

**OFFICIAL STATEMENT**

**Dated June 6, 2024**

**Ratings:**  
**S&P: "AA" (BAM Insured)**  
**S&P: "AA-" (Underlying)**  
**Moody's "A1" (Underlying)**  
(see "OTHER INFORMATION –  
Ratings"; "BOND INSURANCE";  
and "BOND INSURANCE RISKS"  
herein)

**NEW ISSUE - Book-Entry-Only**

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

**\$15,990,000**  
**CITY OF HUTTO, TEXAS**  
**(Williamson County, Texas)**  
**GENERAL OBLIGATION BONDS, SERIES 2024**

**Dated Date: June 1, 2024**

**Due: August 1, as shown on page 2**

**Interest to accrue from Date of Delivery (defined below)**

**PAYMENT TERMS** . . . Interest on the \$15,990,000 City of Hutto, Texas, General Obligation Bonds, Series 2024 (the "Bonds"), will accrue from the Date of Delivery (defined above), will be payable February 1 and August 1 of each year, commencing February 1, 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 Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) 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 Bonds (see "THE OBLIGATIONS – Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS – Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1331 of the Texas Government Code, as amended, an election held in the City of Hutto, Texas (the "City") on November 6, 2018, the home rule charter of the City, and an ordinance adopted by the City Council of the City on June 6, 2024 (the "Bond Ordinance"). The Bonds constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance (see "THE OBLIGATIONS – Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for the purposes of (i) constructing, improving, extending, expanding, upgrading and/or developing streets, roads and intersections, including utility relocation, drainage improvements, sidewalks, traffic safety and operational improvements, the purchase of necessary rights-of-way and other related costs therefore; and (ii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Bonds.

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**CUSIP PREFIX: 448474**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**SEPARATE ISSUES** . . . The Bonds are being offered by the City concurrently with the issuance of the \$285,240,000 City of Hutto, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2024 (the "Certificates") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates 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.

**MUNICIPAL BOND INSURANCE** . . . The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") (see "BOND INSURANCE" and "BOND INSURANCE RISKS").



**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Jackson Walker LLP, Houston, Texas, and Cantu Harden Montoya LLP, Austin, Texas, Texas, co-counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about June 27, 2024 (the "Date of Delivery").

**BAIRD**

**CABRERA CAPITAL MARKETS, LLC**

**FHN FINANCIAL CAPITAL MARKETS**

**SIEBERT WILLIAMS SHANK & CO., LLC**

**UMB BANK, N.A.**

**\$15,990,000**  
**CITY OF HUTTO, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2024**

**MATURITY SCHEDULE**

Principal Amount	1-Aug Maturity	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 110,000	2029	5.000%	3.330%	YH3
225,000	2030	5.000%	3.360%	YJ9
230,000	2031	5.000%	3.370%	YK6
295,000	2032	5.000%	3.380%	YL4
370,000	2033	5.000%	3.390%	YM2
405,000	2034	5.000%	3.400%	YN0
460,000	2035	5.000%	3.420% <sup>(2)</sup>	YP5
500,000	2036	5.000%	3.450% <sup>(2)</sup>	YQ3

**\$1,405,000 5.000% Term Bonds Due August 1, 2038 at a Price of 111.937 to Yield 3.580% <sup>(2)</sup> CUSIP Suffix <sup>(1)</sup> YR1**  
**\$1,745,000 5.000% Term Bonds Due August 1, 2040 at a Price of 110.509 to Yield 3.740% <sup>(2)</sup> CUSIP Suffix <sup>(1)</sup> YS9**  
**\$1,925,000 5.000% Term Bonds Due August 1, 2042 at a Price of 109.277 to Yield 3.880% <sup>(2)</sup> CUSIP Suffix <sup>(1)</sup> YT7**  
**\$2,120,000 5.000% Term Bonds Due August 1, 2044 at a Price of 108.407 to Yield 3.980% <sup>(2)</sup> CUSIP Suffix <sup>(1)</sup> YU4**  
**\$6,200,000 4.125% Term Bonds Due August 1, 2049 at a Price of 95.696 to Yield 4.410% CUSIP Suffix <sup>(1)</sup> YV2**

**(Interest to accrue from the Date of Delivery)**

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- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriters, nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed by August 1, 2034, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing on August 1 in each of the years 2038, 2040, 2042, 2044, and 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption as described herein ("THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

**OFFICIAL STATEMENT**

**Dated June 6, 2024**

**Ratings:**  
**S&P: "AA" (BAM Insured)**  
**S&P: "AA-" (Underlying)**  
**Moody's "A1" (Underlying)**  
See "OTHER INFORMATION –  
Ratings"; "BOND INSURANCE"; and  
"BOND INSURANCE RISKS" - herein

**NEW ISSUE - Book-Entry-Only**

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

**\$285,240,000**  
**CITY OF HUTTO, TEXAS**  
**(Williamson County, Texas)**  
**COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**Dated Date: June 1, 2024**

**Due: August 1, as shown on page 4**

**Interest to accrue from Date of Delivery (defined below)**

**PAYMENT TERMS** . . . Interest on the \$285,240,000 City of Hutto, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2024 (the "Certificates"), will accrue from the Date of Delivery (defined above), will be payable February 1 and August 1 of each year, commencing February 1, 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 Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. 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 (identified below) 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"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the home rule charter of the City, and an Ordinance adopted by the City Council of the City on June 6, 2024 (the "Certificate Ordinance"). The Certificates constitute direct obligations of the City of Hutto, Texas (the "City") secured by (i) a continuing direct annual 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 Surplus Revenues of the City's Waterworks and Sewer System as provided in the Certificate Ordinance (see "THE OBLIGATIONS – Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) constructing, improving, designing, acquiring, expanding, including acquiring land, easements and right of way, and equipping the City's water and wastewater system and extending/upgrading water lines, to include construction and design of the City's south wastewater treatment plant expansion; (ii) constructing, improving, designing, acquiring, and extending streets and transportation facilities, including acquiring any land, easements and right of way, sidewalks, drainage, traffic improvements, parking and lighting; and (iii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Certificates.

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**CUSIP PREFIX: 448474**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 4**

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**SEPARATE ISSUES** . . . The Certificates are being offered by the City concurrently with the issuance of the \$15,990,000 City of Hutto, Texas, General Obligation Bonds, Series 2024 (the "Bonds") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for this Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates 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.

**MUNICIPAL BOND INSURANCE** . . . The scheduled payment of principal of and interest on the Certificates, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") (see "BOND INSURANCE" and "BOND INSURANCE RISKS").



**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see Appendix C, "Forms of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Jackson Walker LLP, Houston, Texas, and Cantu Harden Montoya LLP, Austin, Texas, co-counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on or about June 27, 2024 (the "Date of Delivery").

**BAIRD**

**CABRERA CAPITAL MARKETS, LLC**

**FHN FINANCIAL CAPITAL MARKETS**

**SIEBERT WILLIAMS SHANK & CO., LLC**

**UMB BANK, N.A.**

\$285,240,000

**CITY OF HUTTO, TEXAS  
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)  
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**MATURITY SCHEDULE**

Principal Amount	1-Aug Maturity	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 1,185,000	2026	5.000%	3.440%	YW0
1,240,000	2027	5.000%	3.350%	YX8
3,040,000	2028	5.000%	3.290%	YY6
4,200,000	2029	5.000%	3.270%	YZ3
4,405,000	2030	5.000%	3.310%	ZA7
4,730,000	2031	5.000%	3.340%	ZB5
4,960,000	2032	5.000%	3.350%	ZC3
5,205,000	2033	5.000%	3.340%	ZD1
5,460,000	2034	5.000%	3.350%	ZE9
5,725,000	2035	5.000%	3.390% <sup>(2)</sup>	ZF6
6,010,000	2036	5.000%	3.410% <sup>(2)</sup>	ZG4
6,695,000	2037	5.000%	3.500% <sup>(2)</sup>	ZH2
7,025,000	2038	5.000%	3.520% <sup>(2)</sup>	ZJ8
7,375,000	2039	5.000%	3.570% <sup>(2)</sup>	ZK5
7,745,000	2040	5.000%	3.650% <sup>(2)</sup>	ZL3
8,135,000	2041	5.000%	3.740% <sup>(2)</sup>	ZM1
8,540,000	2042	5.000%	3.790% <sup>(2)</sup>	ZN9
8,970,000	2043	5.000%	3.840% <sup>(2)</sup>	ZP4
9,415,000	2044	5.000%	3.890% <sup>(2)</sup>	ZQ2

**\$69,225,000 4.125% Term Certificates Due August 1, 2049 at a Price of 96.137 to Yield 4.380% CUSIP Suffix <sup>(1)</sup> ZR0**  
**\$105,955,000 4.250% Term Certificates Due August 1, 2054 at a Price of 96.215 to Yield 4.480% CUSIP Suffix <sup>(1)</sup> ZS8**

**(Interest to accrue from the Date of Delivery)**

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriters, nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed by August 1, 2034, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

**MANDATORY SINKING FUND REDEMPTION . . .** The Certificates maturing on August 1 in each of the years 2049 and 2054 (the "Term Certificates") are also subject to mandatory sinking fund redemption as described herein ("THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information 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.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*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.*

*NONE OF THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.*

*Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".*

*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 INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN 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. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE CITY'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.*

*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.*

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

**OFFICIAL STATEMENT SUMMARY**

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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 Hutto, Texas (the "City") is a political subdivision located in Williamson County, Texas operating as a home rule city under the laws of the State of Texas (the "State"). The governing body of the City consists of a Mayor and six City Council members elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer (see "INTRODUCTION – Description of the City").

**THE OBLIGATIONS**..... The \$15,990,000 City of Hutto, Texas, General Obligation Bonds, Series 2024 are issued as serial Bonds maturing on August 1 in each of the years 2029 through 2036 and as Term Bonds maturing on August 1 in each of the years 2038, 2040, 2042, 2044 and 2049 (see "THE OBLIGATIONS - Description of the Obligations").

The \$285,240,000 City of Hutto, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligations, Series 2024 are issued as serial Certificates maturing on August 1 in each of the years 2026 through 2044, and as Term Certificates maturing on August 1 in each of the years 2049 and 2054 (see "THE OBLIGATIONS - Description of the Obligations").

The Bonds and the Certificates are sometimes referred to collectively herein as the "Obligations".

**PAYMENT OF INTEREST** ..... Interest on the Obligations accrues from the date of initial delivery of the Obligations to the Underwriters, and is payable February 1, 2025, and each February 1 and August 1 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

**AUTHORITY FOR ISSUANCE** ..... The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 6, 2018, a home rule charter of the City and an ordinance adopted by the City Council of the City on June 6, 2024 (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, and Chapter 1502, Texas Government Code, as amended, a home rule charter of the City and an Ordinance adopted by the City Council of the City on June 6, 2024 (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS – Authority for Issuance of the Obligations").

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

**SECURITY FOR THE CERTIFICATES** ..... The Certificates are direct obligations of the City secured by (i) a continuing direct annual 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 Surplus Revenues of the City's Waterworks and Sewer System as provided in the Certificate Ordinance (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitations" herein).

**OPTIONAL REDEMPTION** ..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2035, in whole or in part principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

**MANDATORY SINKING FUND**

**REDEMPTION** ..... The Bonds maturing on August 1 in each of the years 2038, 2040, 2042, 2044, and 2049 are also subject to mandatory sinking fund redemption as described herein ("THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

The Certificates maturing on August 1 in each of the years 2049 and 2054 are also subject to mandatory sinking fund redemption as described herein ("THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

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

**USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used for the purposes of (i) constructing, improving, extending, expanding, upgrading and/or developing streets, roads and intersections, including utility relocation, drainage improvements, sidewalks, traffic safety and operational improvements, the purchase of necessary rights-of-way and other related costs therefore; and (ii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for the purposes of (i) constructing, improving, designing, acquiring, expanding, including acquiring land, easements and right of way, and equipping the City’s water and wastewater system and extending/upgrading water lines, to include construction and design of the City’s south wastewater treatment plant expansion; (ii) constructing, improving, designing, acquiring, and extending streets and transportation facilities, including acquiring any land, easements and right of way, sidewalks, drainage, traffic improvements, parking and lighting; and (iii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Certificates.

**RATINGS** ..... The Obligations are rated "AA" by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business ("S&P") by virtue of a separate municipal bond insurance policy to be issued by BAM upon delivery of the Obligations to the Underwriter. The Obligations and certain of the presently outstanding tax supported debt of the City are rated "AA-" (stable outlook) S&P and "A1" by Moody’s Investors Service ("Moody’s") without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

**MUNICIPAL BOND INSURANCE** ....The scheduled payment of principal of and interest on the Obligations when due will be guaranteed under a separate municipal bond insurance policy to be issued concurrently with the delivery of the Obligations by BAM (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS").

**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 principal denominations of \$5,000 or integral multiples thereof. 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.

**PAYING AGENT/REGISTRAR** ..... The initial Paying Agent/Registrar for the Obligations is BOKF, NA, Dallas, Texas.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Ad Valorem Tax Debt Outstanding at End of Year <sup>(4)</sup>	Ratio of Ad Valorem Tax Debt to Taxable Assessed Valuation	Ad Valorem Tax Debt Per Capita
2020	30,993 <sup>(1)</sup>	\$ 2,056,466,255	\$ 66,353	\$ 186,440,000	9.07%	\$ 6,016
2021	38,807 <sup>(1)</sup>	2,156,530,974	55,571	181,785,000	8.43%	4,684
2022	43,470 <sup>(1)</sup>	2,821,528,276	64,907	176,670,000	6.26%	4,064
2023	47,303 <sup>(1)</sup>	4,039,342,703	85,393	269,790,000	6.68%	5,703
2024	50,832 <sup>(2)</sup>	4,865,258,637	95,713	564,410,000 <sup>(5)</sup>	11.60%	11,103

- (1) Source: City of Hutto FYE 2023 Annual Comprehensive Financial Report.
- (2) Source: City officials.
- (3) As reported by the Appraisal District on the City’s annual Certified Rolls; subject to change during the ensuing year.
- (4) Includes self-supporting debt. See "Table 1- Valuation, Exemptions and General Obligation Debt" for additional information on self-supporting debt.
- (5) Includes the Bonds and the Certificates.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Beginning Balance	\$ 16,444,757	\$ 9,516,624	\$ 4,487,175	\$ 1,228,448	\$ 3,621,137
Total Revenue	27,470,661	25,250,250	21,486,171	17,812,596	16,199,353
Total Expenditures	30,352,893	19,146,321	14,593,052	15,426,126	18,079,390
Total Other Financing Sources	(7,997,779)	412,867	(1,118,897)	435,535	(512,652)
Net Funds Available	(2,882,232)	6,103,929	6,893,119	2,386,470	(1,880,037)
Prior Period Adjustment	-	413,020	(744,773)	436,722	-
Ending Balance	<u>\$ 5,564,746</u>	<u>\$ 16,446,440</u>	<u>\$ 9,516,624</u>	<u>\$ 4,487,175</u>	<u>\$ 1,228,448</u>

For additional information regarding the City, please contact:

James R. Earp	Alberta Barrett	Jim S. Sabonis	Andre Ayala
City Manager	Finance Director	Managing Director	Managing Director
<a href="mailto:james.earp@huttotx.gov">james.earp@huttotx.gov</a>	<a href="mailto:alberta.barrett@huttotx.gov">alberta.barrett@huttotx.gov</a>	<a href="mailto:jim.sabonis@hilltopsecurities.com">jim.sabonis@hilltopsecurities.com</a>	<a href="mailto:andre.ayala@hilltopsecurities.com">andre.ayala@hilltopsecurities.com</a>
City of Hutto, Texas	City of Hutto, Texas	Hilltop Securities Inc.	Hilltop Securities Inc.
500 W. Live Oak Street	500 W. Live Oak Street	717 N. Harwood Street, Suite 3400	717 N. Harwood Street, Suite 3400
Hutto, Texas 78634	Hutto, Texas 78634	Dallas, Texas 75201	Dallas, Texas 75201
512-759-4835	512-759-4834	(214) 953-4000	(214) 953-4000

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Mike Snyder Mayor	4 Years	May 2025	Real Estate Manager
Brian Thompson Councilmember Place 1	1 Year	May 2027	Product Marketing Manager
Dan Thornton Councilmember Place 2	3 Years	May 2027	Software Engineer
Randal Clark Councilmember Place 3	2 Years	May 2025	Senior Test Manager Semiconductor
Peter Gordon Councilmember Place 4 Mayor Pro-Tem	4 Years	May 2026	Project Manager
Evan Porterfield Councilmember Place 5	Newly Elected	May 2027	Project Manager
Amberley Kolar Councilmember Place 6	2 Years	May 2025	Legislative Director - Texas House of Representatives

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service with the City</u>	<u>Total Governmental Service</u>
James R. Earp	City Manager	1.5 Years	18 Years
Matt Wojnowski	Assistant City Manager	2.5 Years	21 Years
Alberta Barrett	Finance Director	4 Months	32 Years
Alan Bojorquez, Bojorquez Law Firm	City Attorney	4 Years	24 Years
Amanda Taylor	Interim City Secretary	1 Year	8 Years

**CONSULTANTS AND ADVISORS**

Auditors .....	BrooksWatson & Co., PLLC Houston, Texas
Bond Counsel and Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P. Austin, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$15,990,000**  
**CITY OF HUTTO, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2024**

**AND**  
**\$285,240,000**  
**CITY OF HUTTO, TEXAS**  
**COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)**  
**REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$15,990,000 City of Hutto, Texas, General Obligation Bonds, Series 2024 (the "Bonds") and \$285,240,000 City of Hutto, Texas, Combination Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2024 (the "Certificates", and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each adopted by the City Council of the City of Hutto, Texas (the "City") on the date of the sale of the Obligations which authorized the issuance of the Bonds and the Certificates respectively. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City of Hutto, Texas (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 ("Hilltop Securities").

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including Article XI, Section 5 of the Texas Constitution and a home rule charter. The City was incorporated in 1911, and prior to 2004, operated as a general law city under the laws of the State. At an election held in February 2004, the voters of the City by a majority vote adopted a home rule charter, which was most recently amended in May 2021 and May 2024. The City operates under a "Council-Manager" form of government. The governing body of the City currently consists of the Mayor and six members of the City Council. The City Manager is the chief administrative officer for the City. City services include public safety (police), public improvements such as streets, parks and recreation, water distribution, sewer treatment, sanitation, planning and zoning and general administrative services. The 2010 Census population for the City was 14,698, the 2020 Census population for the City was 28,091 and its 2024 estimated population is 50,832.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used for the purposes of (i) constructing, improving, extending, expanding, upgrading and/or developing streets, roads and intersections, including utility relocation, drainage improvements, sidewalks, traffic safety and operational improvements, the purchase of necessary rights-of-way and other related costs therefore; and (ii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for the purposes of (i) constructing, improving, designing, acquiring, expanding, including acquiring land, easements and right of way, and equipping the City's water and wastewater system and extending/upgrading water lines, to include construction and design of the City's south wastewater treatment plant expansion; (ii) constructing, improving, designing, acquiring, and extending streets and transportation facilities, including acquiring any land, easements and right of way, sidewalks, drainage, traffic improvements, parking and lighting; and (iii) paying legal, fiscal, and engineering fees in connection with these projects and to pay costs of issuance of the Certificates.

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

	The Bonds	The Certificates
<u>Sources of Funds</u>		
Par Amount	\$ 15,990,000.00	\$ 285,240,000.00
Net Premium Bid	755,222.60	5,385,164.00
Total Sources of Funds	\$ 16,745,222.60	\$ 290,625,164.00
<u>Uses of Funds</u>		
Deposit to Project Fund	\$ 16,500,000.00	\$ 287,264,800.00
Underwriters' Discount	86,103.98	1,486,599.63
Cost of Issuance <sup>(1)</sup>	159,118.62	1,873,764.37
Total Uses of Funds	\$ 16,745,222.60	\$ 290,625,164.00

(1) Includes Municipal Bond Insurance Premium.

## THE OBLIGATIONS

**DESCRIPTION OF THE OBLIGATIONS . . .** The Obligations are dated June 1, 2024 and mature on August 1 in each of the years and in the amounts shown on pages 2 and 4 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2025 until maturity or prior redemption. The definitive Obligations will be issued only in fully-registered form in principal denominations of \$5,000 or any integral multiple thereof for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the 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 identified herein 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").

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State, particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 6, 2018 (the "Election"), a home rule charter of the City, and the ordinance adopted by the City Council of the City on June 6, 2024 (the "Bond Ordinance"). After the issuance of the Bonds, the City will have \$35,353,000 of authorized but unissued ad valorem tax bonds remaining from the Election (see "THE OBLIGATIONS – Authority for Issuance of the Obligations" and "Table 10 - Authorized but Unissued General Obligation Bonds").

The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, and Chapter 1502, Texas Government Code, as amended, a home rule charter of the City, and an Ordinance adopted by the City Council of the City on June 6, 2024 (the "Certificate Ordinance") (see "THE OBLIGATIONS – Authority for Issuance for the Obligations").

**SECURITY AND SOURCE OF PAYMENT FOR THE OBLIGATIONS . . .** The Bonds constitute direct obligations of the City, payable from a levy and collection of a direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Bonds as provided in the Bond Ordinance (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitations" herein).

The Certificates constitute direct obligations of the City of Hutto, Texas (the "City") secured by (i) a continuing direct annual 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 Surplus Revenues of the City's Waterworks and Sewer System, sufficient to provide for the payment of principal and interest on the Certificates, as provided in the Certificate Ordinance (see "THE OBLIGATIONS – Security and Source of Payment" and "THE OBLIGATIONS – Tax Rate Limitations" herein).

**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 limits the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 taxable assessed valuation for all purposes. The home rule charter of the City limits such tax levy to no more than \$2.50 per \$100 taxable assessed valuation, including the payment of debt in accordance with the Texas Constitution. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Obligations having stated maturities on and after August 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (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.

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**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing on August 1 in each of the years 2038, 2040, 2042, 2044, and 2049 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption as follows:

Term Bonds Due August 1, 2038		Term Bonds Due August 1, 2040		Term Bonds Due August 1, 2042	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 1, 2037	\$ 595,000	August 1, 2039	\$ 850,000	August 1, 2041	\$ 940,000
August 1, 2038 (maturity)	810,000	August 1, 2040 (maturity)	895,000	August 1, 2042 (maturity)	985,000

Term Bonds Due August 1, 2044		Term Bonds Due August 1, 2049	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 1, 2043	\$ 1,035,000	August 1, 2045	\$ 1,140,000
August 1, 2044 (maturity)	1,085,000	August 1, 2046	1,190,000
		August 1, 2047	1,240,000
		August 1, 2048	1,290,000
		August 1, 2049 (maturity)	1,340,000

The Certificates maturing on August 1 in each of the years 2049 and 2054 (collectively, the "Term Certificates") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption as follows:

Term Certificates Due August 1, 2049		Term Certificates Due August 1, 2054	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 1, 2045	\$ 9,890,000	August 1, 2050	\$ 19,465,000
August 1, 2046	10,295,000	August 1, 2051	20,295,000
August 1, 2047	10,720,000	August 1, 2052	21,155,000
August 1, 2048	18,765,000	August 1, 2053	22,050,000
August 1, 2049 (maturity)	19,555,000	August 1, 2054 (maturity)	22,990,000

**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 OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION 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 is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, 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, 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, shall 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 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 selected for redemption (see "THE OBLIGATIONS - Book-Entry-Only System").

**DEFEASANCE . . .** The Ordinances provide for the defeasance of the Obligations when the payment of the principal and premium, if any, on the Obligations, plus interest on the Obligations to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or another authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities 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, 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 Defeasance Securities. The City additionally has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations that have been defeased for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations that have been defeased 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 . . .** In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder of the Obligations for the purpose of amending or supplementing the Ordinances to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinances that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

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

**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 credited 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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) or such other name as may be requested by an authorized representative of DTC. 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). 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](http://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 Obligation ("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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates 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 Direct and Indirect 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 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 redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners 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 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 Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable 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/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants 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 the Obligations. In that event, the 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 BOKF, NA, 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, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar 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 will be required to make any transfer, conversion, or exchange of an Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

**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 a 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 "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 (the "Record Date") for determining the party to whom interest is payable on the Obligations on any interest payment date means the close of business on the fifteenth day of the month next preceding each interest payment date for the Obligations.

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 a 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 Obligation 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 a certificate 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.

**OBLIGATIONHOLDERS' REMEDIES.** . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, and thus rests within 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 Obligationholders 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. 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. 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. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has 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, Obligationholders may not be able to bring such a suit against the City for breach of the Obligations or 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 Obligationholders 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, including principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

## **BOND INSURANCE**

### **BOND INSURANCE POLICY**

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

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

## **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Obligations, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Obligations. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Obligations on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Obligations, nor does it guarantee that the rating on the Obligations will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million and \$261.4 million, respectively.

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

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

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

### *Additional Information Available from BAM*

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

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

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit

Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Obligations, and the issuer and underwriter assume no responsibility for their content.

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

## **BOND INSURANCE RISKS**

**BOND INSURANCE RISK FACTORS . . .** In the event of default of the scheduled payment of principal of or interest on the Obligations when all or a portion thereof becomes due, any owner of the Obligations shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Obligations by the City which is recovered by the City from the obligation owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Obligations will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE OBLIGATIONS – Obligationholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Obligationholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE OBLIGATIONS – Security and Source of Payment". In the event the Insurer becomes obligated to make payments with respect to the Obligations, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Obligations.

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

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

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Obligations and the claims-paying ability of any such bond insurer, particularly over the life of the Obligations.

## **TAX INFORMATION**

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

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

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

**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.

**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 "TAX INFORMATION– City Application of Tax Code" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

**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.

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

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

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

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds

the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

**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 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. While State law does not require any particular allocation of the City's tax between debt service and operations, administratively, the Attorney General of the State will permit allocation of approximately \$1.50 of the maximum tax rate for all general obligation debt service, as calculated at the time of issuance based on a 90% collection rate.

**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.

**FUTURE AND PROPOSED STATE LEGISLATION . . .** The 88th Texas Legislature began on January 10, 2023, and ended on May 29, 2023 (the "88th Regular Legislative Session"). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City.

Immediately after the conclusion of the 88th Texas Legislature on May 29, 2023, the Governor called the First Special Session on May 29, 2023 to request the Texas Legislature to consider legislation regarding property tax relief and border security; shortly after the conclusion of the First Special Session, the Governor called the Second Special Session on June 27, 2023 to consider additional legislation regarding property tax relief. The Second Special Session adjourned on July 13, 2023. Following the conclusion of the Second Special Session, the Governor called the Third Special Session and Fourth Special Session which have both concluded.

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 maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024, pursuant to the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session that was approved by the voters on November 7, 2023.

**CITY APPLICATION OF TAX CODE . . .** The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The City has not granted an additional exemption of a percentage of the market value of the residence homesteads.

The Williamson County Tax-Assessor Collector collects taxes for the City.

The City does not levy ad valorem taxes against the exempt value of residence homesteads for the payment of debt.

The City does not tax non-business vehicles.

The City has established a freeze or ceiling on the taxes on residence homesteads of persons who are 65 years of age or older or who are disabled, as may be done on a local option basis.

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

The City does not tax freeport property, and the City has not taken action to tax goods-in-transit.

The City does not have a formal tax abatement policy. As of September 30, 2023, the City had entered into tax abatement agreement with one entity. The aggregate amount of taxes abated during fiscal year ended September 30, 2023, pursuant to such agreement was \$0. For additional information with respect to the City's existing tax abatement agreements, see "APPENDIX B -- Excerpts from the City's Annual Financial Report" and the notes thereto.

The City has established three TIRZ, Tax Increment Reinvestment Zone Number One, known as the "Co-Op District," and Tax Increment Reinvestment Zone Number Two, known as the "Sports & Health District" and Hutto Megasite Tax Increment Reinvestment Zone Number Three which was created in November 2022. As provided in "TAX INFORMATION – Tax Increment Reinvestment Zones" above, taxes assessed and collected against the assessed valuation of real property in the Co-Op District and the Sports & Health District and TIRZ Number Three in excess of their respective tax increment bases are not available to pay principal of or interest on the Obligations.

The City has created seven public improvement districts ("PID's") located within the City's boundaries: the Hutto Co-Op PID, the Cross Creek PID, the Mustang Creek PID, the Emory Crossing PID, the Cottonwood Creek PID, the Durango Farm PID and the Prairie Winds PID (formally known as Lidell Walker PID). Each PID has been established for the purpose of undertaking and financing costs of certain public improvements to be constructed within each PID. As of the date of this document, the City has levied special assessments in six such PIDs in the aggregate amount of \$17,400,000 within Hutto Co-Op PID, \$6,660,000 within the Cross Creek PID, and \$9,455,000 within the Mustang Creek PID, and has pledged the revenues from such special assessments to secure contractual obligations of the City's local government corporation for the purchase of the public improvements to be constructed within each such PID. The City has also levied special assessments in the aggregate amount of \$16,253,000 within Emory Crossing PID, \$10,215,000 within the Cottonwood Creek and \$13,427,000 within the Durango Farms PID and has pledged the revenues from such special assessments to secure bonds issued by the City to construct or purchase public improvements to be

constructed within each such PID. The City may authorize additional PIDs, and enter into additional contractual obligations secured by special assessment revenue. Any additional contractual obligations secured by special assessment revenue would not represent an obligation of the City's general revenue or taxes.

The City does not collect additional penalties to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code.

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**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2023/24 Market Valuation Established by Williamson Central Appraisal District (excluding totally exempt property)		\$ 5,345,271,632
Less Exemptions/Reductions at 100% Market Value:		
Loss to 10% Home Cap	\$ 257,742,989	
Freeport	817,180	
Lease Vehicles	9,595,387	
Builders Inventory	55,177,490	
Productivity Loss	48,017,191	
Prorated	150,411	
Pollution Control	168,472	
Disabled Veteran	106,863,562	
Solar	1,480,313	480,012,995
2023/24 Taxable Assessed Valuation		\$ 4,865,258,637
General Obligation Debt Payable from Ad Valorem Taxes (as of 6/1/2024)		\$ 268,690,000
The Bonds		15,990,000
The Certificates		285,240,000
Total General Obligation Debt Payable from Ad Valorem Taxes (as of 6/1/2024)		<u>\$ 569,920,000</u>
Less: Self Supporting Debt (as of 6/1/2024) <sup>(1)</sup>		
Water and Sewer System Supported Debt		\$ 171,936,150
The Certificates (Water and Sewer System Supported)		\$ 276,060,000
Total Self-Supporting Debt (as of 6/1/2024)		<u>\$ 447,996,150</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 121,923,850
General Obligation Interest and Sinking Fund (as of 4/15/2023)		\$ 5,993,483
Ratio Net General Obligation Tax Debt to 2023/2024 Taxable Assessed Valuation		2.51%

2024 Estimated Population - 50,832  
 Per Capita Taxable Assessed Valuation - \$95,713  
 Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$5,286  
 Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,399

(1) Debt service payments on the general obligation debt in the amount shown is currently provided from revenues of the respective revenue systems. It is the City's current policy to provide these payments from respective system revenues and not from ad valorem taxes; however, this policy is subject to change in the future. In the event the City changes its policy, or if the revenues of the respective systems are insufficient to make such debt service payments, the City is obligated to levy a tax sufficient to pay the principal of and interest on such general obligation debt.

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**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,084,585,767	76.41%	\$ 3,908,695,422	78.61%	\$ 2,382,584,223	77.17%
Real, Residential, Multi-Family	215,599,605	4.03%	133,427,183	2.68%	62,060,150	2.01%
Real, Vacant Lots/Tracts	57,423,789	1.07%	28,793,156	0.58%	23,575,078	0.76%
Real, Acreage (Land Only)	49,569,630	0.93%	71,597,882	1.44%	50,456,178	1.63%
Real, Farm and Ranch Improvements	35,918,299	0.67%	49,968,269	1.00%	33,117,577	1.07%
Real, Commercial & Industrial	490,819,269	9.18%	351,348,372	7.07%	289,455,407	9.38%
Real and Tangible Personal, Utilities	56,868,202	1.06%	50,178,982	1.01%	48,477,481	1.57%
Tangible Personal, Commercial & Industrial	107,683,913	2.01%	103,790,505	2.09%	73,641,730	2.39%
Tangible Personal, Other	50,749	0.00%	28,591	0.00%	14,537	0.00%
Real Property, Inventory	224,510,330	4.20%	256,173,750	5.15%	110,395,847	3.58%
Special Inventory	22,242,079	0.42%	18,106,558	0.36%	13,711,166	0.44%
Total Appraised Value Before Exemptions	\$ 5,345,271,632	100.00%	\$ 4,972,108,670	100.00%	\$ 3,087,489,374	100.00%
Less: Total Exemptions/Reductions	480,012,995 <sup>(1)</sup>		932,765,967 <sup>(1)</sup>		265,961,098 <sup>(1)</sup>	
Taxable Assessed Value	<u>\$ 4,865,258,637</u>		<u>\$ 4,039,342,703</u>		<u>\$ 2,821,528,276</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$1,798,259,198	77.33%	\$1,725,179,846	80.45%
Real, Residential, Multi-Family	51,538,318	2.22%	51,355,682	2.39%
Real, Vacant Lots/Tracts	20,420,842	0.88%	17,334,717	0.81%
Real, Acreage (Land Only)	55,838,242	2.40%	34,787,383	1.62%
Real, Farm and Ranch Improvements	18,432,479	0.79%	18,058,920	0.84%
Real, Commercial & Industrial	214,011,801	9.20%	180,487,901	8.42%
Real and Tangible Personal, Utilities	24,302,235	1.05%	20,337,196	0.95%
Tangible Personal, Commercial & Industrial	44,264,593	1.90%	30,146,253	1.41%
Tangible Personal, Other	36,008	0.00%	10,323	0.00%
Real Property, Inventory	86,256,701	3.71%	55,524,464	2.59%
Special Inventory	12,113,147	0.52%	11,245,231	0.52%
Total Appraised Value Before Exemptions	\$ 2,325,473,564	100.00%	\$ 2,144,467,916	100.00%
Less: Total Exemptions/Reductions	168,942,590		88,001,661	
Taxable Assessed Value	<u>\$ 2,156,530,974</u>		<u>\$ 2,056,466,255</u>	

(1) Fluctuations in the amount of exemptions for fiscal years 2022, 2023 and 2024 are primarily a result of a significant increase in property values in fiscal year 2023 that were not realized due to the 10% cap on increases in assessed value that can be taxed in a tax year. Increases in assessed value for fiscal year 2024 were less significant resulting in a decrease in exemptions for fiscal year 2024.

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

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**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation <sup>(3)</sup>	Taxable Assessed Valuation Per Capita	Ad Valorem Tax Debt Outstanding at End of Year <sup>(4)</sup>	Ratio of Ad Valorem Tax Debt to Taxable Assessed Valuation	Ad Valorem Tax Debt Per Capita
2020	30,993 <sup>(1)</sup>	\$ 2,056,466,255	\$ 66,353	\$ 186,440,000	9.07%	\$ 6,016
2021	38,807 <sup>(1)</sup>	2,156,530,974	55,571	181,785,000	8.43%	4,684
2022	43,470 <sup>(1)</sup>	2,821,528,276	64,907	176,670,000	6.26%	4,064
2023	47,303 <sup>(1)</sup>	4,039,342,703	85,393	269,790,000	6.68%	5,703
2024	50,832 <sup>(2)</sup>	4,865,258,637	95,713	564,410,000 <sup>(5)</sup>	11.60%	11,103

(1) Source: City of Hutto FYE 2023 Annual Comprehensive Financial Report.

(2) Source: City officials.

(3) As reported by the Appraisal District on the City’s annual Certified Rolls; subject to change during the ensuing year.

(4) Includes self-supporting debt. See "Table 1- Valuation, Exemptions and General Obligation Debt" for additional information on self-supporting debt.

(5) Includes the Bonds and the Certificates.

**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
2020	\$ 0.631400	\$ 0.397800	\$ 0.233600	\$13,312,362	99.39% <sup>(1)</sup>	99.90% <sup>(1)</sup>
2021	0.600001	0.405551	0.194450	13,169,008	99.97% <sup>(1)</sup>	99.93% <sup>(1)</sup>
2022	0.536448	0.380343	0.156105	14,993,422	99.95% <sup>(1)</sup>	99.93% <sup>(1)</sup>
2023	0.421980	0.273880	0.148100	17,245,329	99.29% <sup>(1)</sup>	99.29% <sup>(1)</sup>
2024	0.422114	0.288482	0.133632	20,331,568	99.20% <sup>(2)</sup>	99.20% <sup>(2)</sup>

(1) Source: City of Hutto FYE 2023 Annual Comprehensive Financial Report.

(2) Source: City officials.

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**TABLE 5 - TEN LARGEST TAXPAYERS <sup>(1)</sup>**

Name of Taxpayer	Nature of Property	2023/2024	% of Total
		Taxable Assessed Valuation	Taxable Assessed Valuation
Emory Residential LP <sup>(2)</sup>	Multi-Family Residential	\$ 66,521,176	1.37%
North Creek Residential LP	Multi-Family Residential	64,038,660	1.32%
Oncor Electric Delivery Company	Utility	40,674,407	0.84%
Vantage at Hutto LLC	Multi-Family Residential	27,535,892	0.57%
Hutto Community LLC	Multi-Family Residential	27,500,000	0.57%
A-S 64 CR 119-Hwy 79 LP	Developer	24,296,389	0.50%
Centerpoint Properties Trust	Industrial Real Estate	22,691,940	0.47%
Skion Water USA Inc.	Water Treatment	19,802,932	0.41%
Paradigm Manufacturing	Metal Manufacturing	18,720,443	0.38%
Dogwood Propco TX II LP	Developer	18,701,840	0.38%
		<u>\$ 330,483,679</u>	<u>6.79%</u>

(1) 2023 ten largest taxpayers as reported by the Williamson Central Appraisal District.

(2) Emory Residential LP has not paid its taxes in full as of May 3<sup>rd</sup>, 2024 for the 2023 tax year. Its partial payment of \$223,720 leaves a past due balance of approximately \$64,495, or approximately 22% of its total bill of \$288,215. The City is working with Emory Residential LP to collect its total tax bill, which as of May 3, 2024, is delinquent. In prior years, Emory Residential LP has not timely paid its taxes in full because it disputed its appraisal valuation. In such years, once the disputed valuations were settled, Emory Residential LP paid its taxes in full with any applicable interest or penalties due.

**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 (however, 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 debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2023/24	2023/24	Total	Estimated	City's
	Taxable Assessed Value		Tax Rate		G.O. Tax Debt 6/1/2024
City of Hutto	\$ 4,865,258,637	\$ 0.4221	\$ 569,920,000 <sup>(1)</sup>	100.00%	\$ 569,920,000 <sup>(1)</sup>
Williamson County	120,192,893,548	0.3774	1,017,505,000	3.17%	32,254,909
Upper Brushy Creek WCID	80,805,495,562	0.0170	51,320,000	3.30%	1,693,560
Hutto Independent School District	7,660,789,658	1.2075	581,155,000	50.93%	295,982,242
Total Direct and Overlapping Tax-supported Debt <sup>(1)</sup>					\$ 899,850,710
Ratio of Direct and Overlapping Tax-supported Debt to Taxable Assessed Valuation <sup>(1)</sup>					18.50%
Per Capita Overlapping Tax-supported Debt <sup>(1)</sup>					\$ 23,188

(1) Includes the Bonds and the Certificates. Includes self-supporting general obligation debt. See "Table 1-Valuation, Exemptions and General Obligation Debt" for additional information on self-supporting debt.

**DEBT INFORMATION**

**TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending	Outstanding Debt Service			The Bonds			The Certificates			Total Outstanding Debt	Less:	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total	Principal	Interest	Total		Utility System		
											Self Supporting Debt Service <sup>(1)</sup>		
2024	\$ 6,610,000	\$ 10,770,322	\$ 17,380,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,380,322	\$ 10,604,347	\$ 6,775,975	
2025	7,530,000	10,677,908	18,207,908	-	815,635	815,635	-	14,076,327	14,076,327	33,099,869	24,540,400	8,559,470	
2026	7,810,000	10,394,964	18,204,964	-	745,250	745,250	1,185,000	12,861,619	14,046,619	32,996,833	24,546,740	8,450,093	
2027	8,060,000	10,092,555	18,152,555	-	745,250	745,250	1,240,000	12,802,369	14,042,369	32,940,174	24,546,819	8,393,355	
2028	8,360,000	9,776,905	18,136,905	-	745,250	745,250	3,040,000	12,740,369	15,780,369	34,662,524	26,281,639	8,380,885	7.68%
2029	8,575,000	9,452,218	18,027,218	110,000	745,250	855,250	4,200,000	12,588,369	16,788,369	35,670,836	27,288,194	8,382,643	
2030	8,805,000	9,113,678	17,918,678	225,000	739,750	964,750	4,405,000	12,378,369	16,783,369	35,666,796	27,287,889	8,378,907	
2031	9,030,000	8,795,158	17,825,158	230,000	728,500	958,500	4,730,000	12,158,119	16,888,119	35,671,776	27,292,007	8,379,769	
2032	9,315,000	8,468,713	17,783,713	295,000	717,000	1,012,000	4,960,000	11,921,619	16,881,619	35,677,331	27,290,914	8,386,418	
2033	9,590,000	8,130,374	17,720,374	370,000	702,250	1,072,250	5,205,000	11,673,619	16,878,619	35,671,243	27,289,050	8,382,193	19.94%
2034	9,905,000	7,805,271	17,710,271	405,000	683,750	1,088,750	5,460,000	11,413,369	16,873,369	35,672,390	27,288,584	8,383,806	
2035	10,215,000	7,462,423	17,677,423	460,000	663,500	1,123,500	5,725,000	11,140,369	16,865,369	35,666,291	27,287,222	8,379,069	
2036	10,610,000	7,064,515	17,674,515	500,000	640,500	1,140,500	6,010,000	10,854,119	16,864,119	35,679,134	27,291,565	8,387,569	
2037	10,570,000	6,646,612	17,216,612	595,000	615,500	1,210,500	6,695,000	10,553,619	17,248,619	35,675,731	27,290,967	8,384,767	
2038	10,685,000	6,254,341	16,939,341	810,000	585,750	1,395,750	7,025,000	10,218,869	17,243,869	35,578,960	27,289,469	8,289,491	34.95%
2039	11,075,000	5,869,631	16,944,631	850,000	545,250	1,395,250	7,375,000	9,867,619	17,242,619	35,582,500	27,290,381	8,292,119	
2040	11,510,000	5,439,914	16,949,914	895,000	502,750	1,397,750	7,745,000	9,498,869	17,243,869	35,591,533	27,288,556	8,302,976	
2041	11,960,000	4,974,063	16,934,063	940,000	458,000	1,398,000	8,135,000	9,111,619	17,246,619	35,578,681	27,289,763	8,288,919	
2042	12,475,000	4,467,488	16,942,488	985,000	411,000	1,396,000	8,540,000	8,704,869	17,244,869	35,583,356	27,290,325	8,293,031	
2043	11,970,000	3,938,681	15,908,681	1,035,000	361,750	1,396,750	8,970,000	8,277,869	17,247,869	34,553,300	27,287,781	7,265,519	53.24%
2044	12,470,000	3,443,788	15,913,788	1,085,000	310,000	1,395,000	9,415,000	7,829,369	17,244,369	34,553,156	27,287,550	7,265,606	
2045	11,310,000	2,908,213	14,218,213	1,140,000	255,750	1,395,750	9,890,000	7,358,619	17,248,619	32,862,581	27,290,938	5,571,644	
2046	11,795,000	2,417,075	14,212,075	1,190,000	208,725	1,398,725	10,295,000	6,950,656	17,245,656	32,856,456	27,287,425	5,569,031	
2047	12,320,000	1,897,963	14,217,963	1,240,000	159,638	1,399,638	10,720,000	6,525,988	17,245,988	32,863,588	27,291,769	5,571,819	
2048	3,615,000	1,355,638	4,970,638	1,290,000	108,488	1,398,488	18,765,000	6,083,788	24,848,788	31,217,913	27,287,694	3,930,219	73.65%
2049	2,140,000	1,181,000	3,321,000	1,340,000	55,275	1,395,275	19,555,000	5,309,731	24,864,731	29,581,006	27,290,256	2,290,750	
2050	2,250,000	1,074,000	3,324,000	-	-	-	19,465,000	4,503,088	23,968,088	27,292,088	27,292,088	-	
2051	2,360,000	961,500	3,321,500	-	-	-	20,295,000	3,675,825	23,970,825	27,292,325	27,292,325	-	
2052	2,480,000	843,500	3,323,500	-	-	-	21,155,000	2,813,288	23,968,288	27,291,788	27,291,788	-	
2053	2,605,000	719,500	3,324,500	-	-	-	22,050,000	1,914,200	23,964,200	27,288,700	27,288,700	-	93.91%
2054	2,735,000	589,250	3,324,250	-	-	-	22,990,000	977,075	23,967,075	27,291,325	27,291,325	-	
2055	2,870,000	452,500	3,322,500	-	-	-	-	-	-	3,322,500	3,322,500	-	
2056	3,015,000	309,000	3,324,000	-	-	-	-	-	-	3,324,000	3,324,000	-	
2057	3,165,000	158,250	3,323,250	-	-	-	-	-	-	3,323,250	3,323,250	-	100.00%
	<u>\$ 269,790,000</u>	<u>\$ 173,906,906</u>	<u>\$ 443,696,906</u>	<u>\$ 15,990,000</u>	<u>\$ 13,249,760</u>	<u>\$ 29,239,760</u>	<u>\$ 285,240,000</u>	<u>\$ 266,783,590</u>	<u>\$ 552,023,590</u>	<u>\$ 1,024,960,255</u>	<u>\$ 830,024,216</u>	<u>\$ 194,936,040</u>	

(1) Debt service payments on the general obligation debt in the amount shown is currently provided from revenues of the respective revenue systems. It is the City's current policy to provide these payments from respective system revenues and not from ad valorem taxes; however, this policy is subject to change in the future. In the event the City changes its policy, or if the revenues of the respective systems are insufficient to make such debt service payments, the City is obligated to levy a tax sufficient to pay the principal of and interest on such general obligation debt. Includes a portion of the Certificates. See "Table 1-Valuation, Exemptions and General Obligation Debt" for additional information on self-supporting debt.

**TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Budgeted Tax Supported Debt Service Requirements, Fiscal Year Ending 09/30/2024		\$ 6,775,975
Interest and Sinking Fund, Fiscal Year Ending 9/30/2023	\$ 1,875,223	
Budgeted Interest and Sinking Fund Tax Collections <sup>(1)</sup>	6,360,970	
Budgeted Investment Earnings <sup>(1)</sup>	<u>54,781</u>	<u>8,290,974</u>
Estimated Balance as of Fiscal Year Ending 9/30/2024		<u><u>\$ 1,514,999</u></u>

(1) Source: City of Hutto 2023-2024 Adopted Budget

**TABLE 9 – COMPUTATION OF SELF-SUPPORTING DEBT**

Net System Revenue Available, Fiscal Year Ending 9/30/2023	\$ 22,784,140
Less: Requirements for Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	\$ 22,784,140
Requirements for Utility System GO Debt, Fiscal Year Ending 9/30/2024	\$ 10,604,347

**TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Authorization Being Used <sup>(1)</sup>	Unissued Balance
Sewer	3/18/1972	\$ 25,000	\$ 12,000	\$ -	\$ 13,000 <sup>(2)</sup>
Road	11/6/2018	70,000,000	53,500,000	16,500,000	-
Public Safety Communication System	11/6/2018	5,000,000	-	-	5,000,000
Parks & Recreation	11/6/2018	<u>50,000,000</u>	<u>19,660,000</u>	<u>-</u>	<u>30,340,000</u>
Total		\$ 125,025,000	\$ 73,172,000	\$ 16,500,000	\$ 35,353,000

(1) The "Authorization Being Used" consists of the par amount of the Bonds plus any premium on the Bonds which will be deposited to the Construction Fund and allocated against voted authorization.

(2) The City has no intention of issuing this voted authority.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional general obligation debt within the next 12 months. The City is currently planning the issuance of approximately \$148,300,000 combination tax and revenue certificates of obligation in 2026 to finance water, wastewater, street and drainage improvements throughout the City.

**OTHER OBLIGATIONS . . .** The City has several outstanding capital leases and other obligations. For more information and a list of those outstanding obligations, see "APPENDIX B – Excerpts from the City’s Annual Financial Report" and the notes thereto.

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## FINANCIAL INFORMATION

**TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Property Taxes	\$ 9,713,191	\$ 9,718,824	\$ 8,146,494	\$ 7,640,374	\$ 7,338,049
Sales Tax	8,855,554	7,612,834	6,453,633	5,358,962	4,308,332
Franchise Taxes	1,309,197	1,020,444	927,762	912,406	909,969
Permits and Inspection Fees	4,237,504	5,165,750	4,577,016	3,347,179	2,754,193
Intergovernmental Revenue	317,082	151,057	107,509	38,110	16,900
Charges for Services	1,009,059	844,333	703,449	151,633	326,752
Fines	359,852	375,520	245,542	233,414	307,311
Investment Income	1,533,994	-	-	-	-
Interest and Other	135,228	361,488	324,766	130,518	237,847
Contributed Infrastructure	-	-	-	-	-
Total Revenues	<u>\$ 27,470,661</u>	<u>\$ 25,250,250</u>	<u>\$ 21,486,171</u>	<u>\$ 17,812,596</u>	<u>\$ 16,199,353</u>
<b>Expenditures:</b>					
Administration	\$ 3,836,567	\$ 2,876,867	\$ 2,205,916	\$ 3,700,061	\$ 4,999,441
Finance	1,903,278	1,554,948	1,667,106	1,542,157	1,406,568
Development Services	7,698,171	1,890,202	704,066	764,874	1,109,226
Public Works	2,490,369	2,403,423	1,292,645	745,000	1,027,460
Public Safety	6,901,891	6,085,094	5,272,413	4,998,455	5,563,919
Communication	1,857,580	1,512,482	1,580,354	2,035,751	1,896,274
Parks and Recreation	2,871,950	1,590,577	1,104,933	1,250,990	1,803,585
Information Technology	1,015,325	835,969	765,619	-	-
Engineering	-	-	-	-	-
Debt Service	292,138	40,754	-	388,838	272,917
Capital Outlay	1,485,624	356,005	-	-	-
Total Expenditures	<u>\$ 30,352,893</u>	<u>\$ 19,146,321</u>	<u>\$ 14,593,052</u>	<u>\$ 15,426,126</u>	<u>\$ 18,079,390</u> <sup>(1)</sup>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (2,882,232)	\$ 6,103,929	\$ 6,893,119	\$ 2,386,470	\$ (1,880,037)
Total Other Financing Sources (Uses)	(7,997,779)	412,867	(1,118,897)	435,535	(512,652)
Net Change in Fund Balance	\$ (10,880,011)	\$ 6,516,796	\$ 5,774,222	\$ 2,822,005	\$ (2,392,689)
Beginning Fund Balance	\$ 16,444,757	\$ 9,516,624	\$ 4,487,175	\$ 1,228,448	\$ 3,621,137
Prior Period Adjustment	-	413,020	(744,773) <sup>(3)</sup>	436,722	-
Ending Fund Balance	<u>\$ 5,564,746</u> <sup>(2)</sup>	<u>\$ 16,446,440</u>	<u>\$ 9,516,624</u>	<u>\$ 4,487,175</u>	<u>\$ 1,228,448</u>

(1) Includes certain expenditures for which the City has been reimbursed or repaid during the 2020 fiscal year, as well as increased administrative expenses which, in light of the COVID-19 pandemic, have been reduced for the 2020 fiscal year. For additional information regarding General Fund adjustments for the fiscal year ended September 30, 2019, see the City's Comprehensive Financial Report for Fiscal Year Ended September 30, 2019.

(2) Decreased fund balance from the prior year was due to three one-time transfers: (1) \$6,000,000 loan to the Economic Development Corporation, which used the cash to purchase land from the City's Cottonwood Development Corporation; (2) \$5,000,000 to the Cottonwood Development Corporation for the payoff of a loan related to land and (3) \$3,300,000 transfer to the Cottonwood Development Corporation for their negative cash balance due to several years of litigation.

(3) The prior period adjustment was made to accrue for certain sales tax dollars received from a large retail grocer.

**TABLE 12 - MUNICIPAL SALES TAX HISTORY**

The City imposes and levies a 1% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, the proceeds of which 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. In January of 1990, the voters of the City approved the imposition on an additional sales and use tax of one-half of one percent (1/2% of 1%) for ad valorem property tax relief. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. In November 2017, voters approved a sales and use tax of 1/2 of 1% for economic development (Type B), to replace the sales tax previously levied for economic development on behalf of the Type A Corporation, effective April 2018. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%). The City’s total sales and use tax collections for fiscal years 2020 through 2024 are set forth in the following table:

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate	Per Capita
2020	\$ 6,955,778	52.25%	\$ 0.3382	\$ 224.43
2021	8,795,254	66.79%	0.4078	226.64
2022	10,731,391	71.57%	0.3803	246.87
2023	12,675,360	73.50%	0.3138	267.96
2024	7,613,593 <sup>(1)</sup>	37.45%	0.1565	149.78

(1) Collections through April 2024.

**FINANCIAL ADMINISTRATION**

The Finance Department of the City is responsible for providing all City financial services including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management, purchasing, pension administration, utility customer services, municipal court, internal audit and special financial, and policy analysis for City management. The Director of Finance or the Chief Financial Officer, appointed by the City Manager, supervises the operations of the Finance Department.

The City employs a financial accounting system which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurance regarding: (i) the safeguarding of assets against loss from unauthorized use or disposition, and (ii) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework, and are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting records for governmental fund types are maintained on a modified accrual basis, with revenues being recognized when available and measurable and expenditures being recognized when services or goods are received and the liabilities incurred. Accounting records for proprietary fund types and similar trust funds are maintained on the accrual basis. The annual operating budget, or financial plan, is proposed by the City Manager and enacted by the City Council of the City after public discussion. Management control for the operating budget is maintained at the department level. Subsequent budget amendments within a department must be approved by the City Manager. All others must be approved by the City Council of the City. Any unappropriated balances lapse at fiscal year-end.

**FINANCIAL POLICIES**

**Basis of Accounting.** . . Basis of accounting refers to the time at which revenues and expenditures or expenses, and the related assets and liabilities, are recognized in the account and reported in the City’s financial statements.

Governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due and accrued vacation and sick leave, which is included in the general obligation long-term debt account group. This exception is in conformity with generally accepted governmental accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred revenue.

Sales taxes are recorded when susceptible-to-accrual, i.e., both measurable and available. Sales taxes are considered measurable when in the custody of the State Comptroller and are recognized as revenue at that time. Other major revenues that are considered susceptible to accrual include utility franchise taxes, grants-in-aid earned and other intergovernmental revenues. In applying the susceptible to accrual concept to intergovernmental revenues, the legal contractual requirements of the numerous individual grant programs are used for guidance. There are essentially two types of intergovernmental revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

The accrual basis of accounting is utilized by the City's proprietary funds and the pension trust fund. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Revenues in the City's water and sewer fund are recognized as billed on a cycle basis. Unbilled utility water and sewer revenues are accrued at year end.

**Budgets and Budgetary Procedures** . . . The City follows the procedures below when establishing the budgetary data reflected in the financial statements:

1. On or before August 1, the City Manager submits a proposed operating budget to the City Council of the City by filing with the Director of Finance or the Chief Financial Officer, who in turn submits it to the City Council of the City for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. On or before September 30, the budget is legally adopted by City Council of the City.
3. The City Manager has the authority to transfer appropriation balances from one expenditure category to another within a department. The City Council must approve transfers of appropriations between departments, and any revisions that alter the total expenditures of any fund. Although costs are monitored on an expenditure category, the legal level of control (level at which expenditures may not exceed budget) is the department level. The reported budgetary data has been revised for amendments authorized during the year.
4. Formal budgetary integration is employed as a management control device by expenditure category during the year for the General Fund, Special Revenue Funds, and Interest and Sinking Fund. Formal budgetary integration is not employed for the capital projects funds because effective budgetary control is provided by the small number of contracts and projects in these funds, significant costs are subject to bidding, and projects usually span more than one fiscal year.
5. Budgets for the General Fund, Special Revenue Funds and Interest and Sinking Fund are adopted on a basis consistent with the modified accrual basis of accounting.

**Pension Plan** . . . The City participates as one of 919 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System ("TMRS"). All eligible employees of the City are required to participate in TMRS. Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The actuarially determined contribution 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. Members can retire at ages 60 and above with 5 or more years of services or with 20 years of service regardless of age. For more information concerning the City's pension plan, see "APPENDIX B – Excerpts from the City's Annual Financial Report" and the notes thereto.

**Other Postemployment Benefits** . . . Effective with the City's fiscal year 2020 budget, the City does not offer other postemployment benefits ("OPEBs") to employees. The City previously offered certain OPEBs for medical, dental and life insurance benefits, as described in the City's 2021 Annual Financial Report. These OPEBs were funded on a pay-as-you-go basis.

For more information concerning the City's OPEB, see "APPENDIX B – Excerpts from the City's Annual Financial Report" and the notes thereto.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law, including particularly Texas Government Code, Chapter 2256, as amended (the "PFIA"), 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** . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and

instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsection (a-1), (f) and (g) of Section 2256.011 of the PFIA; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

**INVESTMENT POLICIES . . .** Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

**TABLE 13 - CURRENT INVESTMENTS**

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

<u>Type of Investment</u>	<u>Market Value</u>	<u>Book Value</u>
TexPool	\$ 11,985,123	\$ 11,985,123
TexStar	4,910,670	4,910,670
TexasClass	59,569,189	59,569,189
Money Market and T-Bills	<u>77,692,273</u>	<u>77,692,273</u>
Total	<u><u>\$154,157,255</u></u>	<u><u>\$154,157,255</u></u>

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## TAX MATTERS

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

In rendering its opinion, Bond Counsel will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Obligations to become includable in gross income retroactively to the date of issuance of the Obligations.

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

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

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

disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

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

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

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

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

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

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

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

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

**FUTURE AND PROPOSED LEGISLATION . . .** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under federal or state law, and could affect the market price or marketability of the Obligations. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinances, the City has made the following agreement for the benefit of the registered 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 events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org/>.

**ANNUAL REPORTS. . .** The City will provide certain updated financial information and operating data to the MSRB annually. 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 13 and in Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2024 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2024. 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 City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

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

**EVENT NOTICES . . .** The City will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events with respect to the Obligations, as applicable: (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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or change in the name of the 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 any such 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 any such financial obligation of the City, any of which reflect financial difficulties. As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. 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 jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City 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. Neither the Obligations nor the Ordinances make any provision for debt service reserves, liquidity enhancement or credit enhancement, although the City is soliciting bids for bond insurance. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide financial information or operating data in accordance with its agreement described above under "Annual Reports."

**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 via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://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 Underwriters 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 registered and beneficial owners of the Obligations. The City may also amend or repeal the provisions of its 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 Underwriters from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the 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 has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule except for possibly the following. For fiscal year ended September 30, 2021, the City did not file unaudited financial statements by March 31, 2022. The City did, however, file audited financial statements on May 18, 2022.

### **CYBERSECURITY RISKS**

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

### **OTHER INFORMATION**

**RATINGS . . .** The Obligations have been rated "AA" by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Obligations to the Underwriter. In addition, the Obligations and certain of the presently outstanding tax supported debt of the City are rated "AA-" (stable outlook) by S&P and "A1" by Moody's Investors Service ("Moody's") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflects only the view of such companies 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 such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price 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. However, the City has filed two voluntary notices (collectively, the "Voluntary Notices") on EMMA on October 11, 2021 and March 10, 2023 regarding certain ongoing litigation involving the City. Except as described below, the information in such Notices remains correct as of the date of this Official Statement.

Jones v. City of Hutto et al., pending in the U.S. Fifth Circuit Court of Appeals has been previously disclosed by the City through the Voluntary Filings, Odis Jones, a former City Manager of the City, filed suit against the City and two of its City Councilmembers alleging 42 U.S.C. 1981 race discrimination, retaliation under the Texas Whistleblower Act, breach of his employment agreement, separation agreement, and consulting agreement and multiple tort claims, including defamation, tortious interference with existing contracts and prospective business relationships, intentional infliction of emotional distress, and also requesting a declaratory judgment from the court regarding the validity and enforceability of all three agreements referenced above. Certain background information and assertions regarding such lawsuit can be found in the Voluntary Filings. Such lawsuit was tried by a jury February 27, 2023, through March 2, 2023, and on March 2, 2023, the jury reached a verdict against the City and awarded Odis Jones \$12,500,000 in damages and the Court entered final judgment on March 21, 2023, with the exception of the award of attorney's fees. Post-Judgment Motions eliminated \$4,500,000 of the \$12,500,000 award and eliminated a jury award of \$500,000 for attorney's fees, for the court to retry the issue of fees. The matter of fees has been fully briefed, and the court's judgment has not been issued. The City filed a notice of appeal with the U.S. Fifth Circuit Court of Appeals and briefing is underway. The City's appeal asserts the contracts are invalid, the City maintains immunity from suit, and that the evidence and testimony presented during the trial is insufficient as a matter of law to support the jury verdict and that the award was excessive based on passion and prejudice. The court of appeals is requested to reverse the judgment, and rule in favor of the City; or in the alternative, reverse the case and order a new trial. The City can make no representation regarding the timing of the Court's rulings on the City's appeal, or the outcome of the pending attorney's fee dispute remaining in the trial court.

Additionally, the Texas Supreme Court remanded Legacy Hutto, LLC v. City of Hutto, in which the City previously prevailed in obtaining dismissal in the trial and intermediate appellate court. In February 2023, the Texas legislature passed House Bill 1817 ("HB 1817") which, allows a trial court to find a contract entered into illegally enforceable (subject to other contract defenses which would be asserted by the City) if the contractor meets certain conditions and equity requires it, in a case where the court has jurisdiction; however, in this case the issue is whether the court has jurisdiction over the previously dismissed lawsuit. Jurisdiction is not addressed in the new statute. Legacy Hutto LLC's failure to comply with those laws in contracting with the City remains one of reasons the City is asserting that the Court does not have jurisdiction and the City will again seek dismissal. The Supreme Court

found it necessary for the trial and appellate courts to revisit the issue of jurisdiction in light of the new legislation as its justification to remand the case to return to the trial court. The case is a breach of contract lawsuit seeking approximately \$4,000,000 in damages, plus attorneys' fees and interest. The City will continue to pursue dismissal by (i) asserting that the contract in question was not properly executed because the plaintiff never provided the City the statutorily required disclosure of interested parties form and (ii) the plaintiff's inability to show that the City Council ever considered and acted upon the contract. No representations can be made, and no assurances can be given regarding (i) the likelihood of HB 1817 having any effect on the outcome of this case, (ii) the likelihood of the previously dismissed lawsuit being dismissed again by the trial court or (iii) if the remand to the trial court, will change the outcome of any ensuing litigation.

**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 other 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. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act requires that the Obligations be assigned a rating of at least "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.

**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. The Financial Advisor has agreed, in its Financial Advisory contract, not to bid for the Obligations, either independently or as a member of a syndicate organized to submit a bid for the Obligations. Hilltop Securities Inc., in its capacity as Financial Advisor, 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.

**UNDERWRITERS . . .** The Underwriters have agreed, subject to certain conditions, to purchase the Obligations from the City, at a price equal to the initial public offering price to the public, as shown on pages 2 and 4 of this Official Statement, less an aggregate underwriting discount of \$1,572,703.61. The Underwriters will be obligated to purchase all of the Obligations if any Obligations are purchased. The Obligations offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

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

**LEGAL MATTERS . . .** The City will furnish the Underwriters a transcript of certain proceedings incident to the authorization and issuance of the Obligations. Such transcript will include a certified copy of the approving opinions of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Obligations are valid and legally binding obligations of the City. The City will also furnish the approving legal opinions of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Obligations are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Obligations may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C - Forms of Bond Counsel's Opinions." 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 describing the Bonds in the Official Statement under the captions "THE OBLIGATIONS" (excluding the information under the subcaptions "Book-Entry-Only System," "Security and Source of Payment for the Obligations, " and "Obligationholders' Remedies" as to which no opinion is expressed), "TAX

MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under "Compliance with Prior Undertakings" as to which no opinion is expressed), "OTHER INFORMATION – Registration and Qualification of Certificates for Sale," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," and "OTHER INFORMATION – Legal Matters" (excluding the second to last sentence of the first paragraph thereof), and to determine that the information relating to the Obligations and the Ordinances contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations. The applicable legal opinion will accompany the Obligations deposited with DTC or will be printed on or attached to the Obligations in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Jackson Walker LLP, Houston, Texas and Cantu Harden Montoya LLP, Austin, Texas co-counsel to the Underwriters. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City.

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.

**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.

The Ordinances approved the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its further use in the reoffering of the Obligations by the Underwriters.

/s/ Mike Snyder  
Mayor  
City of Hutto, Texas

ATTEST:

/s/ Amanda Taylor  
City Secretary  
City of Hutto, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

The City is a residential community located in central Texas approximately 25 miles northeast of Austin, between the cities of Round Rock and Taylor on US Highway 79. The City continues to transform from a rural Texas farm town to one of Austin's fastest growing suburbs. While the population at the 2000 census was just 1,250, approximately 50,800 people now call the growing community home, making Hutto one of the fastest growing cities in the nation. The impetus for the City's growth has been quality, affordable housing and quality public schools coupled with the access to larger job markets.

### LABOR FORCE STATISTICS <sup>(1)</sup>

Employment statistics for the City are as follows:

	March	Average Annual				
	2024	2023	2022	2021	2020	2019
Civilian Labor Force	19,171	18,830	18,030	16,891	15,933	15,191
Total Employment	18,466	18,200	17,517	16,186	14,982	14,779
Total Unemployment	705	630	513	705	951	412
Percent Unemployment	3.7%	3.3%	2.8%	4.2%	6.0%	2.7%

(1) Source: Texas Employment Commission.

**APPENDIX B**

EXCERPTS FROM THE  
CITY'S ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Hutto, 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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**Annual Comprehensive Financial Report  
For the Year Ended September 30, 2023  
City of Hutto, Texas**



*ANNUAL COMPREHENSIVE  
FINANCIAL REPORT*

of the

**City of Hutto, Texas**

**For the Year Ended  
September 30, 2023**

**Prepared by**

Financial Services



# City of Hutto, Texas

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## *INTRODUCTORY SECTION*





February 12, 2024

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

The Finance Department is pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of Hutto, Texas (the City) for the year ended September 30, 2023.

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

BrooksWatson & Company has issued an unmodified “clean” opinion on the City’s financial statements for the year ended September 30, 2023. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

### **The City and its Services**

Hutto was established in 1876 when the International and Great Northern Railroad passed through land owned by James Emory Hutto. Railroad officials designated the stop as the Hutto station and the town of Hutto was born. The City was formally incorporated in 1911. It was further developed and established as an agricultural base for the local farming and ranching community.

According to local legend, in 1915, a circus train stopped in Hutto, Texas, at the depot to take on passengers, pick up and deliver mail, and take on water and fuel for the steam locomotive. The circus train workers also would have taken this opportunity to care for their animals. At some point during this historic layover, a hippopotamus got out of the railcar and made its way to nearby Cottonwood Creek. This caused much consternation for the circus workers. Local farmers and merchants watched the commotion in amusement and with interest as unsuccessful efforts were made to extricate the hippopotamus from the muddy waters of Cottonwood Creek. After much effort, the hippo was prodded from the mud and water that resembled its natural habitat

and was reloaded back onto the train car. Soon afterward the Hutto School adopted the hippopotamus as its mascot, and as early as 1923, the hippo appeared on official Hutto High School graduation announcements. The unique mascot has become one of the best-known facts about Hutto.

Hutto is located in Central Texas at the intersection of State Highway 130 and US Highway 79, approximately 25 miles from the State Capitol. Its proximity to major employers, strong community values, state recognized schools, and small-town charm continues to attract new residents. While the population at the 2000 census was just 1,250, approximately 40,000 people now call the growing community home, making Hutto one of the fastest growing cities in the nation.

Hutto is a home-rule charter city and operates under a council-manager form of government. A mayor and six council members are elected at large in staggered three-year terms. The City provides a range of services to its citizenry. Major services provided under general government and enterprise functions include: police protection, water and sewer services, solid waste services, park facilities, recreational programs and events, library services, street construction, reconstruction, maintenance, and general administrative services. Fire protection for the City of Hutto is provided through a partnership with the Williamson County Emergency Services District #3. The City is financially accountable for the Hutto Economic Development Corporation (HEDC) Type A and B, a Texas economic development corporation, which funds economic development projects by utilizing an additional ½ cent “4B” sales tax approved by the voters in 2017.

### **Local Economy**

Hutto is part of the rapidly-growing Austin-Round Rock MSA. Hutto’s proximity to downtown Austin and large employers in Williamson and Travis Counties has encouraged substantial residential growth in the last decade, given the amount of land available for development within City limits.

The economy in Hutto has been strong and is continuing to grow. Development has continued to flourish, with the City issuing 1,127 building permits and estimating a population of 46,599 as of September, 2023. In comparison, the City issued 339 building permits and had an estimated population of 25,305 just ten years earlier. Consumer spending is also strong, as evidenced by increased sales tax collections, an increase of 18% from 2022 to 2023.

With population estimates now in excess of 40,000, there has been increased interest in retail development, as well as growth in light industrial and mixed-use. The City is actively working to attract new retailers and employers into the City limits, which is expected to diversify the City’s property tax base in coming years.

## **Long-Term Financial Planning**

Budgeting is an essential element of the financial planning, control and evaluation process of municipal government. Multi-year budgeting provides a means to identify the impact of implementing new programs and projects on future budgets. The City's financial plan is the City's long-range operations and capital plan.

One of the most important components of the city's Financial Plan is the Capital Improvements Plan (CIP Plan). With the significant growth in Hutto and surrounding communities, addressing infrastructure improvements is one of the City's highest priorities. The most recently adopted 5-year CIP plan as part of the FY 2024 budget, and is constantly being monitored and re-evaluated as priorities for water, wastewater, transportation and parks change.

## **Relevant Financial Policies**

***Budgetary Controls.*** The City Charter provides that the City Manager shall prepare and present an annual budget, which is then adopted by the City Council through the passage of a budget ordinance. The fiscal policy requires that the City maintain reserves of 20% of annual budgeted operating expenditures. The legal level of control as defined by City Council is at the department level. The City Manager is authorized to transfer budgeted amounts among programs within a department; however, transfers between departments or an increase to the overall total expenditure of any fund must be presented to the City Council.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all funds are included in the annual appropriated budget. Financial reports are produced showing budgeted and actual expenditures by line item and are distributed monthly to the City departmental managers. Individual expenditure and revenue line items are reviewed monthly.

## **Major Initiatives**

***Infrastructure Improvements.*** With the robust growth in the City, ensuring that sufficient infrastructure exists is one of the highest priorities of the City. Since October of 2022, the City has issued approximately 37 million dollars General Obligation bonds to fund street and drainage projects, which include multiple improvements to intersections at 1660 and the construction of East-West Spine Road to facilitate future economic development. The City also issued 15 million dollars in General Obligation Bonds in November of 2023 to fund Fritz Park improvements.

The City also issued 52 million dollars in Certificates of Obligation in November of 2022, which is partially or fully funding the design and/or construction of 15 water and wastewater projects.

With a current 5-year CIP plan of nearly a billion dollars in projects, exploring creative and alternative funding solutions, along with consistently evaluating the most critical projects remains a significant priority of the City.

*Land Development.* The HEDC owns two impressive collections of land. The “Megasite” is approximately 400 acres of land located on Hutto’s eastern boundary, along the new Southeast Loop that will connect to SH 130. The HEDC is actively marketing this land, and the land is receiving a great deal of interest due to its close proximity to the Samsung Plant in neighboring Taylor, Texas. The City and HEDC are currently working to complete the “East-West Spine Road”; completion of this project is expected to generate additional interest in the property.

In addition to the Megasite, the HEDC owns several tracts known as the “Cottonwood Properties”, which were purchased from the Cottonwood Development Corporation in March of 2023. Similar to the Megasite, the Cottonwood Properties has generated much interest due to its location and its ability to facilitate large-scale projects. The HEDC has recently engaged a master developer to assist with the vision and planning for this collection of land.

**Acknowledgements**

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the City’s Financial Services department. We would like to express our appreciation to all members of the department and the other City staff members who were instrumental in the successful completion of this report.

We would also like to thank the staff of BrooksWatson & Company for the guidance of and oversight of our audit process and the presentation of our annual report.

Finally, we would also like to thank the Mayor and members of the City Council for their leadership and support in maintaining the highest professional standards and integrity in the City of Hutto’s finances.

Respectfully submitted,



James R. Earp, CPM  
City Manager



Alberta S. Barrett  
Finance Director



Matt Wojnowski  
Assistant City Manager



Christina Bishop  
Controller



# City of Hutto Organizational Chart

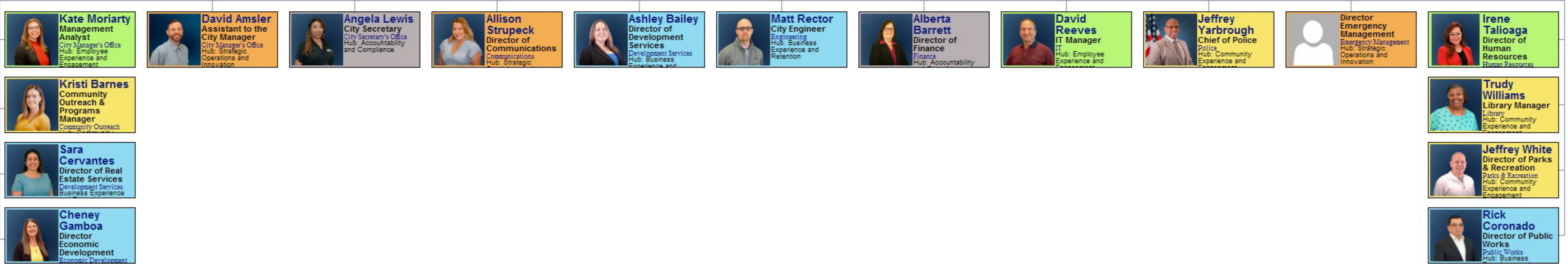
Hutto Taxpayers

Hutto City Council

**James Earp**  
City Manager  
City Manager's Office  
Hub: City Manager's Office

**Matt Wojnowski**  
Assistant City Manager  
City Manager's Office  
Hub: City Manager's Office

**Anna Rodriguez**  
Executive Management Assistant  
City Manager's Office



- Hub: Strategic Operations and Innovation (3)
- Hub: Business Experience and Retention (5)
- Hub: Community Experience and Engagement (4)
- Hub: Employee Experience and Engagement (3)
- Hub: City Manager's Office (2)
- Hub: Accountability and Compliance (2)

**City of Hutto**  
**List of Elected and Appointed Officials**  
**September 30, 2023**

**Elected Officials**

<b>Mayor</b>	<b>Mike Snyder</b>
<b>Mayor Pro Tem, Council Place 4</b>	<b>Peter Gordon</b>
<b>Council Place 1</b>	<b>Brian Thompson</b>
<b>Council Place 2</b>	<b>Dan Thornton</b>
<b>Council Place 3</b>	<b>Randal Clark</b>
<b>Council Place 5</b>	<b>Dana Wilcot</b>
<b>Council Place 6</b>	<b>Amberley Kolar</b>

**City Administration**

<b>City Manager</b>	<b>James R. Earp, CPM</b>
<b>Assistant City Manager</b>	<b>Matt Wojnowski</b>
<b>Chief of Police</b>	<b>Jeffrey Yarbrough</b>
<b>Director of Development Services</b>	<b>Ashley Bailey</b>
<b>Interim Director of Finance</b>	<b>Anne Lamere</b>
<b>Director of Human Resources</b>	<b>Irene Talioaga</b>
<b>Director of Public Works</b>	<b>Rick Coronado</b>
<b>Public Information Officer</b>	<b>Allison Strupeck</b>
<b>City Engineer</b>	<b>Matt Rector</b>
<b>City Secretary</b>	<b>Angela Lewis</b>
<b>City Attorney</b>	<b>Dotti Palumbo, Bojorquez Law Firm</b>
<b>Municipal Court Judge</b>	<b>The Honorable Lucas Wilson</b>

***FINANCIAL SECTION***





## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Audit of the Financial Statements**

#### *Opinions*

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

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

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

### *Emphasis of Matter*

As discussed in Note V.H. to the financial statements, due to prior year accounting adjustments, the City restated beginning net position/fund balance, capital assets and long-term liabilities for governmental

activities, the general fund, the River Creek LGC, one nonmajor governmental fund, the utility system fund, the solid waste fund, and business-type activities. Our opinion is not modified with respect to these matters.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Brooks Watson & Co.*

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
February 12, 2024

*MANAGEMENT'S DISCUSSION  
AND ANALYSIS*



# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

As management of the City of Hutto, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2023 by \$235,373,060. Of this amount, \$12,284,278 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$30,308,133. The majority of the City's net position are invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$79,572,745 at September 30, 2023, an increase of \$44,603,279 from the prior fiscal year; this includes an increase of \$23,185,578 in the Nonmajor Governmental funds, an increase of \$8,991,087 in the Emory Crossing PID fund, and an increase of \$20,822,577 in the Capital Projects 2022 GO fund. The substantial increases in all of these funds were primarily the result of debt issuances. Despite a large total increase in the governmental funds, the general fund's balance decreased by \$10,880,011 due to one-time transfers to the Cottonwood Development Corporation (CDC) and a loan to the Hutto Economic Development Corporation (HEDC).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$5,553,526 or 18% of total general fund expenditures.
- The City's total debt showed a net increase of \$72,033,831. Governmental bonds payable, notes payable, and tax notes totaled \$161,524,141 at the close of the fiscal year. Self-supporting debt of the proprietary fund was \$172,379,471.

### **Overview of the Financial Statements**

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

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

### Government-Wide Statements

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

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

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

### **FUND FINANCIAL STATEMENTS**

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

### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable*

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital improvement projects fund, capital projects 2022 GO fund, River Creek LGC fund, the Durango Farms PID fund, and the Emory Crossing PID fund, which are considered to be major funds. The City's other special revenue funds and capital project funds are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, other major governmental funds, and various special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget. The City did not adopt a budget for the transportation improvement, Cottonwood LGC, Meadow Brook PID, Liddel Walker PID, Estates of Hutto, ARPA grant or Meadows of Cottonwood PID funds.

### **Proprietary Funds**

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

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility system fund and the solid waste fund, as they are considered major funds of the City.

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one fiduciary fund. The MUD Fund reports resources held by the City in a custodial capacity for municipal utility districts.

### Component Units

The City maintains the accounting and financial statements for two component units. The Hutto Economic Development Corporation and the TIRZ #1 are reported as discretely presented component units on the government-wide financial statements.

### Notes to Financial Statements

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

### Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Hutto, assets and deferred outflows exceed liabilities and deferred inflows by \$235,373,060 as of September 30, 2023 in the primary government.

A significant portion of the City's net position, \$90,141,572, reflects its investments in capital assets (e.g., land, buildings, infrastructure, vehicles, machinery and equipment, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

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

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2023			2022 (Restated)		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Other Assets	\$ 163,502,662	\$ 91,211,036	\$ 254,713,698	\$ 131,717,986	\$ 45,536,274	\$ 177,254,260
Capital Assets (net)	198,767,863	154,156,975	352,924,838	195,654,265	136,920,824	332,575,089
<b>Total Assets</b>	<b>362,270,525</b>	<b>245,368,011</b>	<b>607,638,536</b>	<b>327,372,251</b>	<b>182,457,098</b>	<b>509,829,349</b>
<b>Total Deferred</b>						
<b>Outflows</b>	2,556,011	742,716	3,298,727	936,912	562,999	1,499,911
Other Liabilities	16,381,284	11,739,204	28,120,488	35,040,723	3,121,043	38,161,766
Long-Term Liabilities	169,676,447	177,354,382	347,030,829	133,381,292	132,441,576	265,822,868
<b>Total Liabilities</b>	<b>186,057,731</b>	<b>189,093,586</b>	<b>375,151,317</b>	<b>168,422,015</b>	<b>135,562,619</b>	<b>303,984,634</b>
<b>Total Deferred</b>						
<b>Inflows</b>	362,003	50,883	412,886	1,975,057	304,642	2,279,699
Net Position:						
Net Investment						
in Capital Assets	78,587,132	11,554,440	90,141,572	77,239,204	5,777,765	83,016,969
Restricted	100,128,376	32,818,834	132,947,210	83,681,593	22,532,208	106,213,801
Unrestricted	(308,706)	12,592,984	12,284,278	(3,008,706)	18,842,863	15,834,157
<b>Total Net Position</b>	<b>\$ 178,406,802</b>	<b>\$ 56,966,258</b>	<b>\$ 235,373,060</b>	<b>\$ 157,912,091</b>	<b>\$ 47,152,836</b>	<b>\$ 205,064,927</b>

Other assets of the primary government increased primarily due to greater cash on hand, resulting from unspent governmental activities bond proceeds and operating surpluses as of yearend. Capital assets for governmental activities increased primarily due to ongoing capital projects within the City. Other liabilities of governmental activities decreased primarily as a result of timing of vendor repayments subsequent to yearend. Long-term liabilities for governmental activities increased due to new debt issuances exceeding the current year principal payments.

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

**Statement of Activities:**

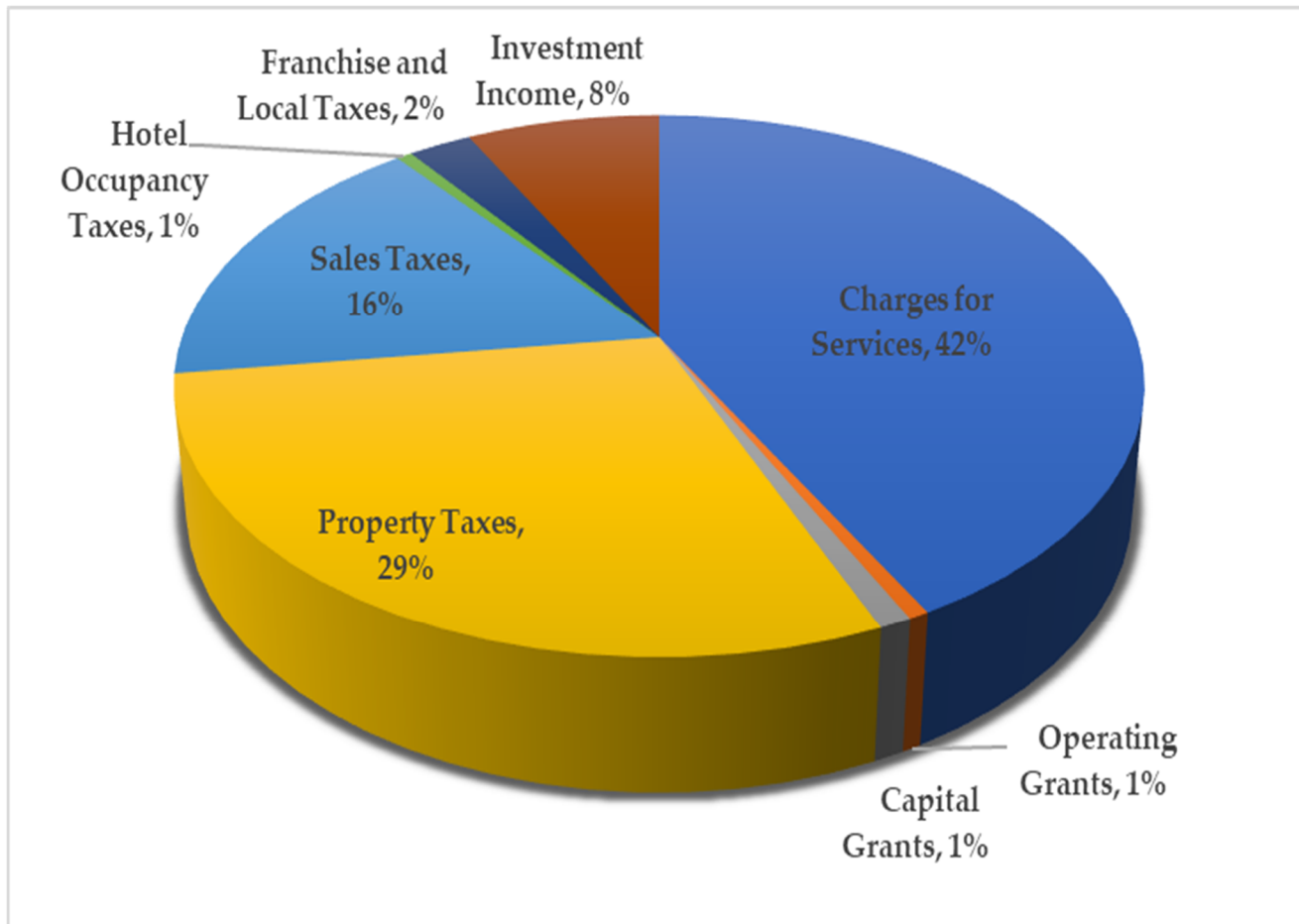
	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022 (Restated)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 22,791,994	\$ 30,438,899	\$ 53,230,893	\$ 11,931,801	\$ 32,206,524	\$ 44,138,325
Operating Grants	317,082	-	317,082	151,057	-	151,057
Capital Grants	502,631	-	502,631	21,187,911	-	21,187,911
General Revenues						
Property Taxes	15,775,516	-	15,775,516	14,256,130	-	14,256,130
Sales Taxes	8,855,554	-	8,855,554	7,612,834	-	7,612,834
Hotel Occupancy Taxes	332,964	-	332,964	294,103	-	294,103
Franchise and Local Taxes	1,349,870	-	1,349,870	1,064,071	13,998	1,078,069
Investment Income	4,138,776	3,263,801	7,402,577	371,818	105,078	476,896
Other Revenues	153,347	-	153,347	26,289	-	26,289
<b>Total Revenues</b>	<b>54,217,734</b>	<b>33,702,700</b>	<b>87,920,434</b>	<b>56,896,014</b>	<b>32,325,600</b>	<b>89,221,614</b>
<b>Expenses</b>						
City administration	4,776,001	-	4,776,001	4,354,395	-	4,354,395
Financial services	1,776,857	-	1,776,857	1,474,925	-	1,474,925
Bus. and develop. services	4,053,302	-	4,053,302	2,187,716	-	2,187,716
Public safety	6,425,734	-	6,425,734	5,268,714	-	5,268,714
Public works	4,954,090	-	4,954,090	5,277,800	-	5,277,800
Community services	2,482,631	-	2,482,631	2,278,208	-	2,278,208
Communications	2,805,708	-	2,805,708	2,230,486	-	2,230,486
Interest and fiscal charges	7,956,851	6,443,452	14,400,303	10,493,876	4,362,315	14,856,191
Utility	-	15,175,323	15,175,323	-	14,023,192	14,023,192
Solid waste	-	2,465,202	2,465,202	-	1,973,913	1,973,913
<b>Total Expenses</b>	<b>35,231,174</b>	<b>24,083,977</b>	<b>59,315,151</b>	<b>33,566,120</b>	<b>20,359,420</b>	<b>53,925,540</b>
<b>Change in Net Position Before</b>						
<b>Transfers &amp; Special Items:</b>	18,986,560	9,618,723	28,605,283	23,329,894	11,966,180	35,296,074
Transfers	(194,699)	194,699	-	136,645	(136,645)	-
Gain on Extinguishment of Debt	760,397	-	760,397	-	-	-
Gain on Debt Modification	942,453	-	942,453	-	-	-
Loss on Court Judgement	-	-	-	(9,500,000)	-	(9,500,000)
<b>Total</b>	<b>1,508,151</b>	<b>194,699</b>	<b>1,702,850</b>	<b>(9,363,355)</b>	<b>(136,645)</b>	<b>(9,500,000)</b>
<b>Change in Net Position</b>	<b>20,494,711</b>	<b>9,813,422</b>	<b>30,308,133</b>	<b>13,966,539</b>	<b>11,829,535</b>	<b>25,796,074</b>
Beginning Net Position	157,912,091	47,152,836	205,064,927	143,945,552	35,323,301	179,268,853
<b>Ending Net Position</b>	<b>\$ 178,406,802</b>	<b>\$ 56,966,258</b>	<b>\$ 235,373,060</b>	<b>\$ 157,912,091</b>	<b>\$ 47,152,836</b>	<b>\$ 205,064,927</b>

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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



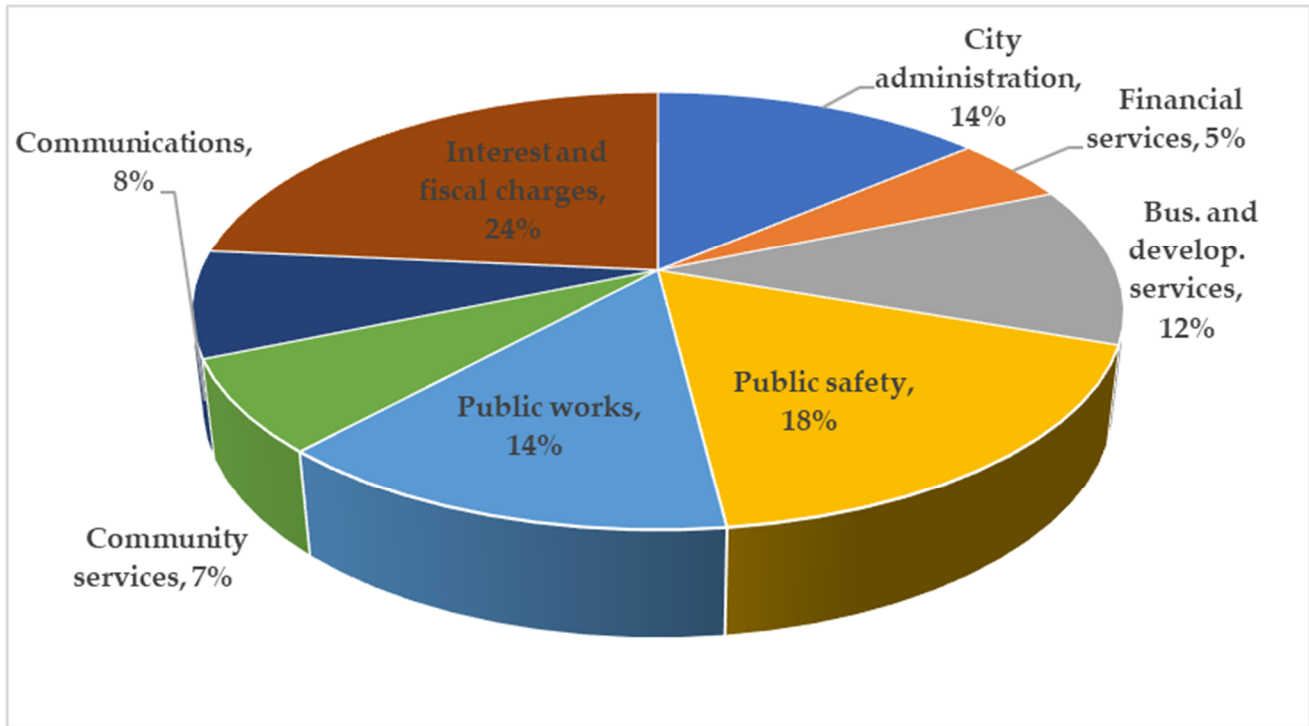
For the year ended September 30, 2023, revenues from governmental activities totaled \$54,217,734. Overall revenue decreased \$2,678,280 or 4.7% compared to the prior year. Property taxes are the City's largest general revenue source at \$15,775,516. The most significant change in general revenues was in investment income, which increased by \$3,766,958, or over 1000%. This is due to an increase in investible cash, as well as a favorable interest environment. The largest program revenue is charges for services in Public Works at \$21,398,473. Charges for services increased by \$10,860,193 or 91% primarily due to nonrecurring transportation impact fees, PID assessments, greater building and inspection permits, drainage fees, court collections, and park recreation program fees in the current year. Another significant change in program revenues is in grants and contributions, which decreased by \$20,685,280 primarily due to nonrecurring developer contributions received for street and drainage infrastructure improvements for the PID's in the prior year.

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

This graph shows the governmental function expenses of the City:



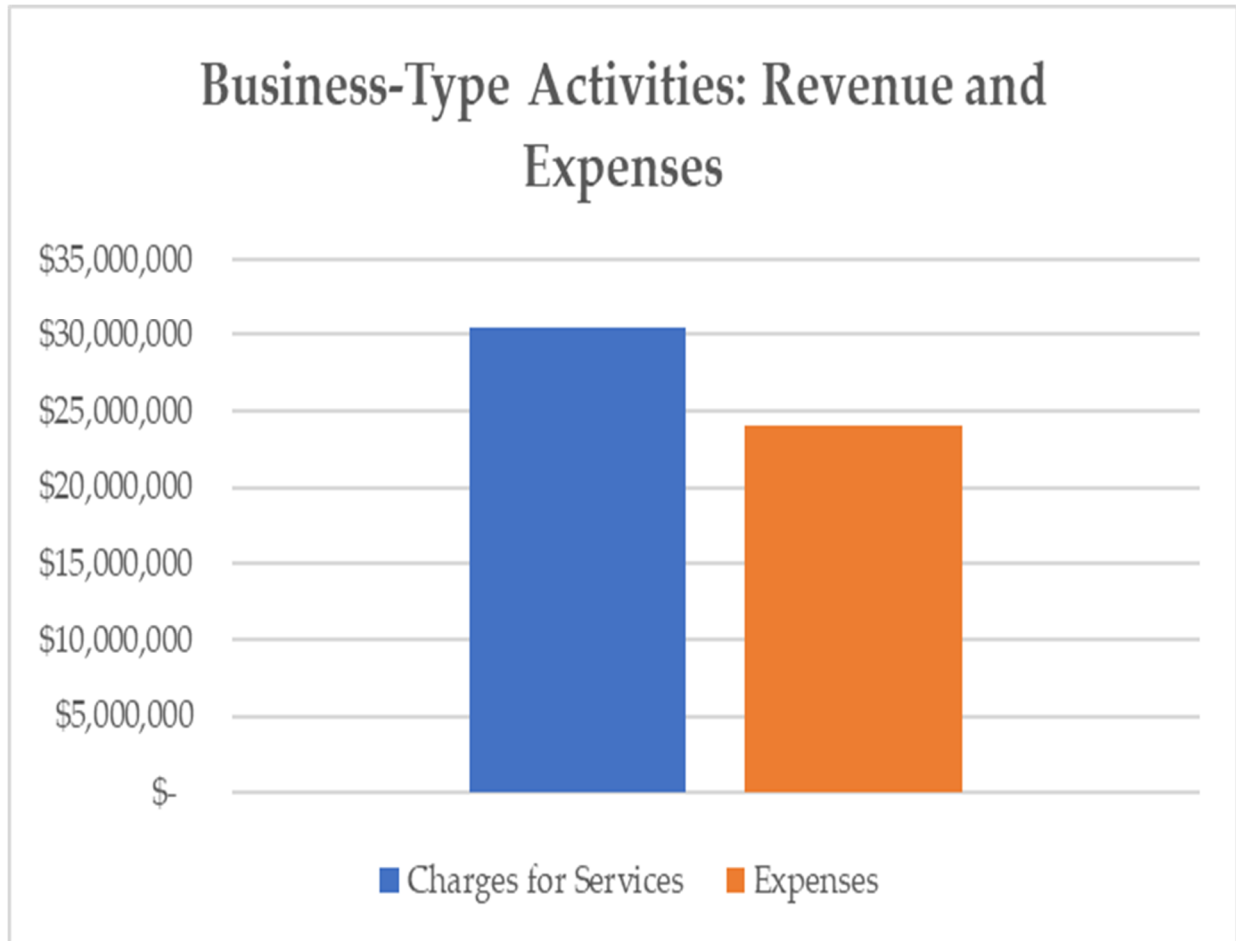
For the year ended September 30, 2023, expenses for governmental activities totaled \$35,231,174. This represents an increase of \$1,665,054 or 5% from the prior year. The City's largest functional expense (excluding interest and fiscal charges) is public safety at \$6,425,734. Expenses for all functional groups increased in 2023 over 2022 with the exception of interest and fiscal charges, and public works. The decrease in interest was due to large interest charges incurred by the Cottonwood Development Corporation (CDC) in the prior year. The largest increase in functional expense was business and development services, which increased \$1,865,586, or 85% over the prior year. This increase was due to expenses incurred in the settlement of fees associated with land held for investment by the CDC. Increases in the other functional expense groups were primarily due to increases in staffing and inflation.

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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



For the year ended September 30, 2023, charges for services by business-type activities totaled \$30,438,899. This is a decrease of \$1,767,625 or 5% from the previous year. The decrease is due to a reduction in impact fees.

Total expenses increased \$3,724,557 or 18%, to a total of \$24,083,977, due primarily to greater personnel costs, engineering services, water purchases, general utility engineering services/studies, and interest expenses related to the 2022 Certificates of Obligation.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's

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

financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2023, the City's governmental funds reported combined fund balances of \$79,572,745, an increase of \$44,603,279 in comparison with the prior year. Of this amount \$5,552,151 or 7%, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, assigned, or restricted* to indicate that it is 1) not in spendable form, \$11,220, or restricted for particular purposes, \$74,009,374.

As of the end of the year the general fund reflected a total fund balance of \$5,564,746. Of this, \$11,220 is considered nonspendable and \$5,553,526 is unassigned. Despite strong revenues, fund balance in the general fund decreased by \$10,880,011. These decreases were caused by unusual one-time items, including a \$6 million dollar loan to the HEDC, a \$5,056,685 transfer to the CDC to pay off a loan, and an additional transfer of \$3,794,966 to the CDC to cover a negative cash balance.

As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$5,553,526 is 18% of total general fund expenditures.

The debt service fund had an ending fund balance of \$1,875,223 at September 30, 2023, an increase of \$368,042. The increase was a result of greater property taxes and less debt service expenditures compared to the prior year.

The capital improvements projects fund had a zero-ending balance, an increase of \$2,094,094 from the prior year. This is due to transfers from other funds to cover the deficit balance for prior year capital expenditures.

The River Creek LGC fund had an ending fund balance of \$3,187,913, an increase of \$349,807. This is due to assessments collected in the LGC's PIDs being greater than debt service and administrative expenditures.

Capital Projects 2022 General Obligation bonds were issued during FY 2022-2023 with an ending fund balance of \$20,822,577 an increase of \$20,822,577 from the prior year.

The Durango Farms PID fund reflected an ending fund balance of \$2,164,975, a decrease of \$327,895. This decrease was the result of capital outlay expenditures by the developer.

The Emory Crossing PID Fund reflected a fund balance of \$9,443,082 as of September 30, 2023. This is the result of a debt issuance for Phase II of the development.

Nonmajor governmental funds had a total ending fund balance of \$36,514,229, an increase of \$23,185,578. The increase was primarily due to the issuance of the 2023 General Obligation bonds for the East-West

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

Spine Road. There were also strong investments earnings in all of the City's nonmajor governmental funds.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility system and solid waste fund totaled \$56,376,906 and \$589,352, respectively. Unrestricted net position of the enterprise funds at the close of the fiscal year amounted to \$12,592,984. Total net position increased \$9,813,422. The funds had a total net investment in capital assets of \$11,554,440.

The following are additional comments regarding operations of the enterprise funds:

- Total operational expenses excluding depreciation and amortization were \$11,047,471.
- Total cash and cash equivalents and investments in the enterprise funds was \$87,691,339 at fiscal yearend.

### GENERAL FUND BUDGETARY HIGHLIGHTS

There were several amendments approved during the fiscal year. Total original budgeted expenditures increased by \$199,996 compared to the final budget. The increase was primarily due to additional business and development expenditures anticipated during the year. Total original budgeted revenues increased by \$1,613,760 when preparing the final budget. There was a positive variance of \$983,012 for budgeted general fund revenues. The positive variance was primarily due to sales taxes and license/permit fees exceeding estimates.

The following are additional comments regarding appropriations:

- There was a total negative variance of \$2,145,911 for budgeted expenditure appropriations. The variance was primarily due to actual business and development expenditures being more than budgeted, whereas capital outlay and public safety expenditures being less than budgeted.
- This fiscal year \$1,162,899 there was a budget deficit of revenues over expenditures before other financing sources (uses).
- There was a total budget deficit after other financing sources (uses) of \$9,310,678.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$198,767,863 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$154,156,975 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

# City of Hutto, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2023

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

- Various right of way parcels on FM 1660 for \$1,350,428
- FM 1660 @ Limmer Loop improvements for \$239,399
- 1660 N @ US 79 improvements for \$627,025
- 1660 S @ US 79 improvements for \$187,600
- Megasite East-West arterial road improvements for \$623,707
- Lakeside estates sidewalk improvements \$613,458
- A motor grader for \$239,667
- Durango Farms Public Improvement District improvements for \$535,893
- Frame Switch Pump Station improvements for \$9,792,440
- Shiloh pump system construction costs for \$3,177,440
- South wastewater Treatment Expansion for \$5,562,016
- Megasite water and wastewater lines for \$1,677,260

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

### LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt obligations including premiums of \$346,964,930. Of this amount, \$172,379,471 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt other than the PID and LGC debts are backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions. More detailed information about the City's long-term liabilities is presented in note IV. D and E to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Hutto and improving services provided to their citizens. The City budgeted for growth in the upcoming year.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Hutto, Finance Services at 500 W. Live Oak St., Hutto, Texas 78634, or at 512-759-4834.

## ***FINANCIAL STATEMENTS***

**City of Hutto, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 31,902,175	\$ 9,864,173	\$ 41,766,348
Restricted cash	-	5,352,768	5,352,768
Investments	51,430,939	72,474,398	123,905,337
Assessment receivables, current	624,257	-	624,257
Lease receivable, current	-	-	-
Receivables, net	2,965,529	3,051,563	6,017,092
Internal balances	(58,247)	58,247	-
Due from EDC for land purchase	6,000,000	-	6,000,000
Due from component unit	21,703	300,000	321,703
Inventory	-	109,887	109,887
Prepays and other assets	11,220	-	11,220
<b>Total Current Assets</b>	<b>92,897,576</b>	<b>91,211,036</b>	<b>184,108,612</b>
Noncurrent assets:			
Lease receivable, noncurrent	-	-	-
Assessments receivable	70,605,086	-	70,605,086
Capital assets:			
Non-depreciable	66,574,042	33,091,242	99,665,284
Net depreciable capital assets	132,193,821	121,065,733	253,259,554
<b>Noncurrent Assets</b>	<b>269,372,949</b>	<b>154,156,975</b>	<b>423,529,924</b>
<b>Total Assets</b>	<b>362,270,525</b>	<b>245,368,011</b>	<b>607,638,536</b>
<b>Deferred Outflows of Resources</b>			
Pension outflows	2,340,128	328,953	2,669,081
OPEB outflows - TMRS	17,902	2,516	20,418
Deferred charge on refunding	197,981	411,247	609,228
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,556,011</b>	<b>\$ 742,716</b>	<b>\$ 3,298,727</b>

**Component Units**

<u>TIRZ #1</u>	<u>Hutto EDC</u>
\$ 114,196	\$ 5,108,070
-	-
57,366	-
-	-
-	20,568
177	822,856
-	-
-	-
-	-
-	13,800
171,739	5,965,294
-	50,737
-	-
-	29,597,564
-	-
-	29,648,301
171,739	35,613,595
-	-
-	-
-	-
\$ -	\$ -

**City of Hutto, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2023**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 6,505,902	\$ 6,315,546	\$ 12,821,448
Due to primary government	-	-	-
Accrued interest payable	1,480,862	1,118,071	2,598,933
Customer deposits	17,537	543,974	561,511
Compensated absences, current	398,906	50,983	449,889
Long term debt due within one year	7,852,825	3,710,630	11,563,455
<b>Total Current Liabilities</b>	<b>16,256,032</b>	<b>11,739,204</b>	<b>27,995,236</b>
Noncurrent liabilities:			
Liability for court judgments	10,202,144	-	10,202,144
Compensated absences, noncurrent	44,323	5,665	49,988
Long-term debt due in more than one year	158,237,911	177,163,564	335,401,475
Net pension liability	875,677	123,084	998,761
OPEB liability - TMRS	226,024	31,759	257,783
OPEB liability - Healthcare	215,620	30,310	245,930
<b>Noncurrent Liabilities</b>	<b>169,801,699</b>	<b>177,354,382</b>	<b>347,156,081</b>
<b>Total Liabilities</b>	<b>186,057,731</b>	<b>189,093,586</b>	<b>375,151,317</b>
<b>Deferred Inflows of Resources</b>			
Pension inflows	226,174	31,793	257,967
OPEB inflows - TMRS	69,140	9,715	78,855
OPEB inflows - Healthcare	66,689	9,375	76,064
Deferred inflows - leases	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>362,003</b>	<b>50,883</b>	<b>412,886</b>
<b>Net Position</b>			
Net investment in capital assets	78,587,132	11,554,440	90,141,572
Restricted for:			
Debt service	1,931,326	5,352,768	7,284,094
Economic development	4,868,072	-	4,868,072
Police and traffic safety	49,142	-	49,142
Municipal court	99,701	-	99,701
Grant activities	7,084,973	-	7,084,973
Capital projects	3,340,217	27,291,990	30,632,207
PID development and assessments	81,516,668	-	81,516,668
Pension	1,238,277	174,076	1,412,353
Unrestricted	(308,706)	12,592,984	12,284,278
<b>Total Net Position</b>	<b>\$ 178,406,802</b>	<b>\$ 56,966,258</b>	<b>\$ 235,373,060</b>

See Notes to Financial Statements.

**Component Units**

TIRZ #1	Hutto EDC
\$ -	\$ 102,413
-	321,703
-	56,528
-	-
-	-
-	7,205,000
-	7,685,644
-	-
-	-
-	22,140,000
-	-
-	-
-	22,140,000
-	29,825,644
-	-
-	-
-	-
-	48,812
-	48,812
-	252,564
-	-
171,739	-
-	5,486,575
-	-
-	-
-	-
-	-
-	-
\$ 171,739	\$ 5,739,139

# City of Hutto, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
City administration	\$ 4,776,001	\$ -	\$ 317,082	\$ -
Financial services	1,776,857	-	-	-
Business and development	4,053,302	-	-	-
Public safety	6,425,734	392,741	-	-
Public works	4,954,090	21,398,473	-	2,631
Community services	2,482,631	1,000,780	-	500,000
Communications	2,805,708	-	-	-
Interest and fiscal charges	7,956,851	-	-	-
<b>Total Governmental Activities</b>	<b>35,231,174</b>	<b>22,791,994</b>	<b>317,082</b>	<b>502,631</b>
<b>Business-Type Activities</b>				
Utility system	21,618,775	28,111,890	-	-
Solid waste	2,465,202	2,327,009	-	-
<b>Total Business-Type Activities</b>	<b>24,083,977</b>	<b>30,438,899</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 59,315,151</b>	<b>\$ 53,230,893</b>	<b>\$ 317,082</b>	<b>\$ 502,631</b>
<b>Component Units</b>				
TIRZ #1	\$ 1,660	\$ -	\$ -	\$ -
Hutto Economic Development Corporation	2,460,351	-	-	-
<b>Total Component Units</b>	<b>\$ 2,462,011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues, Transfers, &**

**Special Items:**

Taxes

Property taxes

Sales taxes

Other taxes

Franchise and local taxes

Investment income

Other revenues

**Special items**

Extinguishment of debt

Gain on debt modification

**Transfers**

**Total General Revenues, Transfers, & Special Items**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	TIRZ #1	Hutto EDC
\$ (4,458,919)	\$ -	\$ (4,458,919)	\$ -	\$ -
(1,776,857)	-	(1,776,857)	-	-
(4,053,302)	-	(4,053,302)	-	-
(6,032,993)	-	(6,032,993)	-	-
16,447,014	-	16,447,014	-	-
(981,851)	-	(981,851)	-	-
(2,805,708)	-	(2,805,708)	-	-
(7,956,851)	-	(7,956,851)	-	-
<u>(11,619,467)</u>	<u>-</u>	<u>(11,619,467)</u>	<u>-</u>	<u>-</u>
-	6,493,115	6,493,115	-	-
-	(138,193)	(138,193)	-	-
-	6,354,922	6,354,922	-	-
<u>(11,619,467)</u>	<u>6,354,922</u>	<u>(5,264,545)</u>	<u>-</u>	<u>-</u>
			(1,660)	-
			-	(2,460,351)
			<u>\$ (1,660)</u>	<u>\$ (2,460,351)</u>
15,775,516	-	15,775,516	-	-
8,855,554	-	8,855,554	-	3,176,293
332,964	-	332,964	-	-
1,349,870	-	1,349,870	-	-
4,138,776	3,263,801	7,402,577	5,167	172,962
153,347	-	153,347	56,648	39,437
760,397	-	760,397	-	-
942,453	-	942,453	-	-
(194,699)	194,699	-	-	-
<u>32,114,178</u>	<u>3,458,500</u>	<u>35,572,678</u>	<u>61,815</u>	<u>3,388,692</u>
20,494,711	9,813,422	30,308,133	60,155	928,341
157,912,091	47,152,836	205,064,927	111,584	4,810,798
<u>\$ 178,406,802</u>	<u>\$ 56,966,258</u>	<u>\$ 235,373,060</u>	<u>\$ 171,739</u>	<u>\$ 5,739,139</u>

# City of Hutto, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

	General	Debt Service	Capital Improvement Projects	River Creek LGC
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,118,527	\$ 454,683	\$ -	\$ 3,202,009
Investments	7,808,708	1,472,348	-	-
Taxes receivable, net	2,537,045	56,103	-	-
Accounts receivable, net	122,297	6,439	-	32,439,760
Loan receivable from EDC	6,000,000	-	-	-
Due from component unit	21,703	-	-	-
Prepays	11,220	-	-	-
<b>Total Assets</b>	<b>\$ 17,619,500</b>	<b>\$ 1,989,573</b>	<b>\$ -</b>	<b>\$ 35,641,769</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 5,916,185	\$ -	\$ -	\$ 15,514
Customer deposits	17,537	-	-	-
Due to other funds	-	58,247	-	-
<b>Total Liabilities</b>	<b>5,933,722</b>	<b>58,247</b>	<b>-</b>	<b>15,514</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - Property taxes	121,032	56,103	-	-
PID assessments	-	-	-	32,438,342
Loan to EDC for land purchase	6,000,000	-	-	-
<b>Total Deferred Inflows</b>	<b>6,121,032</b>	<b>56,103</b>	<b>-</b>	<b>32,438,342</b>
<b><u>Fund Balances</u></b>				
Nonspendable for: Prepays	\$ 11,220	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	1,875,223	-	-
Capital projects	-	-	-	-
Economic development	-	-	-	-
Police and traffic safety	-	-	-	-
Municipal court	-	-	-	-
Grant activities	-	-	-	-
PID development	-	-	-	3,187,913
Unassigned	5,553,526	-	-	-
<b>Total Fund Balances</b>	<b>5,564,746</b>	<b>1,875,223</b>	<b>-</b>	<b>3,187,913</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 17,619,500</b>	<b>\$ 1,989,573</b>	<b>\$ -</b>	<b>\$ 35,641,769</b>

See Notes to Financial Statements.

<b>Capital Projects 2022 GO</b>	<b>Durango Farms PID</b>	<b>Emory Crossing PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,596,046	\$ 2,164,975	\$ 9,443,082	\$ 10,922,853	\$ 31,902,175
16,351,564	-	-	25,798,319	51,430,939
-	-	-	51,988	2,645,136
77,785	12,932,000	16,121,000	9,850,455	71,549,736
-	-	-	-	6,000,000
-	-	-	-	21,703
-	-	-	-	11,220
<u>\$ 21,025,395</u>	<u>15,096,975</u>	<u>25,564,082</u>	<u>\$ 46,623,615</u>	<u>\$ 163,560,909</u>
\$ 202,818	-	-	\$ 371,385	\$ 6,505,902
-	-	-	-	17,537
-	-	-	-	58,247
<u>202,818</u>	<u>-</u>	<u>-</u>	<u>371,385</u>	<u>6,581,686</u>
-	-	-	-	177,135
-	12,932,000	16,121,000	9,738,001	71,229,343
-	-	-	-	6,000,000
<u>-</u>	<u>12,932,000</u>	<u>16,121,000</u>	<u>9,738,001</u>	<u>77,406,478</u>
\$ -	-	-	\$ -	\$ 11,220
-	-	-	-	1,875,223
20,822,577	-	-	15,590,016	36,412,593
-	-	-	4,868,072	4,868,072
-	-	-	49,142	49,142
-	-	-	99,701	99,701
-	-	-	7,084,973	7,084,973
-	2,164,975	9,443,082	8,823,700	23,619,670
-	-	-	(1,375)	5,552,151
<u>20,822,577</u>	<u>2,164,975</u>	<u>9,443,082</u>	<u>36,514,229</u>	<u>79,572,745</u>
<u>\$ 21,025,395</u>	<u>15,096,975</u>	<u>25,564,082</u>	<u>\$ 46,623,615</u>	<u>\$ 163,560,909</u>



# City of Hutto, Texas

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

September 30, 2023

<b>Fund Balances - Total Governmental Funds</b>	\$	79,572,745
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		66,574,042
Capital assets - net depreciable		132,193,821
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		177,135
PID assessments		71,229,343
Due from EDC for land purchase		6,000,000
 Deferred outflows (inflows) of resources represent a consumption (acquisition) of net assets that applies to a future period(s) and is not recognized as an outflow (inflows) of resources (expense/expenditure)/(revenue) until then.		
Deferred charge on refunding		197,981
Pension outflows		2,340,128
Pension inflows		(226,174)
OPEB outflows - TMRS		17,902
OPEB inflows - TMRS		(69,140)
OPEB inflows - Healthcare		(66,689)
 Some liabilities, including bonds payable, premiums, other long-term liabilities and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(1,480,862)
Bond premium and discount, net		(3,535,342)
Compensated absences		(443,229)
Liability for court judgments		(10,202,144)
Non-current liabilities due in one year		(7,852,825)
Non-current liabilities due in more than one year		(154,702,569)
Net pension asset (liability) - TMRS		(875,677)
OPEB liability - TMRS		(226,024)
OPEB liability - Healthcare		(215,620)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>178,406,802</u></b>

See Notes to Financial Statements.

# City of Hutto, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

### GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2023

	General	Debt Service	Capital Improvement Projects	River Creek LGC
<b>Revenues</b>				
Property tax	\$ 9,713,191	\$ 6,059,891	\$ -	\$ -
Sales tax	8,855,554	-	-	-
Franchise and local taxes	1,309,197	-	-	-
Hotel occupancy taxes	-	-	-	-
Charges for services	1,009,059	-	-	-
License, permits and fees	4,237,504	-	-	-
Intergovernmental	317,082	-	-	-
Fines and forfeitures	359,852	-	-	-
Investment income	1,533,994	61,358	-	147,855
PID assessments	-	-	-	2,617,486
Grants and donations	-	-	-	-
Other revenue	135,228	-	-	11,478
<b>Total Revenues</b>	<b>27,470,661</b>	<b>6,121,249</b>	<b>-</b>	<b>2,776,819</b>
<b>Expenditures</b>				
Current:				
Administration	3,836,567	-	-	110,155
Communications	1,857,580	-	-	-
Financial services	1,903,278	-	-	2,000
Community services	2,871,950	-	-	-
Business and development	7,698,171	-	-	108,040
Public safety	6,901,891	-	-	-
Public works	2,490,369	-	-	-
Information technology	1,015,325	-	-	-
Debt Service:				
Principal	251,859	3,031,950	-	253,146
Interest and fiscal charges	40,279	2,721,257	-	1,959,462
Bond issuance costs	-	-	-	-
Capital outlay	1,485,624	-	-	-
<b>Total Expenditures</b>	<b>30,352,893</b>	<b>5,753,207</b>	<b>-</b>	<b>2,432,803</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues</b>	<b>\$ (2,882,232)</b>	<b>\$ 368,042</b>	<b>\$ -</b>	<b>\$ 344,016</b>

<b>Capital Projects 2022 GO</b>	<b>Durango Farms PID</b>	<b>Emory Crossing PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 15,773,082
-	-	-	-	8,855,554
-	-	-	40,673	1,349,870
-	-	-	332,964	332,964
-	-	-	3,526,511	4,535,570
-	-	-	-	4,237,504
-	-	-	2,631	319,713
-	-	-	32,889	392,741
1,149,601	125,960	53,967	1,066,041	4,138,776
-	844,333	435,494	663,085	4,560,398
-	-	-	500,000	500,000
-	-	-	6,641	153,347
<b>1,149,601</b>	<b>970,293</b>	<b>489,461</b>	<b>6,171,435</b>	<b>45,149,519</b>
-	55,508	-	178	4,002,408
-	-	-	-	1,857,580
-	-	-	-	1,905,278
-	-	-	194,699	3,066,649
-	778	19,322	1,520,413	9,346,724
-	-	-	6,600	6,908,491
-	-	-	-	2,490,369
-	-	-	-	1,015,325
-	197,000	107,000	206,000	4,046,955
-	509,009	241,089	1,894,649	7,365,745
212,802	-	873,297	342,841	1,428,940
3,774,108	535,893	-	250,378	6,046,003
<b>3,986,910</b>	<b>1,298,188</b>	<b>1,240,708</b>	<b>4,415,758</b>	<b>49,480,467</b>
\$ (2,837,309)	\$ (327,895)	\$ (751,247)	\$ 1,755,677	\$ (4,330,948)

# City of Hutto, Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2023**

	General	Debt Service	Capital Improvement Projects	River Creek LGC
<b><u>Other Financing Sources (Uses)</u></b>				
Debt issuance	\$ -	\$ -	\$ -	\$ -
Premium on bond issuance	-	-	-	-
Discount on bond issuance	-	-	-	-
Subscription liability issuance	125,677	-	-	-
Lease issuance	728,195	-	-	-
Gain on debt settlement	-	-	-	-
Transfers in	-	-	2,094,094	5,791
Transfers (out)	(3,794,966)	-	-	-
Transfer from general fund to payoff PID debt	(5,056,685)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(7,997,779)</b>	<b>-</b>	<b>2,094,094</b>	<b>5,791</b>
<b>Net Change in Fund Balances</b>	<b>(10,880,011)</b>	<b>368,042</b>	<b>2,094,094</b>	<b>349,807</b>
Beginning fund balances	16,444,757	1,507,181	(2,094,094)	2,838,106
<b>Ending Fund Balances</b>	<b>\$ 5,564,746</b>	<b>\$ 1,875,223</b>	<b>\$ -</b>	<b>\$ 3,187,913</b>

See Notes to Financial Statements.

<b>Capital Projects 2022 GO</b>	<b>Durango Farms PID</b>	<b>Emory Crossing PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 24,765,000	\$ -	\$ 9,783,000	\$ 11,760,000	\$ 46,308,000
459,711	-	-	592,913	1,052,624
-	-	(40,666)	-	(40,666)
-	-	-	-	125,677
-	-	-	-	728,195
-	-	-	760,397	760,397
-	-	-	3,270,079	5,369,964
(1,564,825)	-	-	(10,173)	(5,369,964)
-	-	-	5,056,685	-
<hr/> 23,659,886	<hr/> -	<hr/> 9,742,334	<hr/> 21,429,901	<hr/> 48,934,227
20,822,577	(327,895)	8,991,087	23,185,578	44,603,279
-	2,492,870	451,995	13,328,651	34,969,466
<hr/> <b>\$ 20,822,577</b>	<hr/> <b>\$ 2,164,975</b>	<hr/> <b>\$ 9,443,082</b>	<hr/> <b>\$ 36,514,229</b>	<hr/> <b>\$ 79,572,745</b>



# City of Hutto, Texas

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

**For the Year Ended September 30, 2023**

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

Net changes in fund balances - total governmental funds	\$	44,603,279
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		7,684,756
Depreciation expense		(4,376,461)
Transfer of capital assets to business-type activities		(194,699)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		15,068,215
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(160,472)
Accrued interest		656,350
Pension expense - TMRS		265,557
OPEB expense - TMRS		(25,755)
OPEB expense - Healthcare		(23,121)

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

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond issuance		(46,308,000)
Premium on current year bond issuances		(1,052,624)
Discount on current year bond issuances		40,666
Lease related issuances		(728,195)
Subscription liability issuance "SBITA"		(125,677)
Amortization of debt premium/discount		192,258
Amortization of deferred charge on refunding		(10,774)
Gain on debt modification		942,453
Principal payments on long-term debt		4,046,955

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>20,494,711</b>
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See Notes to Financial Statements.

**City of Hutto, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2023**

<u>Assets</u>	<b>Business-Type Activities</b>		
	<b>Utility System</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 9,805,022	\$ 59,151	\$ 9,864,173
Restricted cash	5,352,768	-	5,352,768
Investments	72,061,074	413,324	72,474,398
Receivables, net	2,720,034	331,529	3,051,563
Due from other funds	58,247	-	58,247
Due from component unit	300,000	-	300,000
Inventory	109,887	-	109,887
<b>Total Current Assets</b>	90,407,032	804,004	91,211,036
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	33,091,242	-	33,091,242
Net depreciable capital assets	121,065,733	-	121,065,733
<b>Total Noncurrent Assets</b>	154,156,975	-	154,156,975
<b>Total Assets</b>	244,564,007	804,004	245,368,011
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	328,953	-	328,953
OPEB outflows - TMRS	2,516	-	2,516
Deferred charge on refunding	411,247	-	411,247
<b>Total Deferred Outflows</b>	742,716	-	742,716

**City of Hutto, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2023**

	Business-Type Activities		
	Utility System	Solid Waste	Total
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 6,100,894	\$ 214,652	\$ 6,315,546
Accrued interest	1,118,071	-	1,118,071
Customer deposits	543,974	-	543,974
Compensated absences, current	50,983	-	50,983
Debt obligations, current	3,710,630	-	3,710,630
<b>Total Current Liabilities</b>	<b>11,524,552</b>	<b>214,652</b>	<b>11,739,204</b>
<b><u>Noncurrent Liabilities</u></b>			
Compensated absences, noncurrent	5,665	-	5,665
Debt obligations, noncurrent	177,163,564	-	177,163,564
Net pension liability	123,084	-	123,084
OPEB liability - TMRS	31,759	-	31,759
OPEB liability - Healthcare	30,310	-	30,310
<b>Total Noncurrent Liabilities</b>	<b>177,354,382</b>	<b>-</b>	<b>177,354,382</b>
<b>Total Liabilities</b>	<b>188,878,934</b>	<b>214,652</b>	<b>189,093,586</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	31,793	-	31,793
OPEB inflows - TMRS	9,715	-	9,715
OPEB inflows - Healthcare	9,375	-	9,375
<b>Total Deferred Inflows</b>	<b>50,883</b>	<b>-</b>	<b>50,883</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	11,554,440	-	11,554,440
Restricted for capital projects	27,291,990	-	27,291,990
Restricted for debt service	5,352,768	-	5,352,768
Restricted for pension	174,076	-	174,076
Unrestricted	12,003,632	589,352	12,592,984
<b>Total Net Position</b>	<b>\$ 56,376,906</b>	<b>\$ 589,352</b>	<b>\$ 56,966,258</b>

See Notes to Financial Statements.



# City of Hutto, Texas

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

For the Year Ended September 30, 2023

	Business-Type Activities		
	Utility System	Solid Waste	Total
<b><u>Operating Revenues</u></b>			
Service charges	\$ 16,004,341	\$ 2,326,024	\$ 18,330,365
Impact fees	11,189,909	-	11,189,909
Other revenues	917,640	985	918,625
<b>Total Operating Revenues</b>	28,111,890	2,327,009	30,438,899
<b><u>Operating Expenses</u></b>			
Personnel services	1,901,202	-	1,901,202
Contractual services	1,561,574	2,459,473	4,021,047
Water purchases	3,015,792	-	3,015,792
Materials and supplies	455,062	-	455,062
Repairs and maintenance	489,753	-	489,753
Depreciation	5,903,591	-	5,903,591
Other operating expenses	1,158,886	5,729	1,164,615
<b>Total Operating Expenses</b>	14,485,860	2,465,202	16,951,062
<b>Operating Income (Loss)</b>	13,626,030	(138,193)	13,487,837
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	3,254,519	9,282	3,263,801
Interest expense	(6,443,452)	-	(6,443,452)
Bond issuance costs	(689,463)	-	(689,463)
<b>Total Nonoperating Revenues (Expenses)</b>	(3,878,396)	9,282	(3,869,114)
<b>Income (Loss) Before Transfers</b>	9,747,634	(128,911)	9,618,723
Transfers in	373,866	-	373,866
Transfers (out)	-	(179,167)	(179,167)
<b>Change in Net Position</b>	10,121,500	(308,078)	9,813,422
Beginning net position	46,255,406	897,430	47,152,836
<b>Ending Net Position</b>	\$ 56,376,906	\$ 589,352	\$ 56,966,258

See Notes to Financial Statements.

**City of Hutto, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2023**

	<u>Business-Type Activities</u>		
	<u>Utility System</u>	<u>Solid Waste</u>	<u>Total</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 26,239,045	\$ 2,311,409	\$ 28,550,454
Receipts from interfund services used	5,759,423	-	5,759,423
Payments to suppliers	(2,586,438)	(2,444,044)	(5,030,482)
Payments to employees	(1,916,863)	-	(1,916,863)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>27,495,167</b>	<b>(132,635)</b>	<b>27,362,532</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers in	179,167	-	179,167
Transfers (out)	-	(179,167)	(179,167)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>179,167</b>	<b>(179,167)</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(23,229,176)	-	(23,229,176)
Proceeds from debt issuance	52,320,730	-	52,320,730
Principal paid on debt	(3,453,108)	-	(3,453,108)
Bond issuance costs paid	(689,463)	-	(689,463)
Interest paid on debt	(6,398,737)	-	(6,398,737)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>18,550,246</b>	<b>-</b>	<b>18,550,246</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Purchase of investments	(72,061,074)	(413,324)	(72,474,398)
Interest on investments	3,254,519	9,282	3,263,801
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(68,806,555)</b>	<b>(404,042)</b>	<b>(69,210,597)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(22,581,975)</b>	<b>(715,844)</b>	<b>(23,297,819)</b>
Beginning cash and cash equivalents	32,386,997	774,995	33,161,992
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 9,805,022</b>	<b>\$ 59,151</b>	<b>\$ 9,864,173</b>

See Notes to Financial Statements.

**City of Hutto, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2023**

	<b>Business-Type Activities</b>		
	<b>Utility System</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Reconciliation of Operating Income (Loss)</u></b>			
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>			
Operating Income	\$ 13,626,030	\$ (138,193)	\$ 13,487,837
Adjustments to reconcile operating income to net cash provided:			
Depreciation	5,903,591	-	5,903,591
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Restricted cash - debt service	(1,404,037)	-	(1,404,037)
Accounts receivable	(498,558)	(15,600)	(514,158)
Prepays	(291,477)	-	(291,477)
Due from other funds	5,759,423	-	5,759,423
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	4,434,040	21,158	4,455,198
Customer deposits	29,750	-	29,750
Deferred outflows - OPEB TMRS	8,208	-	8,208
Deferred inflows - OPEB TMRS	9,662	-	9,662
Deferred outflows - pension liability	(227,364)	-	(227,364)
Deferred inflows - OPEB Healthcare	(2,951)	-	(2,951)
Deferred inflows - pension liability	(260,470)	-	(260,470)
OPEB liability - Healthcare	2,669	-	2,669
OPEB liability - TMRS	(17,695)	-	(17,695)
Net pension liability (asset)	463,809	-	463,809
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 27,495,167</b>	<b>\$ (132,635)</b>	<b>\$ 27,362,532</b>
 <b><u>Schedule of Noncash Capital and Related</u></b>			
<b><u>Financing Activities:</u></b>			
Capital assets transferred from governmental activities	\$ 194,699	\$ -	\$ 194,699
Lease related issuances	56,592	-	56,592
<b>Total</b>	<b>\$ 251,291</b>	<b>\$ -</b>	<b>\$ 251,291</b>

See Notes to Financial Statements.

**City of Hutto, Texas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**September 30, 2023**

		<u>Custodial Activities</u>
		<u>Municipal Utility Districts</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$	23,284
Investments		162,658
<b>Total Assets</b>	<b>\$</b>	<b><u>185,942</u></b>
 <b><u>Net Position</u></b>		
Restricted for:		
MUD utility improvements		185,942
<b>Total Net Position</b>	<b>\$</b>	<b><u>185,942</u></b>

See Notes to Financial Statements.

**City of Hutto, Texas**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended September 30, 2023**

		<u>Custodial Activities</u>
		<u>Municipal</u>
		<u>Utility Districts</u>
<b><u>Additions</u></b>		
Investment income		\$ 2,570
	<b>Total Additions</b>	<u>2,570</u>
<b><u>Deductions</u></b>		
Professional fees		734
	<b>Total Deductions</b>	<u>1,468</u>
	<b>Change in Net Position</b>	1,102
Beginning net position		184,840
	<b>Ending Net Position</b>	<u><u>\$ 185,942</u></u>

See Notes to Financial Statements.



**City of Hutto, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2023**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hutto, Texas (the "City"), a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, was incorporated in 1911. The City operates under a council-manager form of government and, as authorized by its charter, provides the following services: police protection, construction and maintenance of highways, streets and other infrastructure, and sanitation.

**A. Description of Government-wide Financial Statements**

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

**B. Reporting Entity**

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

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

**Discretely Presented Component Units**

Hutto Economic Development Corporation (“HEDC”)

Hutto Economic Development Corporation Type B, dba Hutto Community Development Corporation (“HEDC”) is a legally separate entity from the City. The HEDC was created for the purpose of promoting economic development within the City of Hutto, Texas. Directors of the HEDC are removable by the City Council of the City of Hutto at will. The overall economic development plan of the HEDC must be approved by the City Council of the City of Hutto, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Hutto.

Due to this component unit's financial accountability to the City, it is considered a component unit of the City. Since this component unit has a board of directors that is not substantively the same as City Council, and it does not serve the City government exclusively or almost exclusively, the HEDC has been included in the reporting entity as a discretely presented component unit. Separately issued audited financial statements are not available from the HEDC, but are included in the City's financial statements.

The Tax Increment and Reinvestment Zone (“TIRZ #1”)

The Tax Increment Reinvestment Zone #1 covers the Co-Op District within Hutto in overseeing administration and financials, pursuant to the Tax Increment Financing Act. Directors of the TIRZ #1 are removable by the City Council of the City of Hutto at will. The overall economic development plan of the TIRZ #1 must be approved by the City Council of the City of Hutto, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Hutto.

Due to this component unit's financial accountability to the City, it is considered a component unit of the City. Since this component unit has a board of directors that is not substantively the same as City Council, and it does not serve the City government exclusively or almost exclusively, the TIRZ #1 has been included in the reporting entity as a discretely presented component unit. Separately issued audited financial statements are not available from the TIRZ #1, but are included in the City's financial statements.

**Blended Presented Component Units**

River Creek Local Government Corporation (“River Creek LGC”)

River Creek LGC is a legally separate entity from the City. River Creek LGC was created for the purpose of promoting economic development within the City of Hutto, Texas. Directors of the Corporation are removable by the City Council of the City of Hutto at will, the overall economic development plan of the River Creek LGC must be approved by the City Council

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

of the City of Hutto, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Hutto.

Due to this component unit's financial accountability and because this component unit serves the City government exclusively or almost exclusively for PID administration and oversight. Separate financial statements are not issued for this component unit.

Cottonwood Local Government Corporation ("Cottonwood LGC")

Cottonwood LGC is a legally separate entity from the City. Cottonwood LGC was created for the purpose of promoting economic development within the City of Hutto, Texas. Directors of the Corporation are removable by the City Council of the City of Hutto at will, the overall economic development plan of the Cottonwood LGC must be approved by the City Council of the City of Hutto, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Hutto.

Due to this component unit's financial accountability and because this component unit serves the City government exclusively or almost exclusively for PID administration and oversight. Separate financial statements are not issued for this component unit.

**C. Basis of Presentation - Government-Wide Financial Statements**

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

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

**D. Basis of Presentation - Fund Financial Statements**

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

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

funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, hotel occupancy taxes, intergovernmental, licenses and permits, fines and forfeitures, and charges for services. Expenditures include city administration, financial services, business and development services, public safety, public works and engineering, communication, and community services.

**Debt Service Fund**

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

**Capital Improvement Projects Fund**

The capital improvement projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

**Capital Projects 2022 GO Fund**

The capital projects 2022 GO fund accounts for the acquisition and construction of major capital facilities financed through the 2022 General Obligation bonds.

**River Creek LGC Fund**

The River Creek LGC accounts for financial resources in the public improvement districts dedicated to improvements and development of the City.

**Durango Farms PID Fund**

The Durango Farms PID fund accounts for activities related to the Durango Farms PID.

**Emory Crossing PID Fund**

The Emory Crossing PID fund accounts for activities related to the Emory Crossings PID.

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

The government reports the following major enterprise funds:

**Utility System Fund**

This fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations maintenance, financing and related debt service, billing, and collection. All costs are financed through charges to utility customers.

**Solid Waste Fund**

This fund is used to account for garbage and recycling collection services provided to residents of the City.

Additionally, the City reports for the following fund types:

**Special Revenue Funds**

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

**Fiduciary Funds**

The City's custodial fiduciary fund is used to collect and distribute funds legally held by Municipal Utility Districts in the area.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as

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

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

**E. Measurement focus and basis of accounting**

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

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

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

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

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

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds use the economic resources measurement focus and utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. An annual budget is not adopted for the police seizure fund. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 15, the City Manager submits a proposed budget to the City Council for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
- On or before September 30, the budget is legally adopted by the Council.
- The City Manager has the authority to transfer appropriation balances among programs within a department or organizational unit without approval of the City Council. The City Council must approve any revisions that alter the total expenditures of any fund. City Council must approve transfers of appropriations. Costs are monitored on an expenditure category level. The reported budgetary data has been revised for amendments authorized during the year.
- The City's legal level of budgetary control is at the department level, as City Council's approval is required for transfers between departments.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

**G. Assets, Liabilities, and Fund Equity or Net Position**

**Deposits and Investments**

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

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

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

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

**1. Concentrations of Credit Risk**

The primary government maintains its cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of year-end, collateral pledged and FDIC insurance exceeded bank balances.

**2. Fair Value Measurement**

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

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

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All trade receivables are shown net of any allowance for uncollectible amounts. Delinquent accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to approximately 15% of outstanding property taxes as of September 30, 2023.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Inventories of supplies to be used internally are valued at cost using the first-in/first-out method. Inventories to be resold are valued at the lower of cost or market, and removed using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Infrastructure	30 - 50 years
Buildings and improvements	10 - 50 years
Machinery and equipment	3 - 10 years

### 6. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines, grants, and hotel taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

### 7. Net Position Flow Assumptions

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

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

government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**8. Fund Balance Flow Assumptions**

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

**9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

The City's policy is to maintain a minimum 20% fund balance of the annual net budgeted operating expenditures in the general fund. This amount is reaffirmed annually during the City's budget process. The amount of minimum fund balance required within the

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

unassigned general fund balance is \$6,070,579 as of September 30, 2023 based on 20% of annual budgeted expenditures. The unassigned fund balance for the general fund at September 30, 2023 was \$5,553,526 and is less than the policy by \$517,053.

In addition, the working capital in the utility system fund should be maintained at 20% of total operating expenses, which equals \$2,897,172 as of yearend. Working capital in the utility system fund is \$78,882,480 as of September 30, 2023.

**10. Long-Term Obligations**

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

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

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

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

**11. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

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

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

**12. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Denison Firemen's Relief and Retirement Fund and additions to/deductions from the Fiduciary Net Position have been determined on the same basis as they are reported by pension funds. 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. The City uses the General Fund and Utility Systems Fund to liquidate pension liabilities.

**13. Other Postemployment Benefits ("OPEB")**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the City of Hutto Retiree Health Care Plan. The retiree health care plan covers both active and retiree benefits with no segregation of assets, therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the plan is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the plan is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The retired employees can participate in the City's health care plan by paying the full amount of the premiums. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The City also has an OPEB liability for a supplemental death benefit associated with the TMRS pension that is accounted for according to GASB Statement No. 75.

**14. Leases**

Lessee: The City is a lessee for various noncancellable leases of vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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 recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

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.

**H. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

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

**3. Compensated Absences**

Full-time employees with between 1 and 5 years of service accumulate 15 days (120 hours) per year for vacation or each continuous year of service. For employees with 6-10 years of service, 20 days (160 hours), 11+ years of service, 25 days (200 hours), accrues each year. Vacation time that can be carried over is limited to 360 hours for less than 5 years of service, 480 hours for more 6-10 years of service, and 600 hours for 11+ years of service, and every December 31st any excess is lost.

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

Accrued leave maximum varies depending on years of service, as follows:

- 5 years or less – 360 hours
- 5 years to 10 years or less – 480 hours
- Over 10 years – 600 hours

Sick leave benefits are earned by full-time employees at a rate of eight hours per month and may be accumulated with a limit of 1,040 hours. No payment is made for accumulated sick leave upon separation from service.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g.,

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

bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. An annual budget was not adopted for the transportation improvement, Cottonwood LGC, Meadow Brook PID, Liddel Walker PID, Estates of Hutto, ARPA grant or Meadows of Cottonwood PID funds. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations lapse at the end of the year. Several supplemental budget amendments were made during the year.

**A. Excess of Expenditures Over Appropriations**

For the current year ended, actual expenditures exceeded appropriations at the legal level of control as follows:

Budget overages:	
General fund:	
Administration	\$ 268,427
Business and development	5,477,855
Principal	251,859
Interest	40,279
Transfers (out)	8,851,651
Durango Farms PID	
Administration	15,508
Capital outlay	535,893
River Creek LGC:	
Development services	73,040
Emory Crossing PID	
Bond issuance costs	868,797
Park Improvements	
Transfers (out)	10,173

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

**B. Deficit Fund Balance**

As of September 30, 2023, the Cottonwood LGC fund had a deficit fund balance of \$1,375. The deficit will be reduced or eliminated in the future.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As stated in I.G.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. As of September 30, 2023, the City's only investments were external investment pools and cash equivalent funds with maturities greater than three months.

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

The City had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)
US Treasury Bills	\$ 123,905,337	95
External investment pools		
TexStar	3,874,539	30
TexPool	6,591,484	28
TexasClass	7,034,536	49
<b>Total</b>	<b>\$ 141,405,896</b>	
Portfolio weighted average maturity (days)		87

The Hutto EDC had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)
External investment pools		
TexPool	\$ 3,820,489	28
<b>Total</b>	<b>\$ 3,820,489</b>	
Portfolio weighted average maturity (days)		28

The Fiduciary fund had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)
US Treasury Bills	\$ 162,658	95
<b>Total</b>	<b>\$ 162,658</b>	
Portfolio weighted average maturity (days)		95

The TIRZ had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)
US Treasury Bills	\$ 57,366	95
<b>Total</b>	<b>\$ 57,366</b>	
Portfolio weighted average maturity (days)		95

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

*Interest rate risk* – As a means of minimizing risk of loss due to interest rate fluctuation, the investment policy requires maturities that will not exceed the weighted average maturity of one year.

*Credit risk* – The City's investment policy limits the type of allowable investments to (1) collateralized bank certificates of deposit as per the City's depository contract, (2) direct obligations of the Federal government, (3) direct obligations of Federal agencies and instrumentalities, (4) investments in certificates of deposit at Federally insured banks or savings and loan associations, (5) collateralized savings accounts at the City's depository banks, or (6) Texpool. The City's policy is more restrictive than present State Law. As of September 30, 2023, the City's investments consisted solely of external investment pools, US Treasury bills, and cash equivalent funds.

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

*Custodial credit risk – investments* In compliance with the City's investment policy, as of September 30, 2023, the City minimized credit risk losses due to default of security issuer or backer by:

- a. limiting investments to the safest rated securities. All the City's purchased investments in U.S. Agencies were rated AAA, AAAM, and Aaa by Standard & Poors, Fitch and Moody's, respectively.
- b. using a registered investment advisor to provide investment and market advice
- c. diversifying the investment portfolio so that potential losses on individual securities were minimized.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

### TexSTAR

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

### Texas CLASS

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

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

**B. Receivables**

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

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects 2022 GO</b>	<b>Utility System</b>	<b>Solid Waste</b>	<b>Total</b>
Property taxes	\$ 142,390	\$ 66,003	\$ -	\$ -	\$ -	\$ 208,393
Other	31,875	6,439	77,785	748,668	2,072	866,839
Sales taxes	2,178,336	-	-	-	-	2,178,336
Accounts Rec.	330,604	-	-	2,221,504	340,603	2,892,711
Allowance	(23,863)	(9,900)	-	(250,138)	(11,146)	(295,047)
	<u>\$ 2,659,342</u>	<u>\$ 62,542</u>	<u>\$ 77,785</u>	<u>\$ 2,720,034</u>	<u>\$ 331,529</u>	<u>\$ 5,851,232</u>

	<b>River Creek LGC</b>	<b>Durango Farms PID</b>	<b>Emory Crossing PID</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Taxes	\$ -	\$ -	\$ -	\$ 51,988	\$ 51,988
PID assessments	32,439,760	12,932,000	16,121,000	9,738,072	71,230,832
Other	-	-	-	112,383	112,383
	<u>\$ 32,439,760</u>	<u>\$ 12,932,000</u>	<u>\$ 16,121,000</u>	<u>\$ 9,902,443</u>	<u>\$ 71,395,203</u>

2. The following comprise receivables balances of the City's discretely presented component unit at year end:

	<b>Hutto EDC</b>	<b>TIRZ #1</b>	<b>Total</b>
Sales tax	\$ 822,856	\$ -	\$ 822,856
Lease receivable	71,305	-	71,305
Other	-	177	177
	<u>\$ 894,161</u>	<u>\$ 177</u>	<u>\$ 894,338</u>

3. The EDC is the lessor of a contract in which the EDC receives lease payments for farm land. The lease commenced on January 1, 2020, with a term of five years. Annual lease payments of \$23,127 will be paid through October 31, 2025. As of September 30, 2023, the lease receivable and offsetting deferred inflows amounted to \$71,305 and \$48,812, respectively.

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

The annual principal and interest payments to be received are as follows:

Year ending September 30,	Component Unit Activities	
	Principal	Interest (4%)
2024	\$ 20,568	\$ 2,559
2025	21,389	1,739
2026	29,348	927
	\$ 71,305	\$ 5,225

Note Receivables

The City's discretely presented component unit, the Hutto EDC, issued notes receivable to local businesses as COVID-19 relief assistance. As of yearend, the outstanding note receivables balance was as follows:

Borrower	Beginning Balance	Additions	Collections	Ending Balance
The Hutto Smiths	\$ 13,542	\$ -	\$ -	\$ 13,542
JL3 Construction	13,542	-	(2,257)	11,285
Hippo Learning Station	13,542	-	(2,257)	11,285
Tiger Rock Martial Arts	13,542	-	-	13,542
Miss Natural Beauty Supply	10,833	-	-	10,833
Orange Fitness	4,167	-	(4,167)	-
D&C Pallets	19,791	-	-	19,791
<b>Total Notes Receivable</b>	<b>\$ 88,959</b>	<b>\$ -</b>	<b>\$ (8,681)</b>	<b>\$ 80,278 *</b>

\* Offsetting allowance for uncollectible accounts totaling \$80,278 has been recognized as of yearend. Net amount of notes receivable amounts to \$0 as of September 30, 2023.

These notes are due in monthly installments of 24 months after the initial deferment period of 90 days after origination. The notes bear 0% interest.

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

**C. Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 3,839,695	\$ 1,350,428	\$ -	\$ 5,190,123
Construction in progress	58,609,582	3,734,875	(960,538)	61,383,919
Total capital assets not being depreciated	<u>62,449,277</u>	<u>5,085,303</u>	<u>(960,538)</u>	<u>66,574,042</u>
Capital assets, being depreciated:				
Buildings	40,784,862	387,298	-	41,172,160
Machinery and equipment	6,328,908	980,651	(194,699)	7,114,860
Infrastructure	126,575,129	377,632	960,538	127,913,299
Right to use assets & intangibles	433,570	853,872	-	1,287,442
Total capital assets being depreciated	<u>174,122,469</u>	<u>2,599,453</u>	<u>765,839</u>	<u>177,487,761</u>
Less accumulated depreciation:				
Buildings	(7,689,081)	(1,447,727)	-	(9,136,808)
Machinery and equipment	(5,251,130)	(366,439)	-	(5,617,569)
Infrastructure	(27,890,554)	(2,423,431)	-	(30,313,985)
Right to use assets & intangibles	(86,714)	(138,864)	-	(225,578)
Total accumulated depreciation	<u>(40,917,479)</u>	<u>(4,376,461)</u>	<u>-</u>	<u>(45,293,940)</u>
Net capital assets being depreciated	<u>133,204,990</u>	<u>(1,777,008)</u>	<u>765,839</u>	<u>132,193,821</u>
<b>Total Capital Assets</b>	<u>\$ 195,654,267</u>	<u>\$ 3,308,295</u>	<u>\$ (194,699)</u>	<u>\$ 198,767,863</u>

Depreciation was charged to governmental functions as follows:

City administration	\$ 650,144
Business and development	801,751
Communications	6,619
Public safety	354,109
Public works	2,563,838
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 4,376,461</u>

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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 4,651,119	\$ 191,596	\$ -	\$ 4,842,715
Construction in progress	5,453,887	22,794,640	-	28,248,527
Total capital assets not being depreciated	<u>10,105,006</u>	<u>22,986,236</u>	<u>-</u>	<u>33,091,242</u>
Capital assets, being depreciated:				
Buildings and improvements	2,990,145	-	-	2,990,145
Equipment	9,631,552	242,940	194,699	10,069,191
Distribution and collection systems	134,681,820	-	-	134,681,820
Intangible assets	33,856,539	-	-	33,856,539
Right to use assets	44,399	56,592	-	100,991
Total capital assets being depreciated	<u>181,204,455</u>	<u>299,532</u>	<u>194,699</u>	<u>181,698,686</u>
Less accumulated depreciation:				
Buildings and improvements	(1,749,487)	(126,945)	-	(1,876,432)
Equipment	(6,541,279)	(643,942)	-	(7,185,221)
Distribution and collection systems	(42,225,475)	(4,279,469)	-	(46,504,944)
Intangible assets	(4,204,241)	(846,413)	-	(5,050,654)
Right to use assets	(8,880)	(6,822)	-	(15,702)
Total accumulated depreciation	<u>(54,729,362)</u>	<u>(5,903,591)</u>	<u>-</u>	<u>(60,632,953)</u>
Net capital assets being depreciated	126,475,093	(5,604,059)	194,699	121,065,733
<b>Total Capital Assets</b>	<u>\$ 136,580,099</u>	<u>\$ 17,382,177</u>	<u>\$ 194,699</u>	<u>\$ 154,156,975</u>

Depreciation was charged to business-type functions as follows:

Utility system	\$ 5,903,591
<b>Total Business-Type Activities Depreciation Expense</b>	<u>\$ 5,903,591</u>

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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 8,871,466	\$ 20,726,098	\$ -	\$ 29,597,564
Total capital assets not being depreciated	<u>8,871,466</u>	<u>20,726,098</u>	<u>-</u>	<u>29,597,564</u>

Land Held for Sale

During the year ended September 30, 2020, the City purchased land for use in future development projects. All land purchased was related to the Sports Health District.

The land assets formerly owned by Cottonwood LGC were purchased by the EDC during the current year for \$20,726,098. The land consists of over 127 acres. The City provided the EDC a non-interest-bearing loan of \$6,000,000 to help fund the land purchase. The EDC has engaged a master developer and intends to market these properties to buyers.

**D. Compensated Absences**

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and utility system funds to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 282,757	\$ 414,953	\$ (254,481)	\$ 443,229	\$ 398,906
<b>Total Governmental Activities</b>	<u>\$ 282,757</u>	<u>\$ 414,953</u>	<u>\$ (254,481)</u>	<u>\$ 443,229</u>	<u>\$ 398,906</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 44,323</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 48,177	\$ 51,830	\$ (43,359)	\$ 56,648	\$ 50,983
<b>Total Business-Type Activities</b>	<u>\$ 48,177</u>	<u>\$ 51,830</u>	<u>\$ (43,359)</u>	<u>\$ 56,648</u>	<u>\$ 50,983</u>
<b>Other Long-term Liabilities Due in More than One Year</b>				<u>\$ 5,665</u>	

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

**E. Long-term Debt**

The following is a summary of changes in the City's long-term liabilities for the year ended. In general, the City uses the debt service and general funds to liquidate governmental long-term liabilities, including the net pension liability and OPEB liabilities.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Other</u> <u>Changes</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<b>Governmental Activities:</b>						
Bonds, notes and other payables:						
General Obligation Bonds	\$ 39,409,628	\$ 36,525,000	\$ -	\$ (2,108,850)	\$ 73,825,778	\$ 1,965,650
Certificates of Obligation	12,113,800	-	-	(316,050)	11,797,750	325,750
Revenue Bonds	53,098,000	9,783,000	-	(585,000)	62,296,000	852,000
Limited Tax Notes	1,234,050	-	-	(607,050)	627,000	627,000
Notes payable	28,851,182	-	-	(19,724,369)	9,126,813	109,000
Due to developer	4,793,253	-	(942,453) *	-	3,850,800	3,850,800
Premiums	2,994,405	1,052,625	-	(200,907)	3,846,123	-
Discounts	(278,763)	(40,666)	-	8,648	(310,781)	-
Other liabilities:						
Lease liabilities	399,240	728,195	-	(185,117)	942,318	85,335
Subscription liabilities	-	125,677	-	(36,742)	88,935	37,290
<b>Total Governmental</b>						
<b>    Activities</b>	<u>\$ 142,614,795</u>	<u>\$ 48,173,831</u>	<u>\$ (942,453)</u>	<u>\$ (23,755,437)</u>	<u>\$ 166,090,736</u>	<u>\$ 7,852,825</u>
					<u>\$ 158,237,911</u>	
<b>Business-Type Activities:</b>						
Bonds, notes and other payables:						
General Obligation Bonds	\$ 25,475,371	\$ -	\$ -	\$ (1,401,150)	\$ 24,074,221	\$ 1,454,350
Certificates of Obligation	97,506,200	51,905,000	-	(1,578,950)	147,832,250	1,764,250
Limited Tax Notes	930,950	-	-	(457,950)	473,000	473,000
Premium	8,361,775	415,730	-	(366,324)	8,411,181	-
Other liabilities:						
Lease liabilities	42,008	56,592	-	(15,058)	83,542	19,030
<b>Total Business-Type Activities</b>	<u>\$ 132,316,304</u>	<u>\$ 52,377,322</u>	<u>\$ -</u>	<u>\$ (3,819,432)</u>	<u>\$ 180,874,194</u>	<u>\$ 3,710,630</u>
					<u>\$ 177,163,564</u>	

\* Represents gain on debt modification in the current year due to change in developer debt from development activities.

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<b>EDC Activities</b>					
Revenue bond	\$ 8,540,000	\$ -	\$ (195,000)	\$ 8,345,000	\$ 200,000
Bank loan	-	15,000,000	-	15,000,000	1,005,000
Note payable from City	-	6,000,000	-	6,000,000	6,000,000
<b>Total Component Unit</b>					
<b>Activities</b>	<u>\$ 8,540,000</u>	<u>\$ 21,000,000</u>	<u>\$ (195,000)</u>	<u>\$ 29,345,000</u>	<u>\$ 7,205,000</u>
				<u>\$ 22,140,000</u>	
					<u>\$ 22,140,000</u>

The City periodically issues general obligation bonds and contractual obligations to provide funds for general government purposes. The City periodically utilizes notes and leases to provide financing for general government purposes. In general, the City uses the debt service and utility system funds to liquidate long-term liabilities, with the exception of revenue bonds and other loans and notes payable by the City's LGCs and PIDs, which are fully covered by assessment receivables from the LGC and PID funds.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds unless past due. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund. Leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

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

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>General Obligation Bonds:</b>			
\$11,760,000 improvement refunding bonds, Series 2023, due in installments through 2048, interest at 4.00% to 7.00%	\$ 11,760,000	\$ -	\$ 11,760,000
\$24,765,000 improvement bonds, Series 2022, due in installments through 2047, interest at 4.375% to 5.00%	24,030,000	-	24,030,000
\$3,765,000 General Obligation Refunding Bond, Series 2013, due in installments through 2029, interest at 1.50% to 3.00%	1,113,900	1,256,100	2,370,000
\$8,060,000 General Obligation Refunding Bond, Series 2015, due in installments through 2029, interest at 2.00% to 4.00%	732,200	4,497,800	5,230,000
\$6,495,000 General Obligation Refunding Bond, Series 2016, due in installments through 2029, interest at 2.00% to 2.75%	5,170,000	-	5,170,000
\$11,315,000 General Obligation Refunding Bond, Series 2018, due in installments through 2047, interest at 3.00% to 5.00%	-	10,470,000	10,470,000
\$15,415,000 improvement bond, Series 2019A, due in installments through 2044, interest at 3.00% to 5.00%	14,990,000	-	14,990,000
\$8,500,000 improvement bond, Series 2019B, due in installments through 2044, interest at 1.50% to 3.00%	8,310,000	-	8,310,000
\$8,300,000 General Obligation Refunding Bond, Series 2020A, due in installments through 2034, interest at 1.1% to 4.00%	1,523,416	4,916,584	6,440,000
\$10,330,000 General Obligation Refunding Bond, Series 2020B, due in installments through 2042, interest at 1.6% to 2.5%	6,196,262	2,933,737	9,129,999
<b>Total General Obligation Bonds</b>	<u>\$ 73,825,778</u>	<u>\$ 24,074,221</u>	<u>\$ 97,899,999</u>
<b>Certificates of Obligation:</b>			
\$51,905,000 Certificates of Obligation, Series 2022, due in installments through 2047, interest at 4.375% to 5.25%	\$ -	\$ 51,905,000	\$ 51,905,000
\$5,625,000 Certificates of Obligation, Series 2013, due in installments through 2030, interest at 1.50% to 3.25%	1,797,750	2,027,250	3,825,000
\$21,740,000 Certificates of Obligation, Series 2014, due in installments through 2039, interest at .080% to 2.030%	-	15,765,000	15,765,000
\$80,070,000 Certificates of Obligation, Series 2017, due in installments through 2057, interest at 2.25% to 5.00%	10,000,000	68,690,000	78,690,000
\$9,445,000 Certificates of Obligation, Series 2019, due in installments through 2045, interest at 4.0%	-	9,445,000	9,445,000
<b>Total Certificates of Obligation</b>	<u>\$ 11,797,750</u>	<u>\$ 147,832,250</u>	<u>\$ 159,630,000</u>

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

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>* Revenue Bonds:</b>			
\$6,470,000 Emory Crossing Revenue Bonds, Series 2021, due in installments through 2056, interest at 2.625% to 4.00%	\$ 6,338,000	\$ -	\$ 6,338,000
\$17,400,000 Public Improvement Revenue Bonds, Series 2018, due in installments through 2053, interest at 6.25% to 6.30%	16,990,000	-	16,990,000
\$6,600,000 Public Improvement Revenue Bonds, Series 2019, due in installments through 2052, interest at 5.75%	6,515,000	-	6,515,000
\$10,215,000 Cottonwood Creek Assess. Revenue Bonds, Series 2021, due in installments through 2051, interest at 2.50% to 4.00%	9,738,000	-	9,738,000
\$13,427,000 Durango Farms Assess. Revenue Bonds, Series 2021, due in installments through 2056, interest at 2.75% to 4.00%	12,932,000	-	12,932,000
\$9,783,000 Emory Crossing Assess. Revenue Bonds, Series 2023, due in installments through 2058, interest at 4.25% to 5.65%	9,783,000	-	9,783,000
<b>Total Revenue Bonds</b>	<u>\$ 62,296,000</u>	<u>\$ -</u>	<u>\$ 62,296,000</u>
<b>Limited Tax Notes:</b>			
\$5,655,000 Limited Tax Notes, Series 2017, due in installments through 2024, interest at 2.00% to 5.00%	\$ 627,000	\$ 473,000	\$ 1,100,000
<b>Total Limited Tax Notes</b>	<u>\$ 627,000</u>	<u>\$ 473,000</u>	<u>\$ 1,100,000</u>
<b>Loans and Notes Payable:</b>			
* \$9,455,000 loan payable to River Creek Development Corp. due in installments through 2054, interest at 5.5975%	\$ 9,126,813	\$ -	\$ 9,126,813
* \$9,947,975 debt to developer for Cottonwood Creek PID, due in installments through 2023, interest at 4.75%	3,850,800	-	3,850,800
<b>Total Loans and Notes Payable</b>	<u>\$ 12,977,613</u>	<u>\$ -</u>	<u>\$ 12,977,613</u>
<b>Lease Liabilities:</b>			
\$1,344,034 of various leases for vehicles/IT software, due in monthly installments through 2027, interest at 5.0% to 7.5%	\$ 1,031,253	\$ 83,542	\$ 1,114,795
<b>Total Lease Liabilities</b>	<u>\$ 1,031,253</u>	<u>\$ 83,542</u>	<u>\$ 1,114,795</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 162,555,394</u>	<u>\$ 172,463,013</u>	<u>\$ 335,018,407</u>

\* These debts are secured by properties within the respective PID areas. No general City assets or revenues, outside of PID assets and property assessments, are intended to be used to service these debts. During the current year, \$5,056,685 of City funds were used to pay off Local Government Corporation debt.

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

	<b>EDC Activities</b>
<b>Revenue Bond</b>	
\$9,085,000 Hutto EDC Sales Tax Revenue Bond, Series 2018, due in installments through 2048, interest at 3.072% to 4.27%	\$ 8,345,000
<b>Total Revenue Bonds</b>	<b>\$ 8,345,000</b>

<b>Notes Payable</b>	
\$15,000,000 Bank Note Payable, interest only payments monthly with annual principal payments beginning in 2024 for 1,005,000 and a balloon payment of 12,990,000 in 2026; interest at 7.5%	\$ 15,000,000
\$6,000,000 Note Payable owed to the City of Hutto; the principal amount is due in full whenever the land for sale is sold; non-interest bearing	\$ 6,000,000
<b>Total Notes Payable</b>	<b>\$ 21,000,000</b>

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

<b>Governmental Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 1,965,650	\$ 3,038,776	\$ 325,750	\$ 449,500
2025	2,699,550	2,865,002	478,100	441,377
2026	2,804,700	2,758,109	500,450	419,634
2027	2,861,550	2,646,134	525,150	396,821
2028	2,967,100	2,528,719	2,987,450	1,615,314
2029-2033	15,232,550	10,853,807	3,580,850	1,023,075
2034-2038	16,449,678	7,713,073	3,400,000	392,494
2039-2043	17,530,000	6,682,387	-	-
2044-2048	11,315,000	1,216,588	-	-
<b>Total</b>	<b>\$ 73,825,778</b>	<b>\$ 40,302,595</b>	<b>\$ 11,797,750</b>	<b>\$ 4,738,215</b>

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

**Governmental Activities**

<b>Year ending September 30,</b>	<b>Revenue Bonds</b>		<b>Limited Tax Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 852,000	\$ 3,370,252	\$ 627,000	\$ 6,270
2025	944,000	2,441,759	-	-
2026	978,000	3,254,483	-	-
2027	1,017,000	2,382,024	-	-
2028	1,062,000	3,179,290	-	-
2029-2033	6,069,000	12,585,096	-	-
2034-2038	7,626,000	10,486,245	-	-
2039-2043	9,671,000	8,388,329	-	-
2044-2048	12,386,000	5,628,830	-	-
2049-2053	14,762,000	2,181,103	-	-
2054-2058	6,929,000	394,120	-	-
<b>Total</b>	<b>\$ 62,296,000</b>	<b>\$ 54,291,531</b>	<b>\$ 627,000</b>	<b>\$ 6,270</b>

**Lease Liabilities**

The annual requirements to amortize the primary government's lease liabilities outstanding at year end were as follows:

<b>Year ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Lease Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 271,877	\$ 48,273
2025	268,724	33,282
2026	273,121	19,247
2027	182,131	6,059
2028	35,400	533
<b>Total</b>	<b>\$ 1,031,253</b>	<b>\$ 6,592</b>

The carrying value of assets leased for governmental activities was \$975,149 as of September 30, 2023.

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

**Loans/Notes Payable**

The annual requirements to amortize the primary government's loans/notes payable outstanding at year end were as follows:

<b>Governmental Activities</b>			
<b>Year ending September 30,</b>	<b>Loans/Notes Payable</b>		
	<b>Principal</b>	<b>Interest</b>	
2024	\$ 3,959,800	\$	507,825
2025	114,000		501,584
2026	119,000		495,063
2027	129,000		488,122
2028	134,000		480,761
2029-2033	785,000		2,279,961
2034-2038	1,031,000		2,027,402
2039-2043	1,062,000		1,694,182
2044-2048	1,696,000		1,254,779
2049-2053	2,257,000		672,947
2054-2058	1,690,813		49,110
<b>Total</b>	<b>\$ 12,977,613</b>	<b>\$</b>	<b>10,451,736</b>

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

<b>Business-Type Activities</b>				
<b>Year ending September 30,</b>	<b>General Obligation Bonds</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 1,454,350	\$ 766,119	\$ 1,764,250	\$ 6,414,898
2025	1,500,450	720,902	2,596,900	6,110,583
2026	1,550,300	674,095	2,684,550	6,015,832
2027	1,688,450	619,670	2,704,850	5,916,137
2028	8,400,350	2,222,131	2,807,500	5,815,341
2029-2033	4,055,000	1,286,819	17,461,400	27,388,080
2034-2038	2,480,000	830,175	26,462,800	23,633,797
2039-2043	2,335,000	318,056	33,400,000	17,916,144
2044-2048	610,321	24,000	34,330,000	10,041,400
2049-2053	-	-	11,835,000	4,779,500
2054-2058	-	-	11,785,000	1,509,000
<b>Total</b>	<b>\$ 24,074,221</b>	<b>\$ 7,461,967</b>	<b>\$ 147,832,250</b>	<b>\$ 115,540,712</b>

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

**Business-Type Activities**

<b>Year ending September 30,</b>	<b>Limited Tax Notes</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 473,000	\$ 4,730
<b>Total</b>	<b>\$ 473,000</b>	<b>\$ 4,730</b>

**Business-Type Activities**

<b>Year ending September 30,</b>	<b>Lease Liabilities</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 19,030	\$ 3,745
2025	20,005	2,771
2026	21,027	1,748
2027	19,270	609
2028	4,210	-
<b>Total</b>	<b>\$ 83,542</b>	<b>\$ 8,873</b>

The carrying value of assets leased for business-type activities was \$76,409 as of September 30, 2023.

The annual requirements to amortize the discretely presented component unit's debt outstanding at year ending were as follows:

**Hutto EDC**

<b>Year ending September 30,</b>	<b>Sales Tax Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 200,000	\$ 346,708
2025	205,000	339,834
2026	215,000	332,480
2027	220,000	324,523
2028	230,000	316,161
2029-2033	1,300,000	1,434,619
2034-2038	1,595,000	1,140,859
2039-2043	1,960,000	774,791
2044-2048	2,420,000	318,542
<b>Total</b>	<b>\$ 8,345,000</b>	<b>\$ 5,328,517</b>

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

Hutto EDC		
Year ending September 30,	Alliance Bank Loan	
	Principal	Interest
2024	\$ 1,005,000	\$ 995,363
2025	1,005,000	929,709
2026	12,990,000	573,873
<b>Total</b>	<b>\$ 15,000,000</b>	<b>\$ 2,498,945</b>

The City loaned the EDC \$6,000,000 to be used toward to assist with the purchase of the Perfect Game land from the Cottonwood Development Corporation. Upon resale of the land by the EDC, the net proceeds will be used to payback the \$6,000,000 provided from the City. The intention of the EDC is to sell the land as quickly as possible. Based on these facts, the loan was considered current as of yearend.

**F. Deferred Charge on Refunding**

Deferred charges resulting from the issuance of the 2012, 2013, 2015, 2018, 2020A, and 2020B general obligation refunding bonds have been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities and business-type activity totaled \$197,981 and \$411,247, respectively. Current year amortization expense for governmental activities and business-type activities totaled \$10,774 and \$39,439, respectively.

**G. Interfund Transfers**

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

Transfers In:	Transfers Out:				
	General	Capital Projects 2022 GO	Nonmajor Governmental	Utility System	Solid Waste
Capital Improvement Projects	\$ 2,094,094	\$ -	\$ -	\$ -	\$ -
Cottonwood LGC	5,056,685 **	-	-	-	-
Nonmajor governmental	1,695,081	1,564,825	10,173	-	-
River Creek LGC	5,791	-	-	-	-
Utility System	-	-	-	-	179,167
<b>Total</b>	<b>\$ 8,851,651</b>	<b>\$ 1,564,825</b>	<b>\$ 10,173</b>	<b>\$ -</b>	<b>\$ 179,167</b>

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

<u>Transfers In:</u>	<u>Transfers Out:</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
Capital Improvement Projects	\$ -	\$ 2,094,094
Nonmajor governmental	-	5,056,685
***Nonmajor governmental	-	3,270,079
River Creek LGC	-	5,791
Utility System	194,699 *	373,866
<b>Total</b>	<u>\$ 194,699</u>	<u>\$ 10,800,515</u>

\* Represents capital assets transferred from governmental activities to business-type activities.

\*\* Represents the amount of City funds utilized to pay off PID debt.

Other amounts transferred between funds relate to amounts collected by governmental and enterprise funds for various administrative/overhead expenses, capital expenditures and debt payments.

\*\*\* Represents amounts previously lent in prior years to Cottonwood Development Corporation from the general fund. This amount transferred was to relieve the due to/from to a transfer in the current year due to the inability of Cottonwood to repay the debt back to the City.

Other amounts transferred between funds relate to amounts collected by governmental and enterprise funds for various administrative/overhead expenses, capital expenditures and debt payments.

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

<u>Due to (Payable fund):</u>	<u>Due from</u>	
	<u>(Receivable fund):</u>	
	<u>Utility System</u>	<u>Total</u>
Debt service	\$ 58,247	\$ 58,247
	<u>\$ 58,247</u>	<u>\$ 58,247</u>

The purpose of interfund receivables and payables is to loan cash between funds. All due to/from balances are expected to be settled within the next year. As of yearend, the EDC owed the City \$321,703, which is expected to be repaid during the subsequent fiscal year.

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

**H. Restricted Net Position / Fund Balance**

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

The following is a list of restricted, committed, and assigned fund balance of the City:

	<b>Governmental Funds</b>	<b>Governmental Net Position</b>	<b>Business Type Net Position</b>
Restricted for:			
Debt service	\$ 1,875,223	\$ 1,931,326	\$ 5,352,768
Capital projects	26,327,769	3,340,217	27,291,990
Economic development	4,868,072	4,868,072	-
* Public safety	49,142	49,142	-
* Municipal court	99,701	99,701	-
* Grant activities	7,084,973	7,084,973	-
PID development and assessments	33,704,494	81,516,668	-
Pensions	-	1,238,277	174,076
Total Restricted	<u>\$ 74,009,374</u>	<u>\$ 100,128,376</u>	<u>\$ 32,818,834</u>

\* Restricted by enabling legislation

**V. OTHER INFORMATION**

**A. Risk Management**

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

**B. Commitments and Contingent Liabilities**

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

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

GASB 62 defines probability of loss contingencies as the following:

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

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

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

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

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

**1. Long-Term Agreements**

The City has the following long-term agreements which represent significant commitments:

**City of Taylor** - The City entered into a long-term water supply agreement on September 24, 2002 with the City of Taylor to provide treated water for 40 years. The City is required to pay for a minimum of 175,000 gallons per day and may demand up to 300,000 gallons per day at the negotiated price of \$4.30 per 1,000 gallons, plus 5% management fee. For the fiscal year ended September 30, 2022, the City's cost under this contract was \$422,949.

**Manville Water Supply Corporation** - On May 1, 2003, the city entered into a long-term water supply agreement with Manville to provide treated water to Hutto for 40 years. The contract was renegotiated in August 2019. Under the current terms, the City is required to pay for a minimum of 200,000 gallons per day at \$3.50 per gallon up to 600,000 gallons. There is a surcharge of 20% between 600,000 gallons and 800,000 gallons. For the fiscal year ended September 30, 2022, the City's cost under this contract was \$669,069.

**East Williamson County Higher Education Center** - During 2012, the City of Hutto began funding the interlocal agreement with the East Williamson County Higher Education Center in the amount of \$125,000 each year for twenty-five years.

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### 2. Specific Current Litigation for Disclosure

*River Creek Development Corporation and City of Hutto, Texas v. Paxton, Attorney General of Texas, et. al., Cause No. 21-0759-C425; In the Judicial District of Williamson County; 425th Judicial District.*

On May 28, 2021, River Creek Development Corporation and the City of Hutto filed its Verified Original Petition and Application for Temporary Restraining Order, Temporary Injunction and Permanent Injunction. The Defendants were the Attorney General of Texas ("AG"), Preston Hollow Capital, LLC ("PHC"), 79 HCD Development, LLC ("HCD"), Wisconsin Public Finance Authority ("PFA") and U.S. Bank National Association ("USBN") (collectively, "Defendants"). Hutto and River Creek alleged that the financing of a loan and issuance of bond which involved all the Defendants except the AG was contrary to the Texas statutes, particularly the Public Improvement District Act. The central question was whether a bond issuance could take place with regard to River Creek without Attorney General approval. Hutto and River Creek sought by Court declaration to clarify the standing of the financing and the parties' rights under the statutes. The AG had issued an opinion, Tex. Att'y Gen. Op. No. KP-0366, which appears critical of the financing mechanism used for certain finance transactions, particularly the use of an out-of-state issuer. The AG was subsequently dropped as a Defendant in the suit. The Plaintiffs' request for a temporary injunction was denied. On October 5, 2021, the Court issued an order granting a Motion for Summary Judgment by PHC, ruling that the loan transaction was valid and enforceable, that the bond series need not have been submitted to the AG for review, that an interlocal agreement affecting the financing was lawfully entered into, that the Plaintiffs' application for permanent injunction was denied with prejudice and that PHC was to be awarded its reasonable attorneys' fees. The Court issued its Final Judgment for PHC on December 9, 2021, referring to its earlier order, and awarded PHC \$289,588 in reasonable attorneys' fees and expenses, \$75,000 in contingent appellate fees with \$50,000 being for an appeal to the Texas Court of Appeals and \$25,000 to the Texas Supreme Court, and with 5% interest per year from date of final judgment until payment. At this juncture, it appears likely that the City of Hutto and River Creek Development Corporation will appeal the final judgment.

The loss capable of assessment in this matter relates to the attorneys' fees awarded to PHC in this case, plus proposed attorney's fees and expenses of other Defendants, which total \$337,555 (and include contingent appellate fees in the case of one Defendant – Public Finance Authority) for an overall total of \$702,143 (subject to contest by River Creek). Due to the judgment awarded, this amount has been accrued for as of September 30, 2023.

### *Odis Jones v. City of Hutto*

Odis Jones, a former City Manager of the City, filed suit against the City and two of its City Councilmembers and then City Manager, alleging a federal claim of race discrimination under 42 U.S.C. section 1981 (through section 1983) in the making and enforcement of

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

contracts, breach of an employment agreement and a separation agreement, and multiple state tort claims, including defamation, tortious interference with existing contracts and prospective business relationships, and intentional infliction of emotional distress. On February 16, 2023, the court granted summary judgment in favor of Plaintiff's request for a declaratory judgment, declaring that the Employment Agreement, Separation Agreement, and Consulting Agreement were valid, enforceable contracts as a matter of law.

On February 27, 2023, the court called the above-styled and numbered cause for trial on all live claims alleged by Plaintiff against Defendant and the case proceeded with a jury of eight legally qualified jurors. On March 2, 2023, the jury returned its verdict in favor of the Plaintiff. Accordingly, the court renders the following Final Judgment pursuant to Federal Rule of Civil Procedure 58.

Plaintiff is entitled to recover the following compensatory damages, awarded by the jury in their verdict from Defendant:

1. Racial Discrimination (42 U.S.C. § 1981) – Damages proximately caused by the City of Hutto's denial of Jones's right - \$8,000,000.
2. Breach of Contract – Damages resulting from the City of Hutto's failure to comply with the Separation Agreement - \$4,500,000.

The Court entered a final judgment on this lawsuit against the City for \$12,500,000 based on the jury's verdict. The City has an insurance policy that will cover \$3,000,000, so the City's net exposure is \$9,500,000.

After this judgment the City filed a post-trial motion asking the court to set aside the jury's verdict and related judgment, and raised points of order in attempt to have the case dismissed or the City be provided with a new trial. If the post-trial motion fails the City plans to appeal the judgment to the 5th circuit court of appeals, and then to the US Supreme Court if necessary. This process will likely take years to complete unless they are victorious, and the plaintiff doesn't appeal that ruling. Due to the long-term nature of this liability, it is not recorded at the fund level, but is recorded at the government-wide level.

### *Legacy Hutto, LLC v. City of Hutto, Texas*

In the summer of 2020, a developer, Legacy Hutto ("Legacy"), brought a lawsuit against the City for breach of contract and related claims concerning an economic development project, which remains uncompleted. The City and its officials generally denied Legacy's allegations, raised contracting defects and asserted immunity from suit and liability as to Legacy's claims.

The case was dismissed in favor of the City. In the dismissal order, the court appears to give

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Legacy another chance to plead its case. Both sides appealed the court's judgment. A primary issue was whether the judgment was final, closing off the opportunity for Legacy to replead (a repleading which could include Legacy's new claim based on quantum meruit). On May 4, 2021, the appellate case was transferred by the Texas Supreme Court from the Third Court of Appeals in Austin to the Seventh Court of Appeals in Amarillo. On January 19, 2022, the Amarillo Court of Appeals informed the parties that the case would be submitted to the Court without oral argument on February 9, 2022.

The Court of Appeals' opinion and its holdings were issued as *City of Hutto, et. al v. Legacy Hutto, LLC*, 2022WL 2811856, No. 07-21-00089-CV (Tex. App. – Amarillo July 18, 2022, pet. and cross-pet. pending). The opinion was in favor of the City, although the City did not prevail on every contention. The Court ruled that the contractor's failure to comply with section 2252.908 of the Tex. Gov't Code resulted in the contract not having been "properly executed;" thus there was no waiver of the City's immunity under Tex. Local Gov't Code section 271.152. The Court of Appeals declined both sides' motions for rehearing and requests for en banc consideration. Legacy filed a petition for review with the Texas Supreme Court, Cause No. 22-097. On December 7, 2022, the City filed a conditional cross-petition for review with the Texas Supreme Court on the issues of: (1) A procedural objection by Legacy to a matter that Hutto raised for the first time on appeal, based on Texas Rule of Civil Procedure 93; (2) A clause within Rule 93 creating an exception to the procedural verification requirement pointed to by Legacy; and (3) An objection by the City to the trial court permitting Legacy to re-plead (including its quantum meruit claim) when it lacked jurisdiction to do so (and equivalently, the appellate court's opinion on that matter when it likewise lacked jurisdiction).

Legacy filed its Response to the City's Petition for Review on February 27, 2023, and the City filed its Reply in support of its Petition for Review on March 29, 2023. Additionally, the City filed its Response to Legacy's Petition for Review on December 19, 2022, and Legacy filed its Reply in support of its Petition for Review on January 27, 2023. The filings expressed the above-described arguments. The parties await a determination by the Supreme Court of Texas.

It is the City's opinion that the possibility of an unfavorable outcome is unlikely, particularly given the primarily favorable outcome in the Seventh Court of Appeals. Any estimate of loss is speculative at this juncture, but could range from \$0 - \$1,000,000.

***Cottonwood Development Corporation v. Longhorn Title Company and Hutto Highway 79, LLC and (b) Third Court of Appeals No. 03-22-00735-CV, Cottonwood Development Corporation ("CDC") v Preston Hollow Capital, LLC, PHCC, LLC and Winstead PC***

On February 4, 2021 the registered agent for CDC was served notice that Longhorn Title Company ("Longhorn") filed an interpleader to deposit approximately \$2.5 million remaining in escrow for the past year (from the incomplete closing of the purported loan which formed the basis of the PHC litigation matter referenced above in #2) into the Court

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

Registry so the court may allocate it as it deems just and sought its attorney's fees be paid out of the escrow funds for the filing of the interpleader. CDC counterclaimed against Longhorn for the amount of \$60,000 that CDC alleged was wrongfully converted and distributed to PHC's attorneys ("Winstead"), who had performed work on the purported loan referenced above.

The CDC also filed a third-party claim against the Winstead who were in receipt of the \$60,000 for return of those funds. The CDC subsequently filed third party claims against PHC primarily for a declaration that that the loan agreement ("Loan Agreement") was void, or alternatively, that PHC was in breach of the Loan Agreement and for an injunction for PHC to remove any encumbrances on the properties involved in the loan transaction. CDC also made a third-party claim against Hutto Highway 79, LLC, an entity that was a party to a land sale involved in the loan transaction, primarily to declare the sale of land void and for return of sale monies to CDC. PHC then filed a crossclaim against CDC and Longhorn for a declaration that it was the rightful owner of the funds held in escrow and for the return of such funds. PHC followed up its crossclaim with its Amended Motion for Summary Judgment. Winstead also filed a Motion for Summary Judgment, primarily arguing it should be dismissed on the grounds of attorney immunity. As to PHC's claim regarding the escrowed funds, CDC maintained that this subject matter was or could have been litigated in the federal court litigation brought by PHC (discussed above), and thus was barred by the doctrine of res judicata. After a hearing, on November 1, 2021, the Court awarded judgment to PHC on its crossclaim, entered a declaration that PHC was the lawful owner of the escrowed funds, ordered Longhorn to release said funds to PHC, awarded PHC reasonable attorneys' fees and costs of suit and directed PHC to present evidence of its attorneys' fees and costs, which it has done. The court further ordered that if it awards Longhorn fees and expenses out of the escrowed funds, then CDC shall be taxed those costs. The order did not constitute a final judgment and litigation continued concerning the Loan Agreement and the amount of approximately \$12.5 million lent to CDC and which was possessed by CDC, and not held in escrow. On December 13, 2021, CDC filed its Motion to Reconsider the summary judgment granted in favor of PHC, on the basis of res judicata. Then after the U.S. Court of Appeals for the Fifth Circuit issued its opinion in *PHC v. CDC; City of Hutto* in the federal lawsuit brought by PHC, CDC filed a brief in support of its Motion to Reconsider, attaching the federal appellate opinion as an exhibit to the brief. The court, however, denied the Motion to Reconsider on March 14, 2022.

On January 19, 2022, the district court granted Longhorn's Motion for Summary Judgment, dismissing all of CDC's claims against Longhorn with prejudice. CDC filed a Motion to Modify this Order because the only claim that had been addressed in Longhorn's Motion for Summary Judgment was that of conversion, contending the other claims had not been addressed. CDC's Motion to Modify being unopposed by Longhorn, the Motion to Modify, narrowing the court's order, was granted on April 26, 2022.

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

On April 20, 2022, PHC (and as intervenor its affiliate PHCC to which PHC had allegedly transferred its interest, the two entities jointly referred to as “PHC”) filed its Motion for Summary Judgment. CDC moved to strike PHCC’s intervention, which was denied. CDC responded to PHC’s Motion for Summary Judgment and filed its own Plea in Bar and Motion for Summary Judgment (the Plea in Bar segment arguing the res judicata issue described above) on May 12, 2022. Responses and replies ensued. After hearing argument, the court granted PHC’s Motion for Summary Judgment and dismissed with prejudice CDC’s claims against PHC (and also those against Hutto Highway 79, LLC whose interests in a tract of land were included in CDC’s claims) by its Order of August 18, 2022.

On August 19, 2022, CDC filed a motion to sever the claims against PHC and Winstead into a separate cause of action (see numbers one and two in caption of this section) in that those matters had been fully heard and might be fully adjudged apart from claims against the other parties. Such a severance procedure made the cases against PHC and Winstead appealable, without having to wait for trial and final trial court resolution on the other matters. In any event, Longhorn filed its No-Evidence Motion for Summary Judgment on September 16, 2022, to which CDC responded. On November 9, 2022, the court signed its Order “Final Judgment and Order of Foreclosure” in favor of PHC (this order was not filed until November 14, 2022) incorporating prior orders in favor of PHC. It also dismissed CDC’s claims against PHC with prejudice. On November 10, 2022, with affected parties concurring, the court granted CDC’s Motion to Sever.

This matter transitioned into two separate cases, both currently under appeal, with appellant CDC’s briefs to be filed in April 2023, and appellee briefs thirty days thereafter. Any estimate of ultimate loss is speculative at this juncture. The district court’s judgments are in favor of CDC’s litigation opponents (which may be entirely reversed), however, represent the current state of these cases.

In its Final Judgment and Order of Foreclosure, the court found that CDC was liable to PHC under terms of their debt agreement for principal owed of \$18,476,927, before calculation of different sources of interest accrual on distinct sums and addition of any contingent appellate fees. Interest continued to accrue until the judgment debt is resolved. The Court, however, noted that this award made PHC’s crossclaims for equitable relief moot. The debt, accrued interest, and attorney fees paid for the judgment were \$20,573,784 during the year. The City is pursuing an appeal on this judgment. In the event the appeal is unsuccessful the City will be liable for attorney fees to the defendant of \$130,000.

**C. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. A third-party administrator, ICMA, administers contributions to the plan. In

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

compliance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plans' participants and beneficiaries. In accordance with GASB 32, the City provides neither administrative services nor investment advice to the plans and therefore, no fiduciary relationship exists between the City and the deferred compensation plan.

### D. Defined Benefit Pension Plans

#### 1. Texas Municipal Retirement Systems

##### Plan Description

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

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

Plan provisions for the City were as follows:

	<u>Plan Year 2022</u>	<u>Plan Year 2021</u>
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	70% of CPI

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	194
Active employees	127
Total	366

**Contributions**

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

Employees for the City of Hutto were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Hutto were 12.08% and 11.72% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$1,283,291, and equal to the amount of required contributions.

**City of Hutto, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
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**Net Pension Liability (Asset)**

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

**Actuarial assumptions:**

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

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

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

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

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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.

### Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 5,478,622	\$ 998,761	\$ (2,543,070)

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

**Changes in the Net Pension Liability (Asset):**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
<b>Balance at 12/31/21</b>	\$ 22,093,355	\$ 24,642,969	\$ (2,549,614)
Changes for the year:			
Service Cost	1,706,617	-	1,706,617
Interest	1,523,567	-	1,523,567
Difference between expected and actual experience	163,011	-	163,011
Changes of assumptions	-	-	-
Contributions – employer	-	1,031,242	(1,031,242)
Contributions – employee	-	615,155	(615,155)
Net investment income	-	(1,804,586)	1,804,586
Benefit payments, including refunds of emp. contributions	(750,601)	(750,601)	-
Administrative expense	-	(15,566)	15,566
Other changes	-	18,575	(18,575)
Net changes	2,642,594	(905,781)	3,548,375
<b>Balance at 12/31/22</b>	<b>\$ 24,735,949</b>	<b>\$ 23,737,188</b>	<b>\$ 998,761</b>

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.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 \$995,021.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Contributions subsequent to the measurement date	\$ 972,702	\$ -
Difference in experience	-	(257,967)
Changes in actuarial assumptions	20,433	-
Pension investment earnings	1,675,946	-
<b>Total</b>	<u>\$ 2,669,081</u>	<u>\$ (257,967)</u>

The City reported \$972,702 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended</b>	
<b>December 31:</b>	
2023	\$ (14,737)
2024	328,807
2025	430,746
2026	693,596
2027	-
Thereafter	-
<b>Total</b>	<u>\$ 1,438,412</u>

**Other Postemployment Benefits**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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

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

### Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	34
Active employees	127
Total	204

The City’s contributions to the TMRS SDBF for the years ended 2023, 2022, and 2021 were \$4,016, \$2,325, and \$1,358, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2021	0.02%	0.02%	100.0%
2022	0.03%	0.03%	100.0%
2023	0.04%	0.04%	100.0%

### Total OPEB Liability

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

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

**Actuarial Assumptions**

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

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

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

**Discount Rate:**

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

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

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

1% Decrease 3.05%	Current Single Rate Assumption 4.05%	1% Increase 5.05%
\$ 320,512	\$ 257,783	\$ 210,767

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

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/21</b>	<b>\$ 370,163</b>
Changes for the year:	
Service Cost	30,758
Interest	7,070
Difference between expected and actual experience	21,503
Changes of assumptions	(169,075)
Benefit payments	(2,636)
Net changes	(112,380)
<b>Balance at 12/31/22</b>	<b>\$ 257,783</b>

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$29,944.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Contributions subsequent to the measurement date	\$ 3,221	\$ -
Difference in experience	17,197	-
Changes in actuarial assumptions	-	(78,855)
Pension investment earnings	-	-
<b>Total</b>	<b>\$ 20,418</b>	<b>\$ (78,855)</b>

The City reported \$3,221 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024.

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

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended</b>	
<b>December 31:</b>	
2023	\$ (8,117)
2024	(9,922)
2025	(7,413)
2026	(19,459)
2027	(16,747)
Thereafter	-
<b>Total</b>	<b>\$ (61,658)</b>

**E. Other Post-Employment Benefits - Healthcare**

Plan Description

The City of Hutto Retiree Health Care Plan is a single-employer defined benefit healthcare plan administered by the City of Hutto and covers retired employees of the City and, if selected, their dependent. The net position of the Plan is reported within the City of Hutto Annual Financial Report as Fiduciary Net Position. This plan provides the following retiree insurance:

Benefits Provided

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- For employees retiring and receiving annuities from the Texas Municipal Retirement System who are (1) at least 60 and have completed five consecutive years of active service with the city immediately prior to retirement, or (2) at any age have completed 20 consecutive years of active service with the City immediately prior to retirement. Coverage for medical benefits is provided from the date of retirement, for the balance of the retiree’s life, and is contingent on the payment of the retiree’s premium.
- For retirees under the age of 65, the retiree will pay 100% of the retiree premium for medical coverage. If dependent coverage is selected, the retiree is responsible for 100% of the dependent coverage premium.

# City of Hutto, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

- For retirees over the age of 65, the retiree is responsible for 100% of the fully-insured Medicare supplement plan. There is no GASB 75 liability associated with post-65 coverage.
- The City does not subsidize, directly or indirectly, the cost of dental, vision, or life insurance benefits.

### Employees covered by benefit terms

At the September 30, 2022 valuation and measurement date (the most recent available), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees & family members	106
Total	106

### Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of September 30, 2022 (the most recent available date), and the Total OPEB Liability was determined by an actuarial valuation as of that date and rolled forward using a measurement date of September 30, 2023.

### Actuarial assumptions:

The Total OPEB Liability in the September 30, 2022 actuarial valuation (most recent date available) was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5%
Discount rate	4.77%
Retirees' share of benefit-related costs	Retirees pay the full contribution rate for coverage
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the RPH-2014 Total Table with Projection MP-2019.

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

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 4.77%. The discount rate was calculated as a (2.27%) real rate of return plus a 2.50% for inflation.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Trends**

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77%) or 1-percentage-point higher (5.77%) than the current rate:

<b>1% Decrease (3.77%)</b>	<b>Current Discount Rate Assumption 4.77%</b>	<b>1% Increase (5.77%)</b>
\$ 275,616	\$ 245,930	\$ 219,757

The following presents the total OPEB liability of the City, calculated using the healthcare expense increase trend rate of 4.50%, as well as what the City's total OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current rate:

<b>1% Decrease (3.50%)</b>	<b>Current Healthcare Trend Assumption 4.50%</b>	<b>1% Increase (5.50%)</b>
\$ 212,625	\$ 245,930	\$ 285,874

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 9/30/2022</b>	\$ 206,895
Changes for the year:	
Service Cost	27,838
Interest	11,197
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	-
Net changes	39,035
<b>Balance at 9/30/2023</b>	<b>\$ 245,930</b>

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

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$22,844.

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

	<b>Deferred (Inflows) of Resources</b>
Difference in experience	\$ (11,603)
Changes in actuarial assumptions	(64,461)
<b>Total</b>	<b>\$ (76,064)</b>

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended September 30:</b>			
2024	\$	(16,191)	
2025		(16,191)	
2026		(16,191)	
2027		(15,004)	
2028		(12,487)	
Thereafter		-	
<b>Total</b>	<b>\$</b>	<b>(76,064)</b>	

OPEB Plans Summary Table:

	<b>OPEB TMRS</b>	<b>City of Hutto OPEB - Healthcare</b>	<b>Total</b>
OPEB expense (income)	\$ 29,944	\$ 22,844	\$ 52,788
OPEB liability (asset)	\$ 257,783	\$ 245,930	\$ 503,713
Deferred outflows	\$ 20,418	\$ -	\$ 20,418
Deferred (inflows)	\$ (78,855)	\$ (76,064)	\$ (154,919)

**F. Construction commitments**

The primary government has three active construction projects as of September 30, 2023. The projects are for work relating to street improvements, waterline improvements, and the Frameswitch/Shiloh pump station improvements.

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

At year end the government's commitments with contractors are as follows:

Aaron Concrete	\$	277,752
		277,752
Total Governmental Activities	\$	277,752
Cash Construction	\$	683,398
Associated Construction Partners		8,209,988
T Morales		429,370
Pump Solutions		592,323
C.C. Carlton		7,053,575
Total Business-Type Activities	\$	16,968,654

**G. Tax Abatement Disclosures**

The City negotiates tax abatement agreements on an individual basis. The City has tax abatement agreements with three entities as of September 30, 2023:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Construction of retail and residential to increase tax base and promote new business enterprises	100%	\$ 1,416,977
Construction of retail and residential to increase tax base and promote new business enterprises	80%	122,224
Promote economic development	60%	63,513
Relocate headquarters to promote economic development	90%	9,102
	<b>Total</b>	<b>\$ 1,611,816</b>

Each agreement was negotiated under the property redevelopment and tax abatement act codified in chapter 312 of the Texas tax code which authorizes allowing localities to abate property taxes when the entity meets certain guidelines and criteria adopted by the governing body. The Tax Code provides that a tax abatement agreement may provide for the exemption of the real property in each year covered by the agreement only to the extent its increase in value for that year exceeds its value for the year in which the agreement is executed. Accordingly, only the increase in value may be abated. Moreover, the taxing unit could abate from one percent (1%) to one hundred percent (100%) the property taxes paid on the increase. A tax abatement agreement cannot exceed ten years in length.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other

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

governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

**H. Restatement**

Due to the prior year accounting adjustments, the City restated beginning net position/fund balance, capital assets and long-term liabilities for governmental activities, the general fund, the River Creek LGC, one nonmajor governmental fund, the utility system fund, the solid waste fund, and business-type activities. The restatements are as follows:

	<b>Governmental Activities</b>	<b>General</b>	<b>River Creek LGC</b>	<b>Nonmajor Governmental</b>
Prior year ending net position/fund balance, as reported	\$ 158,233,770	\$ 16,446,440	\$ 2,135,962	\$ 13,315,202
Record unbilled receivables	11,766	11,766	-	-
Fund transfer	-	(13,449)	-	13,449
Change lawsuit liability to long-term	-	-	702,144	-
Correction to CIP assets	(333,445)	-	-	-
Restated beginning net position/fund balance	<u>\$ 157,912,091</u>	<u>\$ 16,444,757</u>	<u>\$ 2,838,106</u>	<u>\$ 13,328,651</u>

	<b>Business-Type Activities</b>	<b>Utility System</b>	<b>Solid Waste</b>
Prior year ending net position/fund balance, as reported	\$ 46,459,870	\$ 45,604,367	\$ 855,503
Record unbilled receivables	136,964	95,037	41,927
Recognize Brazos River Authority refund	556,002	556,002	-
Restated beginning net position/fund balance	<u>\$ 47,152,836</u>	<u>\$ 46,255,406</u>	<u>\$ 897,430</u>

**I. New Accounting Pronouncements**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled subscription-based information technology arrangements ("SBITA"). Due to the implementation of GASB 96 in the current year, the City recorded right-to-use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets are included within capital assets, and depreciated straight-line over the term of the arrangement. The liabilities accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements.

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

**J. Subsequent Events**

On November 1, 2023, the City issued \$11,160,000 of General Obligation Bonds, Series 2023A, with interest ranging from 4.25% to 5.00%. The bonds mature on August 1, 2044.

There were no other material subsequent events through February 12, 2024, the date the financial statements were available to be issued.

**APPENDIX C**

FORMS OF BOND COUNSEL'S OPINIONS

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

**CITY OF HUTTO, TEXAS  
GENERAL OBLIGATION BONDS, SERIES 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,990,000**

**AS BOND COUNSEL FOR** the City of Hutto, Texas (the "City") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on June 6, 2024 authorizing the issuance of the Bonds (the "Ordinance").

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of said Bonds, including the executed Bond (Bond Number R-1).

**BASED ON SAID EXAMINATION,** it is our opinion that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City, payable from ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law, on taxable property within the City.

**IT IS FURTHER OUR OPINION,** except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the City with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.



**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

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

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City.



Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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

**CITY OF HUTTO, TEXAS,  
COMBINATION TAX AND WATERWORKS AND SEWER SYSTEM  
(LIMITED PLEDGE) REVENUE  
CERTIFICATES OF OBLIGATION,  
SERIES 2024  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$285,240,000**

**AS BOND COUNSEL FOR THE CITY OF HUTTO, TEXAS** (the "City") of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Certificates and in the Ordinance of the City adopted on June 6, 2024 (the "Ordinance") which authorizes the issuance of the Certificates.

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

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Certificates have been authorized, issued and delivered in accordance with law; and that said Certificates, except the enforceability thereof as may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, on all taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenue of the City's waterworks and sewer system all as provided in the Ordinance.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which



we have not independently verified, and assume compliance by the City with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the



Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City and the sufficiency of the revenues pledged by the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

**APPENDIX D**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Municipal Advisory Services  
Provided By

