior fiscal year. Approximately 32% of this total amount, $11,415,470, is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,990,054 or 19% of the total General Fund expenditures.

- The City's total long-term debt increased by $56,730,497 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes earned but unused and compensated absences).

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

- Governmental activities include general government and administration, public safety, library, and parks and recreation.
- Business-type activities include the City's water and sewer system and airport operations. Charges for services cover all or most of the cost for these services.

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. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

  The City maintains 33 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, the Rent Supplement Section 8, Terrell Public Private Partnership Fund (PPPF), Permanent Street Improvement, C of O Series 2021A, and the Terrell Economic Development Corporation, each of which are considered to be major funds. Data from the other 27 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer utility and airport services. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its Internal Service Funds to account for its fleet services and self-funded health insurance plan. Because these services predominantly benefit governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, and Airport Funds since they are considered to be major funds of the City. All Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

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

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and Internal Service Funds are presented following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Terrell, assets and deferred outflows exceeded liabilities and deferred inflows by $114,342,204 as of September 30, 2023.

The largest portion of the City's net position, 71% ($81,124,963), reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TERRELL'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 65,199,620	$ 78,202,524	$ 61,161,530	$ 24,548,693	$ 126,361,150	$ 102,751,217
Capital assets	66,313,855	44,067,714	82,793,871	71,069,369	149,107,726	115,137,083
Total assets	131,513,475	122,270,238	143,955,401	95,618,062	275,468,876	217,888,300
Deferred outflows of resources	8,758,474	3,904,215	1,289,103	534,251	10,047,577	4,438,466
Long-term liabilities	80,466,250	68,834,001	76,146,694	31,048,446	156,612,944	99,882,447
Other liabilities	5,526,470	5,974,544	6,600,993	5,392,696	12,127,463	11,367,240
Total liabilities	85,992,720	74,808,545	82,747,687	36,441,142	168,740,407	111,249,687
Deferred inflows of resources	1,001,439	4,502,569	1,432,403	2,191,331	2,433,842	6,693,900
Net position:						
Net investment in capital assets	26,764,667	20,029,609	54,360,296	63,835,369	81,124,963	83,864,978
Restricted	31,267,527	30,868,660	321,858	323,329	31,589,385	31,191,989
Unrestricted	(4,754,404)	(4,034,930)	6,382,260	(6,638,858)	1,627,856	(10,673,788)
Total net position	$ 53,277,790	$ 46,863,339	$ 61,064,414	$ 57,519,840	$ 114,342,204	$ 104,383,179

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2023 and 2022.

CITY OF TERRELL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 6,238,145	$ 5,267,673	$ 22,655,139	$ 20,010,786	$ 28,893,284	$ 25,278,459
Operating grants and contributions	9,423,252	6,447,452	-	-	9,423,252	6,447,452
Capital grants and contributions	-	1,567,768	2,596,141	4,444,482	2,596,141	6,012,250
General revenues:						
Property taxes	15,002,553	12,742,625	-	-	15,002,553	12,742,625
Franchise taxes	2,260,050	1,636,334	-	-	2,260,050	1,636,334
Sales taxes	18,622,964	18,431,126	-	-	18,622,964	18,431,126
Other taxes	932,990	839,371	-	-	932,990	839,371
Interest	661,486	65,750	423,025	62,871	1,084,511	128,621
Miscellaneous	704,692	319,512	-	696	704,692	320,208
Gain on sale of capital assets	712,588	3,438,992	-	-	712,588	3,438,992
Transfers	4,331,693	3,755,852	(4,331,693)	(3,755,852)	-	-
Total revenues	58,890,413	54,512,455	21,342,612	20,762,983	80,233,025	75,275,438
Expenses:						
General government	19,424,083	17,195,732	-	-	19,424,083	17,195,732
Public welfare	3,000,678	2,779,690	-	-	3,000,678	2,779,690
Public safety	15,420,101	12,827,566	-	-	15,420,101	12,827,566
Highways and streets	10,285,180	12,294,330	-	-	10,285,180	12,294,330
Sanitation	978,338	739,219	-	-	978,338	739,219
Culture and recreation	1,586,981	874,788	-	-	1,586,981	874,788
Interest on long-term debt	1,780,601	1,584,745	-	-	1,780,601	1,584,745
Water and sewer	-	-	16,700,610	13,800,257	16,700,610	13,800,257
Airport	-	-	1,097,428	849,660	1,097,428	849,660
Total expenses	52,475,962	48,296,070	17,798,038	14,649,917	70,274,000	62,945,987
Change in net position	6,414,451	6,216,385	3,544,574	6,113,066	9,959,025	12,329,451
Net position, beginning	46,863,339	40,646,954	57,519,840	51,652,917	104,383,179	92,299,871
Prior Period Adjustment	-	-	-	(246,143)	-	(246,143)
Net position, ending	$ 53,277,790	$ 46,863,339	$ 61,064,414	$ 57,519,840	$ 114,342,204	$ 104,383,179

Governmental activities. Of the City's $9,959,025 overall increase in net position, governmental activities net position increased by $6,414,451. One of the most significant governmental expenses for the City was general government, which incurred expenses of $19,424,083. These expenses were funded by revenues collected from a variety of sources, with one of the largest being from sales taxes, which are $18,622,964 for the fiscal year ended September 30, 2023. Other significant governmental expenses for the City include highways and streets, which incurred $10,285,180 in expenses.

Business-type activities. Business-type activities increased the City's net position by $3,544,574 . This increase was primarily from regular water and sewer operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the City of Terrell's governmental funds reported combined ending fund balances of $35,886,923. Approximately 32% of this total amount ($11,415,470) constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) pay for capital projects ($10,721,484), (2) pay for debt service ($876,558), (3) pay for tourism/economic development ($9,178,751), (4) pay for grants ($2,044,189), (5) pay for law enforcement ($100,020), and (6) pay for park development ($1,506,232).

Proprietary Funds

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

Net position of the respective proprietary funds are the Water and Sewer Fund, $44,166,818; and the Airport Fund, $16,897,596. The Water and Sewer Fund's net position increased in 2023 by $3,700,524 and the Airport's net position increased by $155,950.

General Fund Budgetary Highlights

In the General Fund, the City budgeted for an increase in the fund balance of $1,339,326. Due to actual revenues, specifically sales tax and intergovernmental, being less than budgeted, the actual fund balance increased for fiscal year 2023 by $5,749 .

The City made slight revisions to the original appropriations approved by the City Council. Overall, these changes resulted in a decrease to budgeted General Fund expenditures from the original budget of $521,101.

The City had budgeted for an increase in most revenue categories from the prior year collections based on economic conditions. The City's actual revenues were smaller than the budgeted revenue amount by $455,376.

CAPITAL ASSETS

The City of Terrell's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to $149,107,726 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress.

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

- $13.1 million was spent on construction for multiple bond-funded water and sewer projects.
- The City completed implementation of several new financial software subscriptions, including its primary accounting software. The value of the new subscription assets were approximately $1.7 million.
- Land was purchased in the amount of $9.7 million.

CITY OF TERRELL'S CAPITAL ASSETS AT YEAR-END
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	$ 11,707,380	$ 1,995,011	$ 2,728,954	$ 2,555,465	$ 14,436,334	$ 4,550,476
Buildings and improvements	24,009,141	22,871,166	20,503,638	20,899,759	44,512,779	43,770,925
Machinery and equipment	3,311,433	3,679,937	23,882,760	25,031,256	27,194,193	28,711,193
Infrastructure	13,172,169	13,699,836	-	-	13,172,169	13,699,836
Right to use vehicles and equipment	997,413	978,503	-	-	997,413	978,503
Right to use subscription lease	1,687,450	-	-	-	1,687,450	-
Construction in progress	11,428,869	843,261	35,678,519	22,582,889	47,107,388	23,426,150
Total capital assets	$ 66,313,855	$ 44,067,714	$ 82,793,871	$ 71,069,369	$ 149,107,726	$ 115,137,083

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Terrell had a total bonded debt of $120,861,595.

CITY OF TERRELL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds	$ 8,900,000	$ 9,635,000	$ -	$ -	$ 8,900,000	$ 9,635,000
Certificates of obligation	33,050,000	34,255,000	73,380,000	29,760,000	106,430,000	64,015,000
Notes payable	3,300,204	1,542,004	-	-	3,300,204	1,542,004
Leases	1,030,979	1,031,000	-	-	1,030,979	1,031,000
Subscriptions payable	1,200,412	-	-	-	1,200,412	-
	$ 47,481,595	$ 46,463,004	$ 73,380,000	$ 29,760,000	$ 120,861,595	$ 76,223,004

During the current fiscal year, the City's total bonded debt increased by $44,638,591 or 59%. This was due primarily to the issuance of five new issuances during the current year, all of which were for water and sewer utility projects. The City also issued approximately $400,000 of new leases in the governmental activities for fleet vehicles.

The City's bond ratings are listed below:

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	"A1"	"AA"
Revenue Bonds	"A1"	"AA"

Several of the City's bonds are insured, thus holding an A1 credit rating from Moody's and a Double A rating from Standard & Poor's. Additional information on the City of Terrell's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Our effort in the FY24 Budget was to maximize the delivery of projects and services identified in the Council's 3 Year Strategic Plan for FY22, FY23 and FY24 approved on May 11, 2021. Overall, the City Budget includes modest increases in the fund balances for the Information Technology Fund, General Fund and Utility Fund; with planned draw downs in the Public Private Partnership Fund, Capital Improvement Fund and Fleet Fund. The proposed budget shows a combined annual budget of over $120M. There was a $0.0018 increase to the tax rate (0.6142 for Maintenance and Operations, .1500 for Interest and Sinking).

The budget FY24 reflects the allocations of resources necessary to continue projects and Operations at approximately the same level as last year.

REQUESTS FOR INFORMATION

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 Office of the Finance Director Shelly Wallace at (972) 551-6600 or email swallace@cityofterrell.org.

BASIC
FINANCIAL STATEMENTS

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 43,185,811	$ 7,861,822	$ 51,047,633
Receivables (net, where applicable,			
of allowances for uncollectibles			
Accounts	3,807,255	5,130,719	8,937,974
Due from other governments	10,558,758	227,860	10,786,618
Special assessments	1,808,844	-	1,808,844
Other receivables	78,322	-	78,322
Prepaid expenses	5,936,715	-	5,936,715
Internal balances	(2,416,250)	2,416,250	-
Investment in land	1,984,174	-	1,984,174
Inventory, at cost	25,193	256,596	281,789
Restricted cash and investments	230,798	45,268,283	45,499,081
Capital assets:			
Land	11,707,380	2,728,954	14,436,334
Construction in progress	11,428,869	35,678,519	47,107,388
Buildings and improvements	19,307,023	39,573,794	58,880,817
Improvements other than buildings	11,990,745	-	11,990,745
Machinery and equipment	12,036,915	46,590,226	58,627,141
Infrastructure	44,287,419	-	44,287,419
Right to use - vehicles and equipment	4,159,373	-	4,159,373
Less accumulated depreciation	(48,603,869)	(41,777,622)	(90,381,491)
Total capital assets	66,313,855	82,793,871	149,107,726
Total assets	131,513,475	143,955,401	275,468,876
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	7,658,261	1,127,170	8,785,431
Deferred outflows - TMRS SDBF	137,500	20,237	157,737
Deferred outflows - retiree health	962,713	141,696	1,104,409
Total deferred outflows of resources	8,758,474	1,289,103	10,047,577
LIABILITIES			
Accounts payable	2,562,256	4,739,465	7,301,721
Accrued interest payable	187,627	384,095	571,722
Unearned revenue	1,990,937	821,429	2,812,366
Other accrued liabilities	703,906	113,985	817,891
Customer deposits	-	501,189	501,189
Due to other governments	81,744	40,830	122,574
Long-term liabilities:			
Due within one year:			
Long-term debt	4,649,405	1,542,466	6,191,871
Total OPEB liability - TMRS SDBF	23,677	6,419	30,096
Total OPEB liability - retiree health	245,829	31,262	277,091
Due in more than one year:			
Long-term debt	57,952,346	71,974,866	129,927,212
Net pension liability	13,015,200	1,915,625	14,930,825
Total OPEB liability - TMRS SDBF	499,554	70,592	570,146
Total OPEB liability - retiree health	4,080,239	605,464	4,685,703
Total liabilities	85,992,720	82,747,687	168,740,407

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
(Continued)
SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - leases	$ -	$ 1,285,008	$ 1,285,008
Deferred inflows - TMRS SDBF	253,374	37,292	290,666
Deferred inflows - retiree health	748,065	110,103	858,168
Total deferred inflows of resources	1,001,439	1,432,403	2,433,842
NET POSITION			
Net investment in capital assets	26,764,667	54,360,296	81,124,963
Restricted for:			
Tourism/economic development	9,178,751	-	9,178,751
Grants	2,044,189	-	2,044,189
Law enforcement	100,020	-	100,020
Highway projects	10,554,404	-	10,554,404
Capital projects	7,079,759	-	7,079,759
Park development	1,506,232	-	1,506,232
Information technology	19,026	-	19,026
Debt service	785,146	321,858	1,107,004
Unrestricted	(4,754,404)	6,382,260	1,627,856
Total net position	$ 53,277,790	$ 61,064,414	$ 114,342,204

CITY OF TERRELL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 19,424,083	$ 2,326,202	$ 2,514,317	$ -
Public welfare	3,000,678	1,728	3,240,850	-
Public safety	15,420,101	312,361	2,874,619	-
Highways and streets	10,285,180	2,725,244	743,600	-
Sanitation	978,338	711,676	49,866	-
Culture and recreation	1,586,981	160,934	-	-
Interest on long-term debt	1,780,601	-	-	-
Total governmental activities	52,475,962	6,238,145	9,423,252	-
Business-type activities:				
Water and sewer	16,700,610	22,141,631	-	2,596,141
Airport	1,097,428	513,508	-	-
Total business-type activities	17,798,038	22,655,139	-	2,596,141
Total primary government	$ 70,274,000	$ 28,893,284	$ 9,423,252	$ 2,596,141

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales taxes
Franchise taxes
Other taxes
Unrestricted investment earnings
Miscellaneous
Gain on sale of assets
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (14,583,564)	$ -	$ (14,583,564)
241,900	-	241,900
(12,233,121)	-	(12,233,121)
(6,816,336)	-	(6,816,336)
(216,796)	-	(216,796)
(1,426,047)	-	(1,426,047)
(1,780,601)	-	(1,780,601)
(36,814,565)	-	(36,814,565)
-	8,037,162	8,037,162
-	(583,920)	(583,920)
-	7,453,242	7,453,242
(36,814,565)	7,453,242	(29,361,323)
12,443,243	-	12,443,243
2,559,310	-	2,559,310
18,622,964	-	18,622,964
2,260,050	-	2,260,050
932,990	-	932,990
661,486	423,025	1,084,511
704,692	-	704,692
712,588	-	712,588
4,331,693	(4,331,693)	-
43,229,016	(3,908,668)	39,320,348
6,414,451	3,544,574	9,959,025
46,863,339	57,519,840	104,383,179
$ 53,277,790	$ 61,064,414	$ 114,342,204

CITY OF TERRELL, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General	Terrell PPPF	Terrell Economic Development Corporation
ASSETS			
Cash and investments	$ 3,926,970	$ 7,819,102	$ 6,422,004
Taxes receivable, net	3,091,718	-	602,765
Special assessments receivable, net	-	-	-
Other receivables	56,863	-	19,922
Due from other governments	4,354	10,554,404	-
Due from other funds	2,907,278	-	-
Investment in land	-	-	1,984,174
Inventories	25,193	-	-
Total assets	10,012,376	18,373,506	9,028,865
LIABILITIES			
Accounts payable	1,184,836	408,732	-
Accrued wages payable	658,803	-	-
Due to other funds	11,033	1,090,885	675,433
Due to other governments	-	81,744	-
Unearned revenue	1,659,000	100,000	19,922
Total liabilities	3,513,672	1,681,361	695,355
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	395,076	-	-
Unavailable revenues - grants	-	10,554,404	-
Unavailable revenues - special assessments	-	-	-
Unavailable revenues - municipal court	88,381	-	-
Total deferred inflows of resources	483,457	10,554,404	-
FUND BALANCES			
Nonspendable	25,193	-	-
Restricted:			
Tourism/economic development	-	-	8,333,510
Grants	-	-	-
Law enforcement	-	-	-
Capital projects	-	-	-
Park development	-	-	-
Information technology	-	-	-
Debt service	-	-	-
Unassigned	5,990,054	6,137,741	-
Total fund balances	6,015,247	6,137,741	8,333,510
Total liabilities, deferred inflows of resources and fund balances	$ 10,012,376	$ 18,373,506	$ 9,028,865

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

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
$ 214,303	$ 2,547,871	$ 4,694,563	$ 12,550,730	$ 38,175,543
-	-	-	112,772	3,807,255
-	1,808,844	-	-	1,808,844
1,537	-	-	-	78,322
-	-	-	-	10,558,758
-	54,142	1,075,000	1,772,463	5,808,883
-	-	-	-	1,984,174
-	-	-	-	25,193
215,840	4,410,857	5,769,563	14,435,965	62,246,972
-	113,128	355,262	436,802	2,498,760
-	-	-	-	658,803
34,838	1,568,074	-	4,842,890	8,223,153
-	-	-	-	81,744
-	-	-	212,015	1,990,937
34,838	1,681,202	355,262	5,491,707	13,453,397
-	-	-	96,215	491,291
-	-	-	-	10,554,404
-	1,772,576	-	-	1,772,576
-	-	-	-	88,381
-	1,772,576	-	96,215	12,906,652
-	-	-	-	25,193
-	-	-	845,241	9,178,751
181,002	-	-	1,863,187	2,044,189
-	-	-	100,020	100,020
-	957,079	5,414,301	4,350,104	10,721,484
-	-	-	1,506,232	1,506,232
-	-	-	19,026	19,026
-	-	-	876,558	876,558
-	-	-	(712,325)	11,415,470
181,002	957,079	5,414,301	8,848,043	35,886,923
$ 215,840	$ 4,410,857	$ 5,769,563	$ 14,435,965	$ 62,246,972

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CITY OF TERRELL, TEXAS

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

SEPTEMBER 30, 2023

Total fund balance, governmental funds	$ 35,886,923
Amounts reported for governmental activities in the Statement of Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	69,697,439
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Unavailable revenues - taxes	491,291
Unavailable revenues - grants	10,554,404
Unavailable revenues - special assessments	1,772,576
Unavailable revenues - municipal court	88,381
The assets and liabilities of certain Internal Service Funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	6,742,022
Some liabilities, (such as notes payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Position.	
Bonds, certificates of obligation, and notes payable	(46,659,085)
Premium on bonds	(3,418,609)
Intergovernmental payable	(7,763,881)
Compensated absences	(3,831,276)
Developer agreement payable	(90,500)
Accrued interest payable	(187,627)
Net pension liability	(12,882,316)
Deferred outflows related to pensions	7,580,070
Deferred inflows related to pensions	-
Total OPEB liabilities	(4,799,788)
Deferred outflows related to OPEB	1,088,980
Deferred inflows related to OPEB	(991,214)
Net position of governmental activities in the Statement of Net Position	$ 53,277,790

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

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Terrell PPPF	Terrell Economic Development Corporation
REVENUES			
Ad valorem taxes	$ 10,296,204	$ 2,105,108	$ -
Hotel/motel occupancy taxes	-	-	-
Sales and use taxes	15,149,687	-	3,473,277
Franchise fees	2,260,050	-	-
Licenses and permits	1,160,077	-	-
Fees and fines	475,237	-	-
Intergovernmental	2,125,807	3,112,978	-
Charges for services	1,088,069	-	179,479
Investment earnings	138,093	179,336	154,601
Miscellaneous	399,835	-	300,000
Total revenues	33,093,059	5,397,422	4,107,357
EXPENDITURES			
Current:			
General government	10,437,610	-	4,411,422
Public welfare	-	-	-
Public safety	13,752,027	-	-
Highways and streets	4,616,295	5,102,567	-
Sanitation	755,394	-	-
Culture and recreation	856,906	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	732,197	430,220	-
Total expenditures	31,150,429	5,532,787	4,411,422
OVER (UNDER) EXPENDITURES	1,942,630	(135,365)	(304,065)
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	-	649,187
Issuance of SBITA payable	-	-	-
Proceeds from note payable	-	-	-
Transfers in	2,757,280	1,093,528	-
Transfers out	(4,694,161)	(315,027)	-
Total other financing sources and uses	(1,936,881)	778,501	649,187
NET CHANGE IN FUND BALANCES	5,749	643,136	345,122
FUND BALANCES, BEGINNING	6,009,498	5,494,605	7,988,388
FUND BALANCES, ENDING	$ 6,015,247	$ 6,137,741	$ 8,333,510

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

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 2,576,544	$ 14,977,856
-	-	-	932,990	932,990
-	-	-	-	18,622,964
-	-	-	-	2,260,050
-	441,783	-	-	1,601,860
-	-	-	15,929	491,166
3,240,850	1,528,686	-	-	10,008,321
-	-	-	2,861,224	4,128,772
653	7,136	-	88,809	568,628
4,857	-	-	-	704,692
3,246,360	1,977,605	-	6,475,496	54,297,299
381,718	301,178	-	3,664,441	19,196,369
2,976,425	-	-	-	2,976,425
-	-	-	-	13,752,027
-	-	-	-	9,718,862
-	-	-	-	755,394
-	-	-	419,977	1,276,883
-	-	297,336	2,133,034	2,430,370
-	-	46,677	1,840,462	1,887,139
-	3,031,171	16,861,980	2,991,657	24,047,225
3,358,143	3,332,349	17,205,993	11,049,571	76,040,694
(111,783)	(1,354,744)	(17,205,993)	(4,574,075)	(21,743,395)
-	-	-	-	649,187
-	-	-	1,200,412	1,200,412
-	-	2,546,611	-	2,546,611
-	1,934,883	-	6,353,178	12,138,869
-	-	-	(2,304,285)	(7,313,473)
-	1,934,883	2,546,611	5,249,305	9,221,606
(111,783)	580,139	(14,659,382)	675,230	(12,521,789)
292,785	376,940	20,073,683	8,172,813	48,408,712
$ 181,002	$ 957,079	$ 5,414,301	$ 8,848,043	$ 35,886,923

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CITY OF TERRELL, 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

Net change in fund balances - total governmental funds:	$ (12,521,789)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital outlay	20,494,280
Depreciation expense	(1,890,016)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	
Unavailable revenues - taxes	24,697
Unavailable revenues - grants	(661,297)
Unavailable revenues - special assessments	1
Unavailable revenues - municipal court	16,346
The issuance of long-term debt (e.g., bonds leases) 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 of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal on long-term debt	2,433,012
Amortization of premium on long-term debt	138,849
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	
Accrued interest payable	30,705
Compensated absences	(1,222,632)
Pension expense	(1,002,859)
OPEB expense	(230,016)
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment maintenance and self-insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.	805,170
Change in net position of governmental activities	$ 6,414,451

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

CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts	
	Original	Final
REVENUES		
Ad valorem taxes	$ 10,035,535	$ 10,035,535
Sales and use taxes	15,629,945	15,629,945
Franchise fees	2,129,328	2,129,328
Fees and fines	728,808	728,808
Licenses and permits	167,790	167,790
Intergovernmental	3,014,356	3,094,185
Charges for services	889,343	889,343
Investment earnings	1,001	1,001
Miscellaneous	352,500	872,500
Total revenues	32,948,606	33,548,435
EXPENDITURES		
Current:		
General government	11,981,604	12,019,421
Public safety	14,238,404	14,290,253
Highways and street	4,311,493	4,308,493
Sanitation	586,750	586,750
Culture and recreation	939,435	939,435
Capital outlay	1,171,368	563,601
Total expenditures	33,229,054	32,707,953
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(280,448)	840,482
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	10	10
Transfers in	4,246,125	4,246,125
Transfers out	(3,747,291)	(3,747,291)
Total other financing sources and uses	498,844	498,844
NET CHANGE IN FUND BALANCES	218,396	1,339,326
FUND BALANCES, BEGINNING	6,009,498	6,009,498
FUND BALANCES, ENDING	$ 6,227,894	$ 7,348,824

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

Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
$ 10,296,204	$ 260,669
15,149,687	(480,258)
2,260,050	130,722
475,237	(253,571)
1,160,077	992,287
2,125,807	(968,378)
1,088,069	198,726
138,093	137,092
399,835	(472,665)
33,093,059	(455,376)
10,437,610	1,581,811
13,752,027	538,226
4,616,295	(307,802)
755,394	(168,644)
856,906	82,529
732,197	(168,596)
31,150,429	1,557,524
1,942,630	1,102,148
-	(10)
2,757,280	(1,488,845)
(4,694,161)	(946,870)
(1,936,881)	(2,435,725)
5,749	(1,333,577)
6,009,498	-
$ 6,015,247	$ (1,333,577)

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 6,532,965	$ 1,328,857	$ 7,861,822	$ 5,241,066
Cash and investments - restricted	45,268,283	-	45,268,283	-
Accounts receivable, net	3,817,849	1,312,870	5,130,719	-
Due from other funds	3,754,130	596,700	4,350,830	-
Due from other governments	211,029	16,831	227,860	-
Inventories	256,596	-	256,596	-
Total current assets	59,840,852	3,255,258	63,096,110	5,241,066
Non-current assets:				
Capital assets:				
Land	2,381,206	347,748	2,728,954	-
Construction in progress	35,624,607	53,912	35,678,519	-
Buildings and improvements	15,322,681	24,251,113	39,573,794	-
Machinery and equipment	45,824,746	765,480	46,590,226	5,253,351
Right to use - vehicles and equipment	-	-	-	2,471,923
Less accumulated depreciation	(31,905,935)	(9,871,687)	(41,777,622)	(5,172,143)
Total capital assets	67,247,305	15,546,566	82,793,871	2,553,131
Total non-current assets	67,247,305	15,546,566	82,793,871	2,553,131
Total assets	127,088,157	18,801,824	145,889,981	7,794,197
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	1,127,170	-	1,127,170	78,191
Deferred outflows - TMRS SDBF	20,237	-	20,237	1,404
Deferred outflows - retiree health	141,696	-	141,696	9,829
Total deferred outflows of resources	1,289,103	-	1,289,103	89,424
LIABILITIES				
Current liabilities:				
Accounts payable	4,643,338	96,127	4,739,465	63,496
Accrued interest payable	383,419	676	384,095	-
Due to other funds	1,933,592	988	1,934,580	1,980
Due to other governments	40,830	-	40,830	-
Unearned revenue	300,000	521,429	821,429	-
Other accrued expenses	113,985	-	113,985	45,103
Compensated absences	27,466	-	27,466	3,178
Leases payable	-	-	-	371,207
Bonds payable	1,515,000	-	1,515,000	-
Total OPEB liability - TMRS SDBF	6,419	-	6,419	445
Total OPEB liability - retiree health	31,262	-	31,262	2,169
Total current liabilities	8,995,311	619,220	9,614,531	520,446
Non-current liabilities:				
Compensated absences	109,866	-	109,866	12,712
Customer deposits	501,189	-	501,189	-
Leases payable	-	-	-	364,373
Notes payable	-	-	-	54,062
Bonds payable	71,865,000	-	71,865,000	-
Net pension liability	1,915,625	-	1,915,625	132,884
Total OPEB liability - TMRS SDBF	70,592	-	70,592	4,897
Total OPEB liability - retiree health	605,464	-	605,464	42,000
Total non-current liabilities	75,067,736	-	75,067,736	610,928
Total liabilities	84,063,047	619,220	84,682,267	1,131,374

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

CITY OF TERRELL, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2023

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - leases	$ -	$ 1,285,008	$ 1,285,008	$ -
Deferred inflows - TMRS SDBF	37,292	-	37,292	2,587
Deferred inflows - retiree health	110,103	-	110,103	7,638
Total deferred inflows of resources	147,395	1,285,008	1,432,403	10,225
NET POSITION				
Net investment in capital assets	38,813,730	15,546,566	54,360,296	1,730,621
Restricted for debt service	321,858	-	321,858	-
Unrestricted	5,031,230	1,351,030	6,382,260	5,011,401
Total net position	$ 44,166,818	$ 16,897,596	$ 61,064,414	$ 6,742,022

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CITY OF TERRELL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 22,141,631	$ -	$ 22,141,631	$ -
Rental income	-	513,508	513,508	-
Internal service revenues	-	-	-	5,841,767
Miscellaneous	-	-	-	147,281
Total operating revenues	22,141,631	513,508	22,655,139	5,989,048
OPERATING EXPENSES				
Cost of sales and services	14,881,026	629,204	15,510,230	187,934
Administration	58,866	-	58,866	1,285,546
Repairs and maintenance	-	-	-	86,117
Other supplies and expenses	-	-	-	853,884
Insurance claims and expenses	-	-	-	1,787,637
Depreciation	1,113,178	468,224	1,581,402	579,658
Total operating expenses	16,053,070	1,097,428	17,150,498	4,780,776
OPERATING INCOME (LOSS)	6,088,561	(583,920)	5,504,641	1,208,272
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	382,814	40,211	423,025	92,858
Capital grants	2,596,141	-	2,596,141	-
Interest and fiscal charges	(647,540)	-	(647,540)	(65,658)
Gain (loss) on disposal of assets	-	-	-	63,401
Transfers in	356,394	474,824	831,218	609,721
Transfers out	(5,075,846)	(87,065)	(5,162,911)	(1,103,424)
Total non-operating revenues (expenses)	(2,388,037)	427,970	(1,960,067)	(403,102)
CHANGE IN NET POSITION	3,700,524	(155,950)	3,544,574	805,170
TOTAL NET POSITION, BEGINNING	40,466,294	17,053,546	57,519,840	5,936,852
TOTAL NET POSITION, ENDING	$ 44,166,818	$ 16,897,596	$ 61,064,414	$ 6,742,022

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

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities	
	Water and Sanitary Sewer	Airport
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 20,826,838	$ 499,409
Cash paid for services and insurance claims	-	-
Cash paid to suppliers for goods and services	(13,723,245)	(608,153)
Cash paid to employees for services	(2,730,833)	-
Net cash provided (used) by operating activities	4,372,760	(108,744)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	356,394	474,824
Cash paid to other funds	(5,075,846)	(87,065)
Net cash provided (used) by noncapital financing activities	(4,719,452)	387,759
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(13,256,824)	(49,080)
Proceeds from sale of capital assets	-	-
Proceeds from issuance of long-term debt	45,710,000	-
Principal paid on long-term debt	(1,975,000)	(115,000)
Capital grants	2,596,141	-
Interest and fiscal charges paid on debt	(311,036)	-
Net cash provided (used) by capital and related financing activities	32,763,281	(164,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	382,814	40,211
Net cash provided by investing activities	382,814	40,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,799,403	155,146
CASH AND CASH EQUIVALENTS, BEGINNING	19,001,845	1,173,711
CASH AND CASH EQUIVALENTS, ENDING	$ 51,801,248	$ 1,328,857

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

Business-type Activities	Governmental Activities
Total	Internal Service Funds
$ 21,326,247	$ 5,989,048
-	(3,097,383)
(14,331,398)	(940,001)
(2,730,833)	(210,389)
4,264,016	1,741,275
831,218	609,721
(5,162,911)	(1,103,424)
(4,331,693)	(493,703)
(13,305,904)	(474,512)
-	63,401
45,710,000	426,940
(2,090,000)	(750,401)
2,596,141	-
(311,036)	(65,658)
32,599,201	(800,230)
423,025	92,858
423,025	92,858
32,954,549	540,200
20,175,556	4,700,866
$ 53,130,105	$ 5,241,066

CITY OF TERRELL, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities	
	Water and Sanitary Sewer	Airport
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 6,088,561	$ (583,920)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,113,178	468,224
Changes in assets and liabilities:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(1,293,006)	285,611
Other receivable	685,150	17,982
Inventories	(21,847)	-
Due from other funds	(3,717,805)	1,785
Deferred outflows of resources	(754,852)	-
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	825,129	25,154
Accrued liabilities	29,591	-
Compensated absences	25,798	-
Due to other funds	407,712	(23,870)
Due to other governments	13,706	-
Deferred inflows of resources	(459,218)	(299,710)
Net pension liability	1,467,927	-
Total OPEB liability - TMRS SDBF	(36,059)	-
Total OPEB liability - retiree health	20,582	-
Customer deposits	(21,787)	-
Net cash provided by operating activities	$ 4,372,760	$ (108,744)

Business-type Activities	Governmental Activities
Total	Internal Service Funds
$ 5,504,641	$ 1,208,272
1,581,402	579,658
(1,007,395)	-
703,132	-
(21,847)	-
(3,716,020)	-
(754,852)	(17,643)
850,283	54,767
29,591	35,934
25,798	5,135
383,842	(78,967)
13,706	-
(758,928)	(71,689)
1,467,927	71,904
(36,059)	(9,483)
20,582	(36,613)
(21,787)	-
$ 4,264,016	$ 1,741,275

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Terrell (the "City") was incorporated on September 6, 1875, under an act of the 14th Legislature of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire); highways and streets; sanitation; culture-recreation; public improvements; planning and zoning; and general administrative services.

The accounting policies of the City of Terrell conform to generally accepted accounting principles as applicable to local governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the Terrell Economic Development Corporation has been included in the City's reporting entity as blended component unit; although legally separate entity is in substance a part of the City's operations.

The Terrell Economic Development Corporation ("TEDC") was incorporated in 1990 under the provisions of the Development Corporation Act of 1979, as amended. TEDC operates under a five-member Board of Directors appointed by the City Council. The purpose of TEDC is to promote and develop commercial, industrial, and manufacturing enterprises to create and enhance local job opportunities. The City Council maintains organizational control over TEDC in addition to significant managerial control over the assets and operations. TEDC has been incorporated into these financial statements as a major governmental fund. Essential disclosures are included in separately issued financial statements of the TEDC. These statements may be obtained at the City's administrative office.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

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

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

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

The City reports the following major governmental funds:

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

The ***Rent Supplement Section 8 Fund*** is a Special Revenue Fund used to account for federal funds received under contract from the Department of Housing and Urban Development for housing rental assistance.

The ***Terrell Public Private Partnership Fund (PPPF)*** is issued to account for the accumulation and expenditures of funds within the Tax Increment Zone.

The ***Terrell Economic Development Fund*** is a component unit of the City and accounts for 3/8 cent sales tax revenues used to promote and develop commercial, industrial and manufacturing enterprises to create and enhance job opportunities.

The ***Permanent Street Improvement Fund*** is used to account for funds for various street and sidewalk projects.

The ***C of O Series 2021A*** is used to account for funds received from the issuance of the Certificates of Obligation 2021A and the Certificates of Obligation Taxable Series 2021A.

The City reports the following major proprietary funds:

The ***Water and Sanitary Sewer Fund*** is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The ***Airport Fund*** is used to account for operations of the Terrell Municipal Airport.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City reports the following Internal Service Funds.

Insurance Fund – to account for the City's insurance programs.

Equipment Replacement Fund – to track fleet maintenance, repair and replacement.

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

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

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

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position/Fund Balance

Equity in Pooled Cash and Investments

The City reclassifies certain of its cash and investments into equity in pooled cash and investments. Each fund participates on a daily transaction basis and income for all assets included in pooled cash and investments is allocated to individual funds based on their respective balance in equity in pooled cash and investments.

Additionally, deposits and investments continue to be held separately by several of the City's funds. Income on these assets is recorded in the respective fund holding the deposits and investments.

All assets in equity in pooled cash and investments and demand deposits on hand have been considered as cash equivalents for purposes of the statement of cash flows.

Investments for the Entity are reported at fair value, except for the position in investment pools, which are reported at net asset value.

Investments

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

Investment in Land and Building

The Terrell Economic Development Corporation invests in land and buildings to sell to prospective businesses to enhance economic development. Investment in land and invested in building is stated at cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible. The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. The total assessed value of property was $2,077,704,386 and the tax rates were $.6042 per $100 valuation for maintenance and operations and $.1600 per $100 valuation for debt service. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred inflows of resources on October 1. The deferred inflows of resources from taxes is then recognized as revenue during the year as the taxes are actually received.

Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost. In governmental funds, reported inventories do not represent available spendable resources and are, therefore, equally offset by a nonspendable fund balance designation.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Water and Sanitary Sewer Fund Debt Service Fund account is used to segregate resources accumulated for debt service payments over the life of the bonds.

Capital Assets

Capital assets are tangible and intangible, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right to use assets, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Assets	Years
Buildings	45
Building improvements	10 - 20
Improvements other than buildings	20 - 45
Public domain infrastructure	20 - 40
Vehicles	12
Heavy equipment	10 - 15
Office equipment	7
Computer equipment	5 - 7
Right to use - vehicles	5
Right to use - software	5

Construction in Progress

Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

Compensated Absences

The City's vacation pay policy provides that vacation pay accrues at various rates based on length of service up to the maximum of 21 days per year. Generally, sick leave is not paid upon termination except for firemen and policemen. Firemen and policemen accumulate unused sick leave up to a maximum of 90 days. All other employees are paid only upon illness while in the employ of the City.

Long-term Obligations

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

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

Leases

Lessee. The City is a lessee for a noncancellable lease of equipment. The City recognizes lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The City is a lessor for noncancellable leases and 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.

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.

Subscription-Based IT Arrangements

The City is a lessee for noncancellable subscription-based IT arrangements (SBITAs). The City recognizes a liability and an intangible right-to-use assets in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

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

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

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

These right to use assets are reported with other capital assets and liabilities are reported with long term debt on the statement of net position.

Pensions

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

Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Health Plan. The City provides post-employment medical care (Medical OPEB) for retired employees through a self-insured PPO plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependent. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

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

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

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

Fund Balance

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

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

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net assets investment in capital assets consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net Position reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the City 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 City'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.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was adopted effective October 1, 2022. The statement addresses accounting and financial reporting for lease contracts. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to August 1, the City Manager 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. Prior to October 1, the budget is legally enacted through passage of an ordinance.

3. The City Council approves, by ordinance, budget appropriations on a departmental basis. The City Manager is authorized to transfer budget amounts within any department; however, any revisions that alter the total departmental appropriation must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations for each department.

4. A formal budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.
5. Several budget amendments were made during the year.

6. Appropriations lapse at year-end.

B. Deficit Fund Balance/Net Position

The Certificates of Obligation Tax and Revenue Series 2004 Fund had a deficit equity balance of $16,400 as of September 30, 2023. The TCDP Grant Fund had a deficit fund balance of $169,214 as of September 30, 2023. The CO 2021 Bond Fund had a deficit fund balance of $526,711 as of September 30, 2023. The FEMA Fund had a deficit fund balance of $1,686,677 as of September 30, 2023. The deficit equity balances will be covered by future transfers from the General Fund.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Custodial Credit Risk. 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 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 fair value of not less than the principal amount of deposits. As of September 30, 2023, the City's deposit balance was collateralized with securities held by the pledging financial institution or by FDIC insurance.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2023, the City held the following fair value measurements:

	9/30/2023	Valuation Method	Percent of Total Portfolio	Weighted Average Maturity (Days)
Primary government				
Cash and cash equivalents				
Demand Deposits	$ 81,152,232	Cost		
TexPool	7,673,885	NAV	49.85%	24
Texas Range	4,863,324	NAV	31.59%	39
TexSTAR	2,857,273	NAV	18.56%	29
Total cash and cash equivalents	96,546,714			
Total cash and investments of the reporting entity	$ 96,546,714			

Receivables

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

	General	Rent Supplement Section 8	Terrell EDC	Terrell PPPF	Permanent Street Improvement	Other Governmental and Other	Total Governmental Funds
Receivables:							
Taxes	$ 3,091,718	$ -	$ 602,765	$ -	$ -	$ 112,772	$ 3,807,255
Due from other governments	4,354	-	-	10,554,404	-	-	10,558,758
Special assessment	-	-	-	-	1,808,844	-	1,808,844
Fines and fees	1,767,625	1,537		-	-	-	1,769,162
Miscellaneous	(31,518)	-	19,922	-	-	-	(11,596)
Gross receivables	4,832,179	1,537	622,687	10,554,404	1,808,844	112,772	17,932,423
Less: allowance for uncollectibles	(1,679,244)	-	-	-	-	-	(1,679,244)
Net total receivables	$ 3,152,935	$ 1,537	$ 622,687	$ 10,554,404	$ 1,808,844	$ 112,772	$ 16,253,179

	Water Utilities	Airport	Enterprise Funds
Receivables:			
Due from other governments	$ 211,029	$ 16,831	$ 227,860
Lease receivable	-	1,312,870	1,312,870
Customer accounts	4,840,233	-	4,840,233
Gross receivables	5,051,262	1,329,701	6,380,963
Less: allowance for uncollectibles	(1,022,384)	-	(1,022,384)
Net total receivables	$ 4,028,878	$ 1,329,701	$ 5,358,579

Leases Receivable. The City has entered into multiple lease agreements as lessor for hangar space at the City-owned airport. During fiscal year 2023, there were seven active agreements with annual payments ranging from $1,500 to $150,000. The agreements cover terms ending from 2026 to 2045 with imputed interest rates of 3.5%. For the year ended September 30, 2023, the City recognized lease revenue of $151,380 from these agreements.

Capital Assets

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

Primary Government

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,995,011	$ 9,712,369	$ -	$ 11,707,380
Construction in progress	843,261	10,944,940	(359,332)	11,428,869
Total assets not being depreciated	2,838,272	20,657,309	(359,332)	23,136,249
Capital assets, being depreciated:				
Buildings	19,296,433	10,590	-	19,307,023
Improvements, other than buildings	10,364,770	1,266,643	359,332	11,990,745
Machinery and equipment	11,344,633	692,282	-	12,036,915
Infrastructure	44,287,419	-	-	44,287,419
Right to use - vehicles and equipment	2,070,382	426,940	(25,399)	2,471,923
Right to use - subscription lease	-	1,687,450	-	1,687,450
Total capital assets being depreciated	87,363,637	4,083,905	333,933	91,781,475
Less accumulated depreciation:				
Buildings	(5,032,541)	(155,111)	-	(5,187,652)
Improvements, other than buildings	(1,757,496)	(343,479)	-	(2,100,975)
Machinery and equipment	(7,664,696)	(1,060,786)	-	(8,725,482)
Infrastructure	(30,587,583)	(527,667)	-	(31,115,250)
Right to use - vehicles and equipment	(1,091,885)	(405,330)	22,705	(1,474,510)
Right to use - subscription lease	-	-	-	-
Total accumulated depreciation	(46,134,201)	(2,492,373)	22,705	(48,603,869)
Total capital assets being depreciated, net	41,229,436	1,591,532	356,638	43,177,606
Governmental activities capital assets, net	$ 44,067,708	$ 22,248,841	$ (2,694)	$ 66,313,855

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 2,533,992	$ 194,962	$ -	$ 2,728,954
Construction in progress	22,582,889	13,095,630	-	35,678,519
Total assets not being depreciated	25,116,881	13,290,592	-	38,407,473
Capital assets, being depreciated:				
Buildings and improvements	39,524,712	49,082	-	39,573,794
Machinery and equipment	46,590,226	-	-	46,590,226
Total capital assets being depreciated	86,114,938	49,082	-	86,164,020
Less accumulated depreciation:				
Buildings and improvements	(18,624,953)	(445,204)	-	(19,070,157)
Machinery and equipment	(21,558,970)	(1,136,198)	(12,297)	(22,707,465)
Total accumulated depreciation	(40,183,923)	(1,581,402)	(12,297)	(41,777,622)
Total capital assets being depreciated, net	45,931,015	(1,532,320)	(12,297)	44,386,398
Business-type activities capital assets, net	$ 71,047,896	$ 11,758,272	$ (12,297)	$ 82,793,871

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

Governmental activities:	
General government	$ 158,110
Public safety	883,458
Highways and streets	661,688
Culture and recreation	186,754
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	602,363
Total depreciation expense - governmental activities	2,492,373
Business-type activities:	
Water and sanitary sewer	1,113,178
Airport	468,224
Total depreciation expense - business-type activities	$ 1,581,402

Interfund Receivables and Payables and Transfers

The composition of interfund balances as of September 30, 2023, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Economic development corporation	$ 621,291
	Permanent street improvement	454,963
	Nonmajor governmental	1,039,589
	Water and sanitary sewer	619,514
	Rent Supplement Section 8	34,838
	Airport	988
	Internal service funds	1,980
	Terrell PPPF	134,115
C of O Series 2021A	Water and sanitary sewer	375,000
	Permanent street improvement	700,000
Permanent street improvement	Economic development corporation	54,142
Nonmajor governmental	General fund	11,033
	Terrell PPPF	731,770
	Permanent street improvement	166,517
	Nonmajor governmental	474,408
	Water and sanitary sewer	388,735
Water and sanitary sewer	Nonmajor governmental	3,282,536
	Permanent street improvement	246,594
	Terrell PPPF	225,000
Airport fund	Nonmajor governmental	46,357
	Water and sanitary sewer	550,343
		$ 10,159,713

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

Transfers out	Transfers in	Amount
General fund	Terrell PPPF	$ 1,072,695
	Permanent street improvement	1,151,550
	Nonmajor governmental	2,110,092
	Airport fund	359,824
Terrell PPPF	Nonmajor governmental	315,027
Nonmajor governmental	General fund	292,860
	Internal service funds	270,000
	Nonmajor governmental	1,257,395
	Water and sewer fund	348,197
	Terrell PPPF	20,833
	Airport fund	115,000
Internal service funds	Nonmajor governmental	436,758
	Internal service funds	333,333
	Permanent street improvement	333,333
Airport fund	Nonmajor governmental	72,480
	Water and sewer fund	8,197
	Internal service funds	6,388
Water and sewer fund	General fund	2,464,420
	Permanent street improvement	450,000
	Nonmajor governmental	2,161,426
		$ 13,579,808

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund expending them.

Unearned Revenue

Unearned Revenue is recognized for cash resources received before the related eligibility requirements have been met. As of September 30, 2023, unearned revenue predominantly consists of unspent American Rescue Plan Act grant funds in the amount of $5,194,455 that will be recognized in future years as the funds are expended for eligible program costs.

Long-term Debt

Bonded Debt

Bonded debt of the City as of September 30, 2023, is comprised of the following individual issues:

	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Certificates of Obligation:				
Tax Supported:				
Series 2013	2.64%	2/15/2024	$ 1,635,000	$ 200,000
Series 2014	2.00-5.00%	2/15/2032	12,175,000	10,225,000
Series 2021	3.3600%	2/15/2034	3,030,000	2,460,000
Series 2021A	2.00-4.00%	2/15/2051	9,510,000	9,350,000
Series 2021A	.32-3.10%	2/15/2051	11,180,000	10,815,000
				33,050,000
Revenue Supported:				
Series 2011A	1.25-6.75%	2/15/2041	4,660,000	3,685,000
Series 2019A	.010-1.430%	9/30/2049	5,215,000	4,365,000
Series 2019B	1.160-2.440%	9/30/2049	5,215,000	1,530,000
Series 2020A	0.00%	8/15/2040	6,000,000	5,100,000
Series 2021	3.3600%	2/15/2034	3,545,000	2,880,000
Series 2021B	-	2/15/2051	10,045,000	9,145,000
Series 2021C	.15-1.06%	2/15/2051	1,535,000	1,435,000
Series 2022A	1.630-2890%	8/15/2053	3,290,000	3,290,000
Series 2022B	3.80-4.620%	8/15/2053	4,150,000	4,150,000
Series 2023A	3.00-5.00%	8/15/2053	3,215,000	3,150,000
Series 2023B	4.350-5.380%	8/15/2053	7,805,000	7,650,000
Series 2023C	4.00-5.00%	8/15/2053	27,250,000	27,000,000
				73,380,000
General Obligation Bonds:				
Series 2012	1.89%	02/15/2024	5,880,000	370,000
Series 2021	3.00-5.00%	02/15/2046	9,215,000	8,530,000
				8,900,000
				$ 49,600,000

Revenue-supported certificates of obligation are marked as direct borrowings; however, the terms of these obligations do not differ significantly from the City's other outstanding debt and do not contain substantive acceleration clauses. In the event of default, any registered holder of the obligations would be entitled to seek a writ of mandamus from a court of proper jurisdiction ordering payment.

Annual debt service requirements to maturity for bonded debt are as follows:

Notes Payable

As of September 30, 2023, the City's notes payable consisted of the following:

On October 1, 2018, the City entered into a $936,000 note payable with a financial institution for the purchase of a 2018 Spartan 10 RMT ladder truck. Annual payments begin on October 15, 2019, with the last payment due on October 15, 2023. Interest is paid annually at 3.09%. As of September 30, 2023, the balance on the note was $198,999.

On December 1, 2019, the City entered into a $2,255,000 note payable with a financial institution for the acquisition of equipment and vehicles for the street and waterworks and sewer system departments and the construction and improvement of park facilities. Annual payments begin on August 15, 2020, with the last payment due on August 15, 2026. Interest is paid annually at 1.975%. As of September 30, 2023, the balance on the note was $765,000.

During fiscal year 2023, the City entered into a $194,818 note payable with a financial institution for the acquisition of a dump truck for use in the streets department. Annual payments begin in 2023 and the note matures in 2024. Interest is paid annually at 2.8%. As of September 30, 2023, the balance on the note was $86,930.

During fiscal year 2023, the City entered into a $1,150,000 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2023, the balance on the note was $1,146,966.

During fiscal year 2023, the City entered into a $760,053 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2023, the balance on the note was $599,890.

During fiscal year 2023, the City entered into a $636,558 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2023, the balance on the note was $502,419.

All notes payable are classified as direct borrowings and are secured by the purchased assets.

	Governmental Activities				
	Certificates of Obligation Tax Supported		General Obligation Bonds		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total Requirements
2024	$ 1,315,000	$ 1,067,319	$ 835,000	$ 346,147	$ 3,563,466
2025	1,395,000	1,037,219	480,000	321,350	3,233,569
2026	1,425,000	1,004,767	510,000	296,600	3,236,367
2027	1,745,000	960,240	465,000	272,225	3,442,465
2028	1,800,000	909,950	380,000	253,000	3,342,950
2029-2033	9,340,000	3,586,565	1,060,000	1,143,200	15,129,765
2034-2038	4,430,000	2,288,433	1,840,000	841,900	9,400,333
2039-2043	3,850,000	1,709,749	2,035,000	460,900	8,055,649
2044-2048	4,585,000	976,080	1,295,000	79,100	6,935,180
2049-2051	3,165,000	593,901	-	-	3,758,901
Total	$ 33,050,000	$ 14,134,223	$ 8,900,000	$ 4,014,422	$ 60,098,645

	Business-type Activities		
	Certificates of Obligation Revenue Supported		
Year Ending September 30,	Principal	Interest	Total Requirements
2024	$ 1,515,000	$ 2,291,559	$ 3,806,559
2025	1,775,000	2,132,128	3,907,128
2026	1,995,000	2,108,689	4,103,689
2027	2,225,000	2,073,625	4,298,625
2028	2,504,000	2,026,769	4,530,769
2029-2033	13,151,000	9,297,782	22,448,782
2034-2038	12,493,000	7,659,408	20,152,408
2039-2043	12,524,000	5,702,427	18,226,427
2044-2048	12,538,000	3,820,498	16,358,498
2049-2051	12,660,000	1,566,489	14,226,489
Total	$ 73,380,000	$ 38,679,374	$ 33,192,760

Future maturities and amounts paid under the notes after September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest
2024	$ 978,419	$ 164,009
2025	754,814	78,818
2026	446,021	55,217
2027	76,432	47,552
2028	1,044,518	214,470
Total	$ 3,300,204	$ 560,066

Leases Payable

The city has entered into a master lease agreement with Enterprise Fleet Management for the lease of various City fleet vehicles. During fiscal year 2023, the City had 76 vehicles leased under the master agreement. All leased vehicles are for a 60-month period. The leases are paid in monthly installments and range from $275 to $1,355. Interest rates range between 3.67% and 7.71%.

During the current year, the City leased 8 new vehicles amounting to $426,940 at an average interest rate of 6.28%.

Future principal and interest lease payments as of September 30, 2023, are as follows for the governmental activities:

	Governmental Activities		
Year Ended September 30,	Principal	Interest	Total Requirements
2024	$ 371,207	$ 49,889	$ 421,096
2025	282,467	32,255	314,722
2026	211,912	18,328	230,240
2027	155,390	7,696	163,086
2028	10,003	79	10,082
Totals	$ 1,030,979	$ 108,247	$ 1,139,226

Subscription Payable

The city has entered into a software subscription agreement with Tyler Technologies for software for the City. During fiscal year 2023, the City had 3 software agreements under separate agreements. All agreements are for a 60-month period. The agreements are paid in monthly installments and range from $2,290 to $23,233. Interest rate of 4.20%

Future principal and interest lease payments as of September 30, 2023, are as follows for the governmental activities:

	Governmental Activities		
Year Ended September 30,	Principal	Interest	Total Requirements
2024	$ 380,346	$ 51,383	$ 431,729
2025	399,805	31,924	431,729
2026	420,260	11,469	431,729
Totals	$ 1,200,411	$ 94,776	$ 1,295,187

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 2,619,399	$ 1,339,111	$ 111,344	$ 3,847,166	$ 769,433
Notes payable - direct borrowing	1,542,004	2,546,611	788,411	3,300,204	978,419
Certificates of obligation	34,255,000	-	1,205,000	33,050,000	1,315,000
Intergovernmental payable	7,763,881	-	-	7,763,881	-
General obligation bonds	9,635,000	-	735,000	8,900,000	835,000
Bond issuance premium	3,557,458	-	138,849	3,418,609	-
Leases payable	1,031,000	426,940	426,961	1,030,979	371,207
Subscription payable	-	1,200,412	-	1,200,412	380,346
Developer agreement payable	90,500	-	-	90,500	-
Governmental activities long-term liabilities	60,494,242	5,513,074	3,405,565	62,601,751	4,649,405
Business-type activities					
Compensated absences	111,534	98,006	72,208	137,332	27,466
Certificates of obligation - direct borrowing	29,760,000	45,240,000	1,620,000	73,380,000	1,515,000
Business-type activities long-term liabilities	$ 29,871,534	$ 45,338,006	$ 1,692,208	$ 73,517,332	$ 1,542,466

Intergovernmental Payable

The City entered into an agreement to partner with Kaufman County, Texas to perform State highway projects. They are the Spur 557 frontage roads and ramps along with improvements to FM 148 North. The County has agreed to assist with funds from their 2014 bond issuance. The County will advance funds not to exceed $8.5 million for the aforementioned projects. The City will reimburse these funds with grant money from the Texas Department of Transportation contract that will be available upon conclusion of the two projects. Kaufman County has funded the City $7,763,881 as of September 30, 2023.

Contingent Liabilities

The City is defendant in various lawsuits. Although the outcome of the lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended September 30, 2023, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

On November 28, 1997, the City was issued an Administrative Order from Region VI of the U. S. Environmental Protection Agency ("EPA") for apparent violations of the County's National Pollution Discharge Elimination System Permit ("NPDES" Permit) for exceeding the allowable amount of silver, which could be discharged from the City's wastewater treatment plant. Failure of the City to comply with the Order could result in substantial penalties being assessed against the City.

Insurance Plan

The City has established an insurance plan for health care benefits that pays 100% of employee claims limited to $50,000 per employee and $1,300,000 in aggregate. The City has insured claims in excess of plan limits. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on the City's experience. Claims liabilities are reevaluated periodically to take into consideration settlement of claims, new claims, and other factors. As of September 30, 2023, the estimated value of these liabilities was $63,496.

Employee Retirement Systems and Pension Plans

Plan Description

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

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

Benefits Provided

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

At retirement, the 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 City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Cost of living adjustments (COLA) for retirees	70% of consumer price index (CPI) repeating

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 current receiving benefits	148
Inactive employees entitled to but not yet received benefits	68
Active employees	193
	409

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 16.52% and 17.03% in calendar years 2022 and 2023 respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $2,543,255 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan expense including inflation

Salary increases were 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 2018 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 morality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuarial firm 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 equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 71,385,783	$ 67,526,314	$ 3,859,469
Changes for the year:			
Service cost	2,446,168	-	2,446,168
Interest	4,798,934	-	4,798,934
Difference between expected and actual experience	2,079,389	-	2,079,389
Change in assumptions	-		
Contributions - employer	-	2,219,201	(2,219,201)
Contributions - employee	-	956,602	(956,602)
Net investment income	-	(4,930,913)	4,930,913
Benefits payments, including refunds of employee contributions	(3,027,088)	(3,027,088)	-
Administrative expense	-	(42,654)	42,654
Other change	-	50,899	(50,899)
Net changes	6,297,403	(4,773,953)	11,071,356
Balance at 12/31/2022	$ 77,683,186	$ 62,752,361	$ 14,930,825

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability	$ 25,969,811	$ 14,930,825	$ 5,871,210

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2023, the City recognized pension expense of $3,735,096. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,576,744	$ -
Changes in actuarial assumptions	10,563	-
Difference between projected and actual investment earnings	4,302,987	-
Contributions subsequent to the measurement date	1,895,137	-
Totals	$ 8,785,431	$ -

$1,895,137 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2024	$ 1,043,364
2025	1,817,471
2026	1,796,005
2027	2,233,454

Defined Other Post-Employment Benefit (OPEB) Plans

TMRS Supplemental Death Benefits Fund

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	18
Active employees	193
Total	316

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.27% for 2022 and 0.38% for 2023, of which 0.17% for 2022 and 0.17% for 2023 represented the retiree-only portion for both years, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2023 were $22,392 and $50,033, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Measurement year ended December 31,	2022
Inflation rate	2.50%
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

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

Salary increases were based on a service-related table.

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

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	$ 709,049	$ 600,242	$ 514,715

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2023, the City reported a liability of $600,242 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2022. For the year ended September 30, 2023, the City recognized OPEB expense of $41,722. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	$ 877,190
Changes for the year:	
Service cost	43,730
Interest	16,329
Difference between expected and actual experience	(29,807)
Changes of assumptions	(283,968)
Benefit payments	(23,232)
Net changes	(276,948)
Balance at 12/31/2022	$ 600,242

In the governmental activities, the total OPEB liability is generally liquidated by the General Fund.

At September 30, 2023, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,138	$ 45,312
Changes in actuarial assumptions	113,347	245,354
Contributions subsequent to the measurement date	43,252	-
Totals	$ 157,737	$ 290,666

$43,252 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,	
2024	$ (22,755)
2025	(20,391)
2026	(31,112)
2027	(44,521)
2028	(51,250)
Thereafter	(6,152)

Other Post-Employment Benefit (OPEB) Plans

Retiree Health Insurance Plan

Plan Description. The City sponsors a Retiree Health Insurance Benefits Plan (the "Plan"). The Plan provides these other post-employment benefits ("OPEB") for retired employees and their eligible dependents through a self-insured PPO plan. Employees qualifying for retirement from the City may receive City paid health coverage for up to seven years after they have retired or reached age 65, whichever occurs first. Employees become eligible to elect retiree coverage at age 55, with the last 20 years employed by the City, or 20 years total with the last 10 years employed by the City. Additionally, employees must have an accumulated 20 years of TMRS service without regard to age. The City pays the full monthly contribution for individual coverage. The retiree pays the full monthly contribution for any dependent coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	114
Active employees with dependant coverage	74
Total	197

Actuarial Methods and Assumptions. Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2022
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary.
Discount Rate	4.77%
Inflation Rate	2.50%
Salary Scale	3.50%
Demographic Assumptions	Based on the actuarial assumptions used in the 2017 actuarial report for the Texas Municipal Retirement System ("TMRS").
Mortality	RPH-2014 Total Table with Projection MP-2021
Health care cost trend rates	Level 4.50% for medical.
Participation rates	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.77% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was the Bond Buyer GO Bond 20 Index.

Changes in the Total OPEB Liability. The City's total OPEB liability of $4,962,794 was measured as of September 30, 2023 and was determined by an actuarial valuation as of September 30, 2023.

	Total OPEB Liability
Balance at 10/01/2022	$ 4,780,012
Changes for the year:	
Service cost	194,948
Interest on the total OPEB liability	231,494
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(243,660)
Net changes	182,782
Balance at 09/30/2023	$ 4,962,794

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.77%)	Discount Rate (4.77%)	1% Increase in Discount Rate (5.77%)
City's total OPEB liability	$ 4,573,040	$ 4,962,794	$ 5,389,668

Healthcare Cost Trend Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Cost Trend Rate Assumption	1% Increase
City's total OPEB liability	$ 4,474,269	$ 4,962,794	$ 5,528,194

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2023, the City recognized OPEB expense of $345,642. At September 30, 2023, the City reported deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,104,409	$ 13,594
Changes in actuarial assumptions	-	844,574
Total	$ 1,104,409	$ 858,168

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,	
2024	$ 40,038
2025	40,038
2026	40,287
2027	64,885
2028	60,993

Risk Management

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City provides workers' compensation insurance coverage with the Texas Municipal League, which provides statutory coverage against potential losses.

The City is exposed to various risks of loss related to torts, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty and general liability coverage has been established with the Texas Municipal League.

Commitments

During the fiscal year ended September 30, 2005, the City entered into an agreement with North Texas Municipal Water District (the "District"). Under the agreement, the District has agreed to acquire property and construct a transmission line in order to sell water to the City. As part of the agreement, the project will be financed by a bond issue in the amount of $12,470,000 issued in the name of the District. The District is responsible for the cost of the project only to the extent of the bond issue and any additional construction costs are the responsibility of the City. During the construction phase, the City is responsible for the monthly transfer of funds to the District in order to pay the debt service obligation of the bonds and to fund any necessary reserve funds established by the bond ordinance. Upon completion of the project, the rights, title and interest in the project will rest irrevocably with the City. This transaction shall result in the automatic sale and delivery of the project to the City in consideration of the agreement of the City to perform its obligations under the agreement.

Implementation of New Accounting Statements

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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NORTON ROSE FULBRIGHT

[Closing Date]

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IN REGARD to the authorization and issuance of the "City of Terrell, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025," dated March 1, 2025 in the principal amount of $____________ (the "Certificates"), we have examined into their issuance by the City of Terrell, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[Closing Date]

NORTON ROSE FULBRIGHT

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IN REGARD to the authorization and issuance of the "City of Terrell, Texas, General Obligation Refunding Bonds, Series 2025A," dated March 1, 2025, in the principal amount of $__________ (the "Bonds"), we have examined into their issuance by the City of Terrell, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, [an Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank Trust Company, National Association (the "Escrow Agent")] and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. [The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the] [The] outstanding

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obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held [in a fund with the Escrow Agent, pursuant to the Escrow Agreement][by the paying agent for the outstanding obligations being refunded (the "Refunded Obligations Paying Agent")] and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon a certificate of the Refunded Obligations Paying Agent as to the sufficiency of cash deposited with the [Escrow Agent pursuant to the Escrow Agreement][Refunded Obligations Paying Agent] for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[Closing Date]

NORTON ROSE FULBRIGHT

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IN REGARD to the authorization and issuance of the "City of Terrell, Texas, General Obligation Refunding Bonds, Taxable Series 2025B," dated March 1, 2025B, in the principal amount of $__________ (the "Bonds"), we have examined into their issuance by the City of Terrell, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 1 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, [an Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank Trust Company, National Association (the "Escrow Agent")] and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to certain facts within the knowledge and control of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. [The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the] [The] outstanding

obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held [in a fund with the Escrow Agent, pursuant to the Escrow Agreement][by the paying agent for the outstanding obligations being refunded (the "Refunded Obligations Paying Agent")] and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon a certificate of the Refunded Obligations Paying Agent as to the sufficiency of cash deposited with the [Escrow Agent pursuant to the Escrow Agreement][Refunded Obligations Paying Agent] for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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