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PRELIMINARY OFFICIAL STATEMENT

Dated February 23, 2026

Rating:
S&P: “AA”
(See “OTHER INFORMATION –
Rating” herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.



\$12,145,000*
CITY OF JARRELL, TEXAS
(Williamson County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: March 1, 2026; Interest Accrues from the Date of Initial Delivery **Due: August 1, as shown on page 2**

PAYMENT TERMS . . . Interest on the \$12,145,000* City of Jarrell, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”), will accrue from the date of the initial delivery to the Purchaser (as defined herein), will be payable February 1 and August 1 of each year commencing February 1, 2027, 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 to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”). The initial Paying Agent/Registrar is UMB Bank, Austin, Texas (see “THE CERTIFICATES - Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, and constitute direct obligations of the City of Jarrell, Texas (the “City”), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the net revenues of the City’s Waterworks and Sewer System not to exceed \$1,000, as provided in the ordinance authorizing the issuance of the Certificates (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance of the Obligations” and “ – Security and Source of Payment for the Certificates”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City’s water and waste water system, including a new elevated storage tank and expansion of the Donahoe Wastewater Treatment Plant and any related drainage; and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering, and the costs of issuing the Certificates.

CUSIP PREFIX: 471144
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the “Purchaser”) 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 - “Form of Bond Counsel’s Opinion”).

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on April 2, 2026.

BIDS DUE TUESDAY, MARCH 3, 2026 BY 9:00 AM, CENTRAL TIME

* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

MATURITY SCHEDULE*

Principal Amount	August 1 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 215,000	2028			
220,000	2029			
230,000	2030			
240,000	2031			
250,000	2032			
260,000	2033			
270,000	2034			
280,000	2035			
290,000	2036			
305,000	2037			
315,000	2038			
330,000	2039			
345,000	2040			
365,000	2041			
380,000	2042			
400,000	2043			
420,000	2044			
440,000	2045			
465,000	2046			
485,000	2047			
510,000	2048			
535,000	2049			
565,000	2050			
590,000	2051			
620,000	2052			
655,000	2053			
685,000	2054			
720,000	2055			
760,000	2056			

(Interest Accrues from the date of Initial Delivery)

* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence 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 Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”). Additionally, the Purchaser may select certain maturities of the Certificates to be grouped together as a term certificate and such term certificates would be subject to mandatory sinking fund redemption.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document constitutes an official statement of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

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

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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

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

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

TABLE OF CONTENTS

PRELIMINARY OFFICIAL STATEMENT SUMMARY.4	
CITY OFFICIALS, STAFF AND CONSULTANTS6	
ELECTED OFFICIALS	6
SELECTED ADMINISTRATIVE STAFF	6
CONSULTANTS AND ADVISORS	6
INTRODUCTION.....7	
THE CERTIFICATES	7
AD VALOREM PROPERTY TAXATION	13
TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM	
TAX DEBT.....	17
TABLE 2 – TAXABLE ASSESSED VALUATION.....	18
TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY	18
TABLE 4 – TEN LARGEST TAXPAYERS	18
TABLE 5 – TAX ADEQUACY	19
TABLE 6 – ESTIMATED OVERLAPPING DEBT	19
DEBT INFORMATION	20
TABLE 7 – PRO-FORMA GENERAL OBLIGATION DEBT	
SERVICE REQUIREMENTS.....	20
TABLE 8 – INTEREST AND SINKING FUND BUDGET	
PROJECTION.....	21

FINANCIAL INFORMATION	22
TABLE 9 – CHANGE IN NET POSITION	22
TABLE 9A – GENERAL FUND REVENUES AND	
EXPENDITURE HISTORY	23
TABLE 10 – MUNICIPAL SALES TAX HISTORY	24
INVESTMENTS.....	25
TABLE 11 – CURRENT INVESTMENTS	26
TAX MATTERS.....	27
CONTINUING DISCLOSURE OF INFORMATION	29
OTHER INFORMATION	30

APPENDICES

GENERAL INFORMATION REGARDING THE CITY	A
EXCERPTS FROM THE CITY’S ANNUAL FINANCIAL	
REPORT	B
FORM OF BOND COUNSEL’S OPINION	C

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Jarrell, Texas is located in Williamson County, and is a Type A General Law City governed by a mayor and the five-member council. The Mayor is elected at-large and the council members are elected at-large and by place number for two-year staggered terms (see "INTRODUCTION - Description of the City").
THE CERTIFICATES	The Certificates are issued as \$12,145,000* Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial certificates maturing on August 1 in the years 2028 through 2056, inclusive, unless the Purchaser designates one or more maturities as Term Certificates (see "THE CERTIFICATES – Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the date of initial delivery and is payable on February 1, 2027, and each August 1 and February 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES – Description of the Certificates").
AUTHORITY FOR ISSUANCE	The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance").
SECURITY FOR THE CERTIFICATES ...	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of net revenues of the City's Waterworks and Sewer System not to exceed \$1,000 (see "THE CERTIFICATES - Security and Source of Payment").
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption maturities (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Purchaser may select certain maturities of the Certificates to be grouped together as a Term Certificate and such term certificates would be subject to mandatory sinking fund redemption (see "THE CERTIFICATES – Description of the Certificates").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City's water and waste water system, including a new elevated storage tank and expansion of the Donahoe Wastewater Treatment Plant and any related drainage; and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering, and the costs of issuing the Certificates.
RATING	The Certificates are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION - Rating").

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

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

PAYMENT RECORD The City has never defaulted in the payment of its ad valorem tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Obligation G.O. Tax Debt ⁽³⁾	G.O. Tax Debt Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed	% of Total Tax Collections to Tax Levy
2022	3,396	\$ 291,624,579	\$ 85,873	\$ 29,005,000	\$ 8,541	9.95%	101.28%
2023	3,980	458,134,864	115,109	34,245,000	8,604	7.47%	99.14%
2024	3,980	650,582,799	163,463	36,395,000	9,144	5.59%	100.00%
2025	3,980	733,868,465	184,389	34,165,000	8,584	4.66%	100.47% ⁽⁵⁾
2026	5,151	790,855,221	153,534	44,285,000 ⁽⁴⁾	8,597	5.60%	N/A

(1) Source: The Municipal Advisory Council of Texas.

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

(3) Includes debt that is supported by water and sewer revenues.

(4) Projected. Includes the Certificates. Preliminary, subject to change.

(5) Unaudited.

For additional information regarding the City, please contact:

City of Jarrell
Jorge Hernandez
City Manager
161 Town Center Blvd.
Jarrell, Texas 76537
512/796-4593, Ext 22

or

Specialized Public Finance Inc.
Steven A. Adams, CFA
Paul N. Jasin
4925 Greenville Avenue, Suite 1350
Dallas, Texas 75206
214/373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Patrick Sherek Mayor	3 Years	November, 2026	Business Owner
Daniel Klepac Mayor Pro-Tem	11 Years	November, 2026	Sales
Lori Allen Place 2	1 Year	November, 2026	Pharmacist
Tanya Clawson Place 3	4 Years	November, 2027	Business Owner
Drew Sumner Place 4	5 Months	November, 2027	Coach
Tammy Fitzner Place 5	1 Month	November, 2027	Director

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Jorge Hernandez	City Manager	6 Months
Dianne Peace	City Secretary	18 Years
Nayda Santana	Finance Manager	

CONSULTANTS AND ADVISORS

Auditors Armstrong, Vaughan & Associates, P.C.
Universal City, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Austin, Texas

Financial Advisor.....Specialized Public Finance Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
CITY OF JARRELL, TEXAS
\$12,145,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$12,145,000* City of Jarrell, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”). The Certificates are being issued pursuant to an ordinance to be approved by the City Council on March 3, 2026 (the “Ordinance”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

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. The City of Jarrell, Texas (the “City”), is located in Williamson County, and is a Type A General Law City governed by a mayor and the five-member council. The Mayor is elected at large and the five council members are elected at-large and by place for two-year staggered terms. The City is located on Interstate 35, approximately 38 miles north of Austin. Georgetown is the county seat. For more information regarding the City, see “APPENDIX A – General Information Regarding the City.”

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City’s water and waste water system, including a new elevated storage tank and expansion of the Donahoe Wastewater Treatment Plant and any related drainage; and (ii) the payment of professional services in connection therewith including legal, fiscal and engineering, and the costs of issuing the Certificates.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated March 1, 2026. The Certificates mature on August 1 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of the initial delivery to the Purchaser (anticipated to be April 2, 2026), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of net revenues of the City’s Waterworks and Sewer System not to exceed \$1,000.

* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. The City was chartered as a Type A General Law City in 2001.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 1, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed.

If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Additionally, the Purchaser may select certain maturities of the Certificates to be grouped together as a term certificate and such term certificates would be subject to mandatory sinking fund redemption.

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

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners 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 as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

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

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

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

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy). All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

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 neither the City nor the Purchaser take any 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 Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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 Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank. Interest on and principal of the Certificates will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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, the Certificates 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.

Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the 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 Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates 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 Certificates. Neither the City nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of Certificates (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 Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the fifteenth day of the preceding month whether or not such day is a business day. 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 registered owner of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. 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 Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources of Funds:

Par Amount of the Certificates	\$	-
Cash Premium		-
Total Sources of Funds	\$	-

Uses of Funds:

Deposit to Project Construction Fund	\$	-
Deposit to Debt Service Fund (Rounding Amount)		-
Costs of Issuance		-
Total Uses of Funds	\$	-

(The remainder of this page intentionally left blank.)

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to 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 ("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 described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

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

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 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.

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 EXEMPTIONS . . . Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following

tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail 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 FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "AD VALOREM PROPERTY TAXATION" City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2022 through 2024, which may be applied to a city's tax rate in tax years 2023 through 2025 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 Certificates.

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

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

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

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

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

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to

other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$25,000; the disabled are also granted an exemption.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for the amount of the exemptions described above.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property; and the Williamson Central Appraisal District collects taxes for the City.

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

The City does tax freeport property.

The City does tax goods-in-transit.

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

The City established the Jarrell Economic Development Corporation ("Type A"). Fulfillment of their corporate purposes is all to be done and accomplished on behalf of the City and for its benefit. Type A is a non-profit corporation whose purpose is to conduct all matters for any and all lawful purposes for which a corporation may be organized under Chapter 504 of the Texas Local Government Code. Type A is a component unit of the City because the City appoints the Board of Directors of Type A and can remove appointed members of the Board at will. The component unit is accounted for as special revenue blended component unit of the City.

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TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Williamson Central Appraisal District	\$ 920,788,904
Less Exemptions/Reductions at 100% Market Value:	<u>129,933,683</u>
2025/26 Taxable Assessed Valuation	<u>\$ 790,855,221</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 1/31/2026)	\$ 34,165,000
The Certificates	<u>12,145,000 ⁽¹⁾</u>
	\$ 46,310,000
Less: Self-Supporting Debt	
Waterworks & Sewer System Supported Debt	<u>\$ 42,920,000 ⁽²⁾</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes	<u>\$ 3,390,000 ⁽³⁾</u>
Interest and Sinking Fund (as of 11/30/2025)	\$ 1,712,678
Ratio Funded Debt to Taxable Assessed Valuation	5.86%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation	0.43%

2026 Estimated Population - 5,151
 Per Capita Taxable Assessed Valuation \$153,534
 Per Capita Funded Debt \$8,990
 Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes - \$658

(1) Preliminary, subject to change.

(2) "Waterworks & Sewer System Debt" includes the currently outstanding Tax & Revenue Certificates of Obligation Series 2006, Tax & Revenue Refunding Bonds, Series 2008, Combination Tax & Revenue Certificates of Obligation, Series 2017, Combination Tax & Revenue Certificates of Obligation, Series 2018, Combination Tax & Revenue Certificates of Obligation, Series 2020, Combination Tax & Revenue Certificates of Obligation, Series 2023, and the Certificates, all of which are secured by the City's ad valorem tax but this debt service is currently paid from waterworks and sewer system revenues, however this could change in the future.

(3) Estimated tax-supported debt service based on the City's Tax Rate Notice. Represents the 2006, 2008, and 2018 Certificates.

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TABLE 2 – TAXABLE ASSESSED VALUATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	General Obligation G.O. Tax Debt ⁽³⁾	G.O. Tax Debt Per Capita	Ratio of G.O. Tax Debt to Taxable Assessed
2022	3,396	\$ 291,624,579	\$ 85,873	\$ 29,005,000	\$ 8,541	9.95%
2023	3,980	458,134,864	115,109	34,245,000	8,604	7.47%
2024	3,980	650,582,799	163,463	36,395,000	9,144	5.59%
2025	3,980	733,868,465	184,389	34,165,000	8,584	4.66%
2026	5,151	790,855,221	153,534	44,285,000 ⁽⁴⁾	8,597	5.60%

(1) Source: The Municipal Advisory Council of Texas.

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

(3) Includes debt that is supported by water and sewer revenues. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT", footnote 2.

(4) Projected. Includes the Certificates. Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2022	\$ 0.4195	\$ 0.1152	\$ 0.3043	\$ 1,223,365	101.28%	101.28%
2023	0.4195	0.1248	0.2947	1,367,643	99.11%	99.14%
2024	0.4140	0.1896	0.2244	2,672,621	98.63%	100.00%
2025	0.3940	0.2449	0.1491	3,068,602	95.64%	100.47% ⁽¹⁾
2026	0.3940	0.2449	0.1491	3,239,317	In Process of Collection	

(1) Unaudited.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Home Rent 2 LLC	\$ 40,893,132	5.17%
Texas Essential Housing Public Facility Corporation	26,443,804	3.34%
LGI Homes-Texas LLC	14,486,363	1.83%
AL Clawson Disposal Inc	13,985,840	1.77%
Valley View RV Park LLC	10,859,187	1.37%
Jose Garcia	10,643,171	1.35%
Gem Commercial LLC	8,348,000	1.06%
Builders FirstSource - Texas Installed Sales LP	7,744,543	0.98%
Jarrell Property LLC	7,077,731	0.89%
Oncor Electric Delivery Company	7,038,900	0.89%
	<u>\$ 147,520,671</u>	<u>18.65%</u>

Source: As 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.

TABLE 5 – TAX ADEQUACY⁽¹⁾

2026 Gross Tax Supported Debt Principal and Interest Requirements	\$ 3,070,882
\$0.4004 Tax Rate at 97% Collection Produces	\$ 3,071,587
Average Gross Tax Supported Debt Annual Principal and Interest Requirements, 2026 - 2056	\$ 2,005,701
\$0.2615 Tax Rate at 97% Collection Produces	\$ 2,006,044
Maximum Gross Tax Supported Debt Principal and Interest Requirements, 2031	\$ 3,247,227
\$0.4233 Tax Rate at 97% Collection Produces	\$ 3,247,259

(1) Projected. Includes the Certificates and debt that is supported by water and sewer revenues. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT", footnote 2. Preliminary, subject to change.

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 obligations since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total G.O. Funded Tax Debt As of 1/31/2026	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 1/31/2026
City of Jarrell	\$ 3,390,000 ⁽¹⁾	100.00%	\$ 3,390,000 ⁽¹⁾
Jarrell ISD	433,085,104	25.42%	110,090,233
Williamson County	1,402,705,000	0.59%	8,275,960
Total Direct and Overlapping G.O. Debt			\$ 121,756,193
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			15.40%
Per Capita Overlapping G.O. Debt			\$ 23,637

(1) Includes the Certificates and excludes the Self-Supporting Debt. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT", footnote 2. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Direct City of Jarrell Debt ⁽¹⁾			The Certificates ⁽²⁾			Total Debt Service Requirements	Less: Tax Supported ⁽³⁾	Net Utility Supported
	Principal	Interest	Total	Principal	Interest	Total	Total	Total	Total
2026	\$ 2,025,000	\$ 1,045,882	\$ 3,070,882	\$ -	\$ -	\$ -	\$ 3,070,882	\$ 1,056,200	\$ 2,014,682
2027	1,440,000	996,162	2,436,162	-	777,447	777,447	3,213,609	418,450	2,795,159
2028	1,495,000	943,548	2,438,548	215,000	584,303	799,303	3,237,851	420,550	2,817,301
2029	1,555,000	887,983	2,442,983	220,000	575,703	795,703	3,238,686	422,206	2,816,480
2030	1,615,000	830,005	2,445,005	230,000	566,903	796,903	3,241,908	424,006	2,817,902
2031	1,675,000	774,525	2,449,525	240,000	557,703	797,703	3,247,227	430,438	2,816,790
2032	1,725,000	716,237	2,441,237	250,000	548,103	798,103	3,239,340	431,113	2,808,227
2033	1,770,000	655,721	2,425,721	260,000	538,103	798,103	3,223,824	443,913	2,779,911
2034	1,800,000	599,270	2,399,270	270,000	527,703	797,703	3,196,973	446,013	2,750,960
2035	1,850,000	547,020	2,397,020	280,000	516,903	796,903	3,193,923	437,413	2,756,510
2036	1,905,000	492,612	2,397,612	290,000	505,703	795,703	3,193,315	223,563	2,969,752
2037	1,965,000	436,090	2,401,090	305,000	494,103	799,103	3,200,193	224,763	2,975,430
2038	2,030,000	377,191	2,407,191	315,000	481,903	796,903	3,204,094	225,763	2,978,331
2039	1,980,000	322,265	2,302,265	330,000	466,940	796,940	3,099,205	126,563	2,972,642
2040	2,040,000	266,073	2,306,073	345,000	450,440	795,440	3,101,513	127,625	2,973,888
2041	2,095,000	207,138	2,302,138	365,000	433,190	798,190	3,100,328	128,500	2,971,828
2042	2,160,000	146,325	2,306,325	380,000	414,940	794,940	3,101,265	129,188	2,972,077
2043	1,615,000	83,413	1,698,413	400,000	395,940	795,940	2,494,353	129,688	2,364,665
2044	705,000	32,063	737,063	420,000	375,940	795,940	1,533,003	-	1,533,003
2045	720,000	16,200	736,200	440,000	354,940	794,940	1,531,140	-	1,531,140
2046	-	-	-	465,000	332,940	797,940	797,940	-	797,940
2047	-	-	-	485,000	309,690	794,690	794,690	-	794,690
2048	-	-	-	510,000	285,440	795,440	795,440	-	795,440
2049	-	-	-	535,000	259,940	794,940	794,940	-	794,940
2050	-	-	-	565,000	233,190	798,190	798,190	-	798,190
2051	-	-	-	590,000	204,940	794,940	794,940	-	794,940
2052	-	-	-	620,000	175,440	795,440	795,440	-	795,440
2053	-	-	-	655,000	143,820	798,820	798,820	-	798,820
2054	-	-	-	685,000	110,415	795,415	795,415	-	795,415
2055	-	-	-	720,000	75,480	795,480	795,480	-	795,480
2056	-	-	-	760,000	38,760	798,760	798,760	-	798,760
	<u>\$ 34,165,000</u>	<u>\$ 10,375,723</u>	<u>\$ 44,540,723</u>	<u>\$ 12,145,000</u>	<u>\$ 11,736,959</u>	<u>\$ 23,881,959</u>	<u>\$ 68,422,683</u>	<u>\$ 6,245,950</u>	<u>\$ 62,176,733</u>

(1) Includes: Series 2023, Series 2020, Series 2018, Series 2017, Series 2012, Series 2011 Refunding, Series 2008, and Series 2006 Certificates.

(2) Interest on the Certificates has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

(3) See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT", footnote 2.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Gross Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-26		\$ 3,070,882 ⁽¹⁾
Interest and Sinking Fund Balance, 9-30-25	\$ 1,656,105 ⁽²⁾	
Budgeted Transfers from Water and Sewer Fund	3,070,882	
Interest and Sinking Fund Tax Levy	<u>1,179,165</u>	<u>5,906,152</u>
Estimated Balance Fiscal Year Ending 9-30-26		<u><u>\$ 2,835,270</u></u>

(1) Includes the Certificates and debt that is supported by water and sewer revenues. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT", footnote 2. Preliminary, subject to change.

(2) Unaudited.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

OTHER OBLIGATIONS . . . See “VII. Long-Term Debt” of the City’s annual financial report attached hereto as APPENDIX B.

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FINANCIAL INFORMATION

TABLE 9 - CHANGE IN NET POSITION

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
REVENUES					
Program Revenues:					
Charges for services	\$ 778,602	\$ 720,022	\$ 480,901	\$ 680,955	\$ 208,366
Operating grants and contributions	5,305	-	26,223	-	-
General Revenues:					
Property taxes	2,772,840	1,963,656	1,239,196	1,065,267	946,924
Sales taxes	3,770,038	3,840,466	3,005,287	2,603,948	2,446,538
Franchise taxes	215,571	191,668	219,940	131,857	155,411
Grants & contributions not restricted	-	60,913	-	-	-
Investment earnings	127,106	95,780	31,166	41,229	21,785
Other	80,260	43,943	413,437	589,981	101,355
Total Revenues	\$ 7,749,722	\$ 6,916,448	\$ 5,416,150	\$ 5,113,237	\$ 3,880,379
EXPENSES					
Governmental Activities:					
General Government	\$ 3,968,484	\$ 3,343,518	\$ 2,353,304	\$ 2,911,106	\$ 1,476,822
Public Safety	445,555	309,542	269,553	263,428	175,374
Highways & streets	-	394,551	121,912	238,288	226,607
Court, Community Center, Events & Parks	170,693	44,861	55,019	45,506	56,850
Economic Development	-	-	185,359	139,214	463,651
Public Works	138,265	-	-	-	-
Debt service - interest	2,925	2,150	925,813	9,900	10,588
Debt service - fees	-	-	-	-	-
Total Expenses	\$ 4,725,922	\$ 4,094,622	\$ 3,910,960	\$ 3,607,442	\$ 2,409,892
Increase in net position before Other Financing Sources (Uses)	\$ 3,023,800	\$ 2,821,826	\$ 1,505,190	\$ 1,505,795	\$ 1,470,487
Other Financing Sources (Uses)					
Special items	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in (out)	(4,109,036)	(1,296,024)	(1,349,969)	2,333,417	(388,171)
Total Other Financing Sources (Uses)	(4,109,036)	(1,296,024)	(1,349,969)	2,333,417	(388,171)
Change in Net Position	\$ (1,085,236)	\$ 1,525,802	\$ 155,221	\$ 3,839,212	\$ 1,082,316
Beginning Net Position	13,328,661		10,135,323	6,296,111	5,213,795 ⁽¹⁾
Adjustment	-	11,207,144	-	-	-
Prior Period Adjustment	-	595,715	-	-	-
Ending Net Position	<u>\$ 12,243,425</u>	<u>\$ 13,328,661</u>	<u>\$ 11,207,144 ⁽¹⁾</u>	<u>\$ 10,135,323</u>	<u>\$ 6,296,111</u>

(1) Restated.

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TABLE 9A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
<u>Revenues:</u>	2024	2023	2022	2021	2020
Taxes:					
Property Taxes	\$ 1,266,373	\$ 579,056	\$ 321,653	\$ 237,910	\$ 200,751
General Sales and Use Taxes	2,822,048	2,875,594	2,265,723	1,965,896	1,839,316
Franchise Tax	215,571	191,668	219,940	131,857	155,411
Licenses and Permits	741,399	616,355	459,309	604,088	142,931
Intergovernmental Rev. & Grants	5,305	60,913	26,223	-	-
Charges for Services	-	60,157	-	-	-
Fines and Court Costs	20,128	35,068	21,592	76,867	65,435
Investment Earnings	47,734	22,568	6,479	8,561	-
Other Revenue	97,335	58,770	413,437	589,981	49,071
Total Revenues	<u>\$ 5,215,893</u>	<u>\$ 4,500,149</u>	<u>\$ 3,734,356</u>	<u>\$ 3,615,160</u>	<u>\$ 2,452,915</u>
<u>Expenditures:</u>					
Current:					
General Government	\$ 3,829,132	\$ 3,166,854	\$ 2,354,947	\$ 2,910,611	\$ 1,420,854
Public Safety	335,110	185,692	165,425	229,115	141,061
Highways and Streets	-	-	9,149	16,288	4,607
Court, Parks, Community Center, Events	156,288	31,581	41,739	29,510	40,854
Conservation and Development	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Outlay	60,765	60,913	364,310	170,382	147,406
Total Expenditures	<u>\$ 4,381,295</u>	<u>\$ 3,445,040</u>	<u>\$ 2,935,570</u>	<u>\$ 3,355,906</u>	<u>\$ 1,754,782</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 834,598	\$ 1,055,109	\$ 798,786	\$ 259,254	\$ 698,133
Other Financing Sources (Uses):					
Bond Proceeds	\$ -	\$ -	\$ -	\$ 1,035,657	\$ -
Transfers In	-	-	-	-	182,552
Transfers Out (Use)	-	-	(1,622,482)	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,622,482)</u>	<u>\$ 1,035,657</u>	<u>\$ 182,552</u>
Net Change in Fund Balance	\$ 834,598	\$ 1,055,109	\$ (823,696)	\$ 1,294,911	\$ 880,685
Fund Balances - Beginning	\$ 4,795,306	\$ 3,558,426 ⁽¹⁾	\$ 4,382,982	\$ 3,088,071	\$ 2,207,386 ⁽¹⁾
Prior Period Adjustment	-	181,771	-	-	-
Fund Balances - Ending	<u>\$ 5,629,904</u>	<u>\$ 4,795,306</u>	<u>\$ 3,559,286</u>	<u>\$ 4,382,982</u>	<u>\$ 3,088,071</u>

(1) Restated.

Unaudited General Fund balance as of September 30, 2025 is \$4,211,835.

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TABLE 10 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; in addition the City levies a sales and use tax of ½ of 1% for property tax reduction. Proceeds of these sales and use taxes are credited to the General Fund and are not pledged to the Certificates. 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. Revenue from this source, for the years shown, has been:

Fiscal Year Ended 9/30	Sales Tax Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 1,965,896	187.33%	\$ 0.8699	\$ 930
2022	2,265,723	185.20%	0.7769	667
2023	2,875,594	210.26%	0.6277	723
2024	2,822,048	105.59%	0.4338	709
2025	3,708,921 ⁽²⁾	128.27%	0.5054	932

(1) Excludes .25% for the Type A Corporation.

(2) Unaudited.

FUND ACCOUNTING

The City reports the following major governmental funds:

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

Debt Service Fund - The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

Capital Projects Fund - The Capital Projects Fund is used to account for the City's capital projects, including the construction of the City's water/wastewater collection and treatment system.

The City reports the following major proprietary/enterprise fund:

Water/Wastewater Fund - The City accounts for water and wastewater services provided to customers in the Water/Wastewater Fund.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal

stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

TABLE 11 - CURRENT INVESTMENTS

As of November 30, 2025, the City’s investable funds were invested in the following categories:

Type of Investment	Market	% of Total Market Value
Bank Accounts	\$ 5,113,460	40.16%
Certificates of Deposit	7,617,818	59.84%
	<u>\$ 12,731,278</u>	<u>100.00%</u>

TAX MATTERS

OPINIONS . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (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 Certificates. See “APPENDIX C – Form of Bond Counsel’s Opinion”.

In rendering the foregoing 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 Certificates and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the 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.

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.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 11 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 referred to above within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time 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.

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 the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

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

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described events (15) and (16), the term "financial obligation" shall have the meaning ascribed to such term in SEC Release No. 34-83885, dated August 20, 2018, provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "- Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above to the MSRB.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

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 . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING . . . The Certificates are rated "AA" by S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates. In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Certificates, could be adversely affected.

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE . . . The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities 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 Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political

subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

NO-LITIGATION CERTIFICATE . . . The City will furnish to the Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by both the Mayor and Secretary of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance 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 Certificates, 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.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement 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 forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of ___% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT . . . The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Certificates to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Certificates subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Certificates as described in the notice of sale accompanying this Official Statement. The obligation of the City to update or change the Official Statement will terminate when the City delivers the Certificates to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Purchaser provides written notice to the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Certificates have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Certificates have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

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

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

Mayor
City of Jarrell, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION AND BRIEF HISTORY

The City of Jarrell, Texas (the “City”) is an agricultural and residential community located approximately twelve miles north of Georgetown on Interstate 35 and approximately 38 miles north of Austin, Texas. Founded in 1909 by real estate developer O.D. Jarrell, along with E. C. Haeber, the town was settled at the intersection of an old stagecoach road and the Bartlett and Western Railway that was under construction. The City is a General Law City Type A, incorporated in 2001, with an incorporated area of 1.67 square miles. The extraterritorial jurisdiction (ETJ) for the City contains 14.28 square miles.

The City is fortunate to be at most 3 ½ hours from some of the most significant consumer bases and manufacturing bases in Texas. Austin, San Antonio, Dallas/Ft. Worth, and Houston, internationally recognized economic development engines, are driving business opportunities through and to the City.

COUNTY CHARACTERISTICS

Williamson County was created and organized in 1848 from Milam County. Dell Computer Corporation, a personal computer manufacturer, operates a 232,000 sq. ft. telemarketing facility in the county and employs over 20,000 people. Sun City Texas, a 10,500 home, active retirement community, is being developed outside the Georgetown city limits. La Frontera, a 2 million sq. ft., 328 acre development is located at the intersection of IH-35 and future State Highway 45. In August 2006, Round Rock Premium Outlets opened. The outlet center provides over 430,000 square feet of retail space, one hotel, and a movie theater. On November 15, 2006, IKEA opened a 252,000 square foot retail store. The Dell Diamond, a minor league baseball stadium, included in a convention center complex, opened in April 2000. The Round Rock Express, a triple-A minor league team, plays at the Dell Diamond.

WILLIAMSON COUNTY POPULATION

2025 census: 727,480
2020 census: 609,017
2010 census: 422,679
2000 census: 235,000

ECONOMY

Mineral: sand, gravel and building stone.

Industry: manufacturing, government, education and agribusiness.

Agricultural: wheat, nursery crops, hay, grain sorghum, cotton, corn and cattle.

WILLIAMSON COUNTY EMPLOYMENT RATES

	September	Average Annual			
	2025	2024	2023	2022	2021
Civilian Labor Force	420,377	412,343	399,389	375,545	340,568
Total Employed	404,138	397,489	385,531	364,197	326,982
Total Unemployed	16,239	14,854	13,858	11,348	13,586
Unemployment Rate	3.9%	3.6%	3.5%	3.0%	4.0%

Source: Texas Labor Market Information.

APPENDIX B

EXCERPTS FROM THE CITY OF JARRELL, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2024

The information contained in this APPENDIX consists of excerpts from the City of Jarrell, Texas Annual Financial Report for the Year Ended September 30, 2024, 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.



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Alderman
City of Jarrell, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jarrell, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Jarrell'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, each major fund, and the aggregate remaining fund information for City of Jarrell, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Jarrell 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

City of Jarrell'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 of Jarrell's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

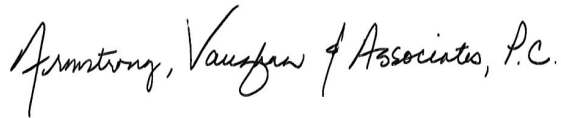
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to the City's net pension and total other postemployment benefit liabilities, as listed in the table of contents, be 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jarrell's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025 on our consideration of City of Jarrell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jarrell's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

March 26, 2025

MANAGEMENTS DISCUSSION AND ANALYSIS

As management of the City of Jarrell, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Jarrell for the fiscal year ended September 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2024 by \$42.2 million (net position). Of this amount \$10.6 million (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased from operations by \$4.7 million. This increase is attributable to the City's strong sales tax collections and customer access fees for new connections to the water and sewer system. The access fees will be used to offset the cost of needed system improvement and expansion.
- As of September 30, 2024, the City's governmental funds reported combined ending fund balances of \$9.4 million, a decrease of \$1.2 million. The decrease was from the capital projects fund contributing money to the utility fund for capital improvements.
- The City's General Fund reported a year end fund balance of \$5.6 million, which represents approximately 15 months of general fund operating expenditures.
- No new debt was issued.

Overview of the Financial Statements

The discussion and analysis is intended to serve as the introduction of the City of Jarrell, Texas' basic financial statements which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

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

The statement of activities presents information showing how the 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through their user fees and charges (business-type activities). The governmental activities of the City include general government, debt service, special revenue funds, and capital projects. The business-type activities of the City include a water/wastewater service fund.

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 two categories: governmental and proprietary, and utilize different accounting approaches.

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

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

The City maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service fund, which are considered to be major funds. Data from the other four (4) governmental funds are combined into a single, aggregated presentation. Details of the four (4) nonmajor governmental funds are presented in the supplementary information section. The City adopts an annual appropriated budget for all governmental funds except capital projects. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operation and maintenance of its water/wastewater service.

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

Government-wide Financial Analysis

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$42.2 million (net position). Of this amount \$10.6 million (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position (59%) is its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's unrestricted net position is approximately 25% of total net position and approximately 16% represents resources that are subject to external restrictions on how they may be used.

	Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and Other Assets	\$ 9,581,372	\$ 12,248,882	\$ 8,259,014	\$ 15,811,513	\$ 17,840,386	\$ 28,060,395
Capital Assets	2,726,573	2,799,518	61,800,199	50,658,674	64,526,772	53,458,192
Total Assets	<u>12,307,945</u>	<u>15,048,400</u>	<u>70,059,213</u>	<u>66,470,187</u>	<u>82,367,158</u>	<u>81,518,587</u>
Deferred Outflows of Resources	<u>169,634</u>	<u>31,452</u>	<u>-</u>	<u>-</u>	<u>169,634</u>	<u>31,452</u>
Liabilities						
Current Liabilities	229,726	1,751,191	496,158	592,969	725,884	2,344,160
Long-term Liabilities	2,646	-	39,590,765	41,722,581	39,593,411	41,722,581
Total Liabilities	<u>232,372</u>	<u>1,751,191</u>	<u>40,086,923</u>	<u>42,315,550</u>	<u>40,319,295</u>	<u>44,066,741</u>
Deferred Inflows of Resources	<u>1,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782</u>	<u>-</u>
Net Position						
Net Investment in						
Capital Assets	2,726,573	2,799,518	22,209,434	16,200,799	24,936,007	19,000,317
Restricted	3,787,500	2,843,257	2,930,121	3,339,147	6,717,621	6,182,404
Unrestricted	5,729,352	7,685,886	4,832,735	4,614,691	10,562,087	12,300,577
Total Net Position	<u>\$ 12,243,425</u>	<u>\$ 13,328,661</u>	<u>\$ 29,972,290</u>	<u>\$ 24,154,637</u>	<u>\$ 42,215,715</u>	<u>\$ 37,483,298</u>

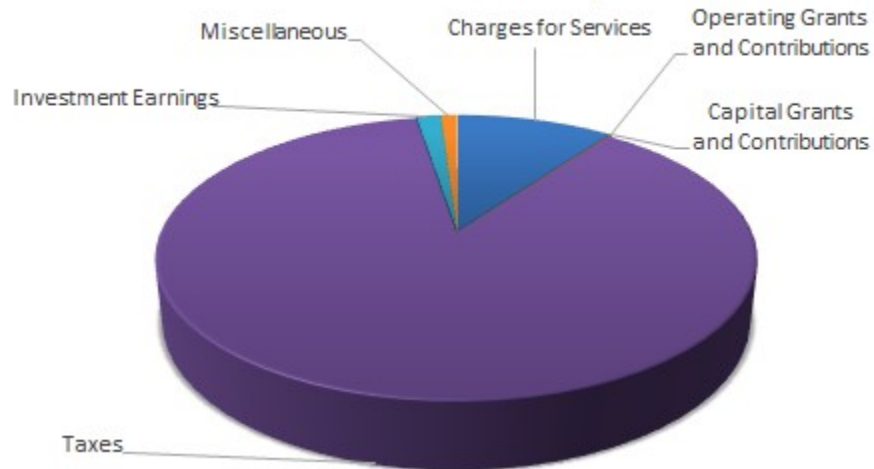
Governmental Activities – Property taxes increased \$809 thousand primarily from new properties added to the tax rolls. Expenses increased from \$4.1 million to \$4.7 million, primarily in expanding personnel to meet the needs of the growing community. During the year ending September 30, 2024, the City's governmental net position decreased by \$1.1 million after providing \$4.1 million in support to the utility fund.

Business-Type Activities - Utility charges for services increased 20% as new connections are being added. Costs increased from \$4.4 million to \$4.8 million primarily for increased debt service on bonds issued in 2023.

The following table and charts indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2024 and other metrics to evaluate the City activities.

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for Services	\$ 778,602	\$ 720,022	\$ 4,423,389	\$ 3,690,291	\$ 5,201,991	\$ 4,410,313
Operating Grants and Contributions	5,305	-	-	-	5,305	-
Capital Grants and Contributions	-	60,913	2,034,827	2,631,538	2,034,827	2,692,451
General Revenues						
Taxes						
Property Taxes	2,772,840	1,963,656	-	-	2,772,840	1,963,656
Sales and Mixed Beverage	3,770,038	3,840,466	-	-	3,770,038	3,840,466
Franchise Taxes	215,571	191,668	-	-	215,571	191,668
Investment Earnings	127,106	95,780	61,990	41,027	189,096	136,807
Miscellaneous	80,260	43,943	-	-	80,260	43,943
Total Revenues	<u>7,749,722</u>	<u>6,916,448</u>	<u>6,520,206</u>	<u>6,362,856</u>	<u>14,269,928</u>	<u>13,279,304</u>
Expenses:						
General Government	3,968,484	3,335,839	-	-	3,968,484	3,335,839
Public Safety	444,616	290,841	-	-	444,616	290,841
Emergency Management	939	18,701	-	-	939	18,701
Court	4,959	7,679	-	-	4,959	7,679
Community Center	29,156	21,032	-	-	29,156	21,032
Events	58,564	3,273	-	-	58,564	3,273
Parks	78,014	20,556	-	-	78,014	20,556
Public Works	138,265	394,551	-	-	138,265	394,551
Water/Wastewater Service	-	-	4,811,589	4,437,934	4,811,589	4,437,934
Interest and Fiscal Agent Fees	2,925	2,150	-	-	2,925	2,150
Total Expenses	<u>4,725,922</u>	<u>4,094,622</u>	<u>4,811,589</u>	<u>4,437,934</u>	<u>9,537,511</u>	<u>8,532,556</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	3,023,800	2,821,826	1,708,617	1,924,922	4,732,417	4,746,748
Transfers In (Out)	<u>(4,109,036)</u>	<u>(1,296,024)</u>	<u>4,109,036</u>	<u>1,296,024</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(1,085,236)	1,525,802	5,817,653	3,220,946	4,732,417	4,746,748
BEGINNING NET POSITION	13,328,661	11,802,859	24,154,637	20,933,691	37,483,298	32,736,550
ENDING NET POSITION	<u>\$ 12,243,425</u>	<u>\$ 13,328,661</u>	<u>\$ 29,972,290</u>	<u>\$ 24,154,637</u>	<u>\$ 42,215,715</u>	<u>\$ 37,483,298</u>

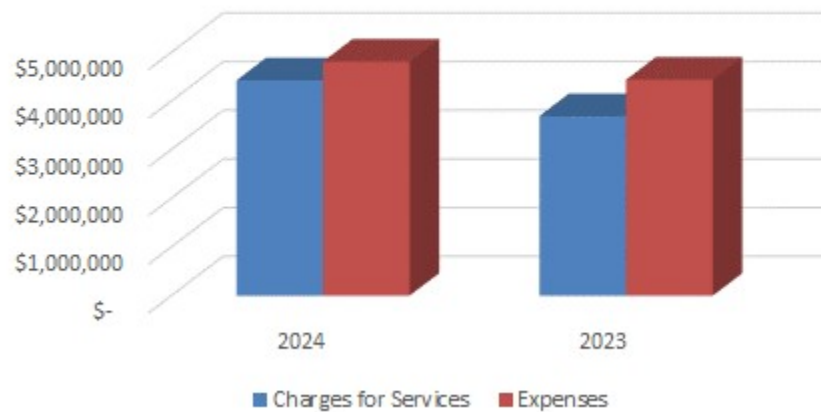
Governmental Revenues by Source



Tax Revenue by Type



Business-Type Activities Program Revenues and Expenses



Financial Analysis of the Government's Funds

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

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

The City's general fund is the chief operating fund of the City and is used to account for all financial resources except those required to be accounted for by another fund. Property and sales taxes provide the major source of income. At the end of the current fiscal year, the unassigned fund balance portion of the general fund was \$5.6 million compared to \$4.8 million in the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Proprietary Fund – The City's proprietary funds provide the same information found in the government-wide financial statements for business-type activities.

Budgetary Highlights

General Fund – General fund revenues exceeded budgetary estimates by \$144 thousand and expenditures were \$648 thousand less than the budget. General government was \$567 thousand under budget for lower professional fees (engineering, auditing, legal and inspections) than expected. The final budget anticipated increasing fund balance by \$43 thousand but actual results added \$835 thousand to fund balance.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024 amounted to \$64.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, park facilities, and machinery and equipment. The City's most significant additions during the year ending September 30, 2024 included utility system improvements from bond proceeds. More detailed information on the City's capital asset activity is presented in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 404,177	\$ 404,177	\$ 2,573,382	\$ 1,316,914	\$ 2,977,559	\$ 1,721,091
Water Rights	-	-	1,750,000	-	1,750,000	-
Construction in Progress	-	-	21,989,711	14,364,289	21,989,711	14,364,289
Total Not Depreciated	404,177	404,177	26,313,093	15,681,203	26,717,270	16,085,380
Buildings and Improvements	1,579,148	1,579,148	-	-	1,579,148	1,579,148
Infrastructure/Utility System	1,471,306	1,471,306	43,427,891	41,759,144	44,899,197	43,230,450
Machinery and Equipment	852,860	720,540	252,250	252,250	1,105,110	972,790
Accumulated Depreciation	(1,580,918)	(1,375,653)	(8,193,035)	(7,033,923)	(9,773,953)	(8,409,576)
Total Depreciated	2,322,396	2,395,341	35,487,106	34,977,471	37,809,502	37,372,812
Total	\$ 2,726,573	\$ 2,799,518	\$ 61,800,199	\$ 50,658,674	\$ 64,526,772	\$ 53,458,192

Long-Term Debt – As of September 30, 2024, the City had total debt outstanding of \$38 million. This amount is backed by the full faith and credit of the City and a pledge of utility net revenues. No new debt was issued in 2024. More detailed information about the City’s long-term liabilities is presented in the notes to the financial statements.

	Business-Type Activities	
	2024	2023
Certificates of Obligation	\$ 36,140,000	\$ 37,960,000
Note Payable	1,880,000	2,020,000
TOTALS	<u>\$ 38,020,000</u>	<u>\$ 39,980,000</u>

Economic Factors and Next Year’s Budgets and Rates

The 2024-2025 budget levied a tax rate of 0.394004 per \$100 (which was a decrease from 0.414004 in the prior year). Despite the decrease in rate, the City is expected to raise \$284 thousand more in revenue from valuation increases and new property. General fund spending is budgeted to increase approximately 25% to expand personnel to keep up with the growth in the City. The City is also looking to expand staffing to bring previously outsourced activities in house.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the finance department, at the City of Jarrell, 161 Town Center Blvd, Jarrell, Texas 76537.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Governmental funds
 - Proprietary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF JARRELL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,395,842	\$ 4,127,665	\$ 9,523,507
Investments	4,853,749	1,880,992	6,734,741
Receivables (net of allowances):			
Property Taxes	32,279	-	32,279
Sales Tax	643,006	-	643,006
Other	75,646	814,089	889,735
Internal Balances	(1,436,268)	1,436,268	-
Net Pension Asset	17,118	-	17,118
Capital Assets:			
Land and Water Rights	404,177	4,323,382	4,727,559
Buildings and Improvements (net)	1,292,837	-	1,292,837
Utility System and Infrastructure (net)	718,032	35,281,102	35,999,134
Machinery and Equipment (net)	311,527	206,004	517,531
Construction in Progress	-	21,989,711	21,989,711
TOTAL ASSETS	<u>12,307,945</u>	<u>70,059,213</u>	<u>82,367,158</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	169,634	-	169,634
TOTAL DEFERRED OUTFLOWS	<u>\$ 169,634</u>	<u>\$ -</u>	<u>\$ 169,634</u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF NET POSITION (CONT.)
SEPTEMBER 30, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 106,492	\$ 89,434	\$ 195,926
Accrued Interest Payable	-	191,367	191,367
Accrued Wages	42,408	-	42,408
Accrued Compensated Absences	76,909	-	76,909
Customer Deposits	3,917	204,000	207,917
Customer Overpayments	-	11,357	11,357
Long-term Liabilities			
Due in One Year	-	2,120,000	2,120,000
Due in More than One Year	-	37,470,765	37,470,765
Total Other Postemployment Benefit Liability	2,646	-	2,646
TOTAL LIABILITIES	<u>232,372</u>	<u>40,086,923</u>	<u>40,319,295</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	<u>1,782</u>	<u>-</u>	<u>1,782</u>
TOTAL DEFERRED INFLOWS	<u>1,782</u>	<u>-</u>	<u>1,782</u>
NET POSITION			
Net Investment In Capital Assets	2,726,573	22,209,434	24,936,007
Restricted For:			
Debt Service	401,309	-	401,309
Economic Development	1,299,329	-	1,299,329
Public Safety	1,860	-	1,860
Access Fees	-	2,930,121	2,930,121
Net Pension Asset	17,118	-	17,118
Street Maintenance	2,067,884	-	2,067,884
Unrestricted	5,729,352	4,832,735	10,562,087
TOTAL NET POSITION	<u>\$ 12,243,425</u>	<u>\$ 29,972,290</u>	<u>\$ 42,215,715</u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,968,484	\$ 741,399	\$ -	\$ -
Public Safety	444,616	-	5,305	-
Emergency Management	939	-	-	-
Court	4,959	20,128	-	-
Community Center	29,156	17,075	-	-
Events	58,564	-	-	-
Parks	78,014	-	-	-
Public Works	138,265	-	-	-
Interest and Fiscal Agent Fees	2,925	-	-	-
Total Governmental Activities	4,725,922	778,602	5,305	-
Business-Type Activities				
Water and Wastewater Service	4,811,589	4,423,389	-	2,034,827
Total Business-Type Activities	4,811,589	4,423,389	-	2,034,827
Total Primary Government	\$ 9,537,511	\$ 5,201,991	\$ 5,305	\$ 2,034,827
General Revenues:				
Taxes:				
Property Taxes				
Sales and Mixed Beverage Taxes				
Franchise Taxes				
Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Primary Government		
Net (Expense) Revenue and		
Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,227,085)	\$ -	\$ (3,227,085)
(439,311)	-	(439,311)
(939)	-	(939)
15,169	-	15,169
(12,081)	-	(12,081)
(58,564)	-	(58,564)
(78,014)	-	(78,014)
(138,265)	-	(138,265)
(2,925)	-	(2,925)
<u>(3,942,015)</u>	<u>-</u>	<u>(3,942,015)</u>
-	1,646,627	1,646,627
<u>-</u>	<u>1,646,627</u>	<u>1,646,627</u>
(3,942,015)	1,646,627	(2,295,388)
2,772,840	-	2,772,840
3,770,038	-	3,770,038
215,571	-	215,571
127,106	61,990	189,096
80,260	-	80,260
<u>6,965,815</u>	<u>61,990</u>	<u>7,027,805</u>
(4,109,036)	4,109,036	-
(1,085,236)	5,817,653	4,732,417
13,328,661	24,154,637	37,483,298
<u>\$ 12,243,425</u>	<u>\$ 29,972,290</u>	<u>\$ 42,215,715</u>

CITY OF JARRELL
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Major Funds		Other	Total
	General	Debt	Nonmajor	Governmental
	Fund	Service	Funds	Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,895,909	\$ 1,030,907	\$ 2,469,027	\$ 5,395,843
Investments	2,488,938	686,585	1,678,225	4,853,748
Receivables (net of allowances):				
Property Taxes	11,152	21,127	-	32,279
Sales Tax	482,255	-	160,752	643,007
Other	75,646	-	-	75,646
Due from Other Funds	840,282	-	309	840,591
TOTAL ASSETS	<u>\$ 5,794,182</u>	<u>\$ 1,738,619</u>	<u>\$ 4,308,313</u>	<u>\$ 11,841,114</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 106,492	\$ -	\$ -	\$ 106,492
Accrued Wages	42,408	-	-	42,408
Deposits	3,917	-	-	3,917
Due to Other Funds	309	1,337,310	939,240	2,276,859
<i>Total Liabilities</i>	<u>153,126</u>	<u>1,337,310</u>	<u>939,240</u>	<u>2,429,676</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	<u>11,152</u>	<u>21,127</u>	<u>-</u>	<u>32,279</u>
<i>Fund Balances:</i>				
Restricted for:				
Debt Service	-	380,182	-	380,182
Economic Development	-	-	1,299,329	1,299,329
Public Safety	-	-	1,860	1,860
Street Maintenance	-	-	2,067,884	2,067,884
Unassigned	5,629,904	-	-	5,629,904
<i>Total Fund Balances</i>	<u>5,629,904</u>	<u>380,182</u>	<u>3,369,073</u>	<u>9,379,159</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,794,182</u>	<u>\$ 1,738,619</u>	<u>\$ 4,308,313</u>	<u>\$ 11,841,114</u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	9,379,159
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,726,573
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		32,278
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Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(76,909)
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OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:

OPEB Liability		(2,646)
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Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:

Pension Related Deferred Outflows	169,634		
Net Pension Asset (Liability)	17,118		
Pension Related Deferred Inflows	(1,782)		
		184,970	

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	12,243,425
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See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Major Funds		Other Nonmajor	Total
	General Fund	Debt Service	Governmental Funds	Governmental Funds
REVENUES				
Property Taxes	\$ 1,266,373	\$ 1,503,150	\$ -	\$ 2,769,523
Sales and Mixed Beverage Taxes	2,822,048	-	947,990	3,770,038
Franchise Taxes	215,571	-	-	215,571
Licenses and Permits	741,399	-	-	741,399
Grants and Donations	5,305	-	-	5,305
Fines and Forfeitures	20,128	-	-	20,128
Investment Earnings	47,734	18,713	60,657	127,104
Miscellaneous	97,335	-	-	97,335
TOTAL REVENUES	<u>5,215,893</u>	<u>1,521,863</u>	<u>1,008,647</u>	<u>7,746,403</u>
EXPENDITURES				
<i>Current:</i>				
General Government	3,829,132	-	249,570	4,078,702
Public Safety	334,171	-	-	334,171
Emergency Management	939	-	-	939
Court	4,959	-	-	4,959
Parks	63,609	-	-	63,609
Community Center	29,156	-	-	29,156
Events	58,564	-	-	58,564
Public Works	-	-	48,703	48,703
<i>Capital Outlay</i>	60,765	-	126,955	187,720
<i>Debt Service:</i>				
Interest and Fiscal Charges	-	2,925	-	2,925
TOTAL EXPENDITURES	<u>4,381,295</u>	<u>2,925</u>	<u>425,228</u>	<u>4,809,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>834,598</u>	<u>1,518,938</u>	<u>583,419</u>	<u>2,936,955</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(1,272,280)	(2,836,756)	(4,109,036)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,272,280)</u>	<u>(2,836,756)</u>	<u>(4,109,036)</u>
Net Change in Fund Balance	834,598	246,658	(2,253,337)	(1,172,081)
Fund Balances at Beginning of Year	<u>4,795,306</u>	<u>133,524</u>	<u>5,622,410</u>	<u>10,551,240</u>
Fund Balances at End of Year	<u>\$ 5,629,904</u>	<u>\$ 380,182</u>	<u>\$ 3,369,073</u>	<u>\$ 9,379,159</u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,172,081)

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

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	177,304	
Depreciation Expense	<u>(250,249)</u>	(72,945)

Revenues in the Statement of Activities that do not provide current financial resources
are not reported as revenues in the funds. 3,317

Governmental funds report required contributions to employee pensions
as expenditures. However, in the Statement of Activities the cost of
the pension is recorded based on the actuarially determined cost of the
plan. This is the amount that contributions exceeded (fell short of) actuarially
determined pension expense. 153,518

Governmental funds report required contributions to OPEB as expenditures.
However, in the Statement of Activities the cost of the expense is recorded
based on the actuarially determined cost of the plan. This is the amount
that actuarially determined OPEB expense exceeded contributions. (2,646)

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	<u>5,601</u>	
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (1,085,236)

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2024

	Business-Type Activities Utility Fund
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 4,127,665
Investments	1,880,992
Accounts Receivable, Net of Allowance:	
Customer Accounts	814,089
Due from Other Funds	1,436,268
<i>Total Current Assets</i>	<u>8,259,014</u>
<i>Noncurrent Assets:</i>	
Capital Assets:	
Land	2,573,382
Water Rights	1,750,000
Utility System (net)	35,281,102
Equipment (net)	206,004
Construction in Progress	21,989,711
<i>Total Noncurrent Assets</i>	<u>61,800,199</u>
TOTAL ASSETS	<u><u>\$ 70,059,213</u></u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 89,434
Accrued Interest	191,367
Customer Overpayments	11,357
Customer Deposits	204,000
Current Portion of Long-Term Debt	2,120,000
<i>Total Current Liabilities</i>	<u>2,616,158</u>
<i>Long-term Liabilities</i>	
Long-Term Debt (Net of Current Portion)	37,470,765
<i>Total Long-term Liabilities</i>	<u>37,470,765</u>
TOTAL LIABILITIES	<u>40,086,923</u>
NET POSITION	
Net Investment in Capital Assets	22,209,434
Restricted Access Fees	2,930,121
Unrestricted	4,832,735
TOTAL NET POSITION	<u>29,972,290</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 70,059,213</u></u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities Utility Fund
OPERATING REVENUES	
Water Charges	\$ 1,303,345
Wastewater Charges	2,910,001
Other Charges	210,043
TOTAL OPERATING REVENUES	<u>4,423,389</u>
OPERATING EXPENSES	
Water Purchases	529,741
Depreciation	1,159,112
Utilities	425,834
Maintenance	1,565,666
Administrative Expenses	38,311
TOTAL OPERATING EXPENSES	<u>3,718,664</u>
OPERATING INCOME (LOSS)	<u>704,725</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	61,990
Access Fees	2,034,827
Interest Expense	(1,092,925)
TOTAL NONOPERATING REVENUES	<u>1,003,892</u>
INCOME BEFORE TRANSFERS	<u>1,708,617</u>
TRANSFERS	
Transfers In	4,109,036
TOTAL TRANSFERS	<u>4,109,036</u>
CHANGE IN NET POSITION	5,817,653
NET POSITION AT BEGINNING OF YEAR	<u>24,154,637</u>
NET POSITION AT END OF YEAR	<u><u>\$ 29,972,290</u></u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities <u>Utility Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 4,271,811
Cash Paid to Suppliers for Goods & Services	<u>(2,675,141)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,596,670</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(12,300,637)
Capital Grants Received	58,272
Customer Access Fees Received	2,034,827
Principal Paid on Long-term Debt	(1,960,000)
Interest Paid on Long-term Debt	<u>(1,302,567)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13,470,105)</u>
Cash Flows From Noncapital Financing Activities:	
Advances to (from) Other Funds	<u>10,354,049</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,354,049</u>
Cash Flows From Investing Activities:	
Interest Income	61,990
Purchase of Certificate of Deposit	<u>(30,771)</u>
Net Cash Provided (Used) by Investing Activities	<u>31,219</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,488,167)
Cash and Cash Equivalents at Beginning of Year:	<u>5,615,832</u>
Cash and Cash Equivalents at End of Year:	<u><u>\$ 4,127,665</u></u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-Type Activities
	<u>Utility Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 704,725
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,159,112
Decrease (Increase) in Assets:	
Accounts Receivable (net)	(208,182)
Increase (Decrease) in Liabilities:	
Accounts Payable	(115,589)
Customer Deposits	55,875
Customer Overpayments	<u>729</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,596,670</u></u>

See accompanying notes to basic financial statements.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jarrell, Texas, are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Government Accounting Standards Board (GASB). A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

The City, for financial purposes, includes all of the activities and funds relevant to the operations of the City of Jarrell. These operations include general government, public safety, public works and water/wastewater service.

The governmental reporting entity consists of the City and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and data from these units are combined with the data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The City has one blended component unit.

Component Unit

The City of Jarrell Economic Development Corporation (EDC) is governed by a five-member board, all appointed by City Council. The EDC is focused on building economic prosperity in the City of Jarrell. The EDC is funded through a quarter cent Section 4A sales tax. The EDC provides direct services and benefits to the City of Jarrell, its business community, and citizens and functions as an integral part of the City's operations by promoting and incentivizing economic growth and development for the community. The EDC and the City of Jarrell have both a financial and operational relationship which requires that the EDC's financial statements be presented in the City's financial statements. The City Council approves the budget and expenditures of the EDC and the employees of the EDC are employees of the City. Separate financial statements are not issued for the EDC.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 revenue to be available if collected within 30 (thirty) days of the end of the current fiscal period. Receivables which are measurable but not collectible are reported as deferred inflows of resources. Property taxes which are levied prior to September 30, 2023, and became due October 1, 2023 have been assessed to finance the budget of the fiscal year beginning October 1, 2023 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2024.

Sales taxes, franchise taxes, hotel/motel taxes, interest and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. 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 government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes and franchise fees. Primary expenditures are for general government, public safety, public works and recreation.

Debt Service Fund holds property taxes levied to repay qualified debts of the City.

The government reports the following major proprietary fund:

Utility Fund accounts for charges to residents and businesses for the provision of water service and the collection and treatment of wastewater.

D. Cash and Cash Equivalents

The City considers all highly liquid investments including cash in banks, cash on hand, and local government investment pools to be cash equivalents.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value except for certificates of deposit and local government investment pools. Those investments are stated at amortized cost and net asset value, respectively. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2023 and past due after January 31, 2024. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of an allowance for uncollectibles.

G. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Useful Lives (Years)
Buildings	10-30
Streets and Infrastructure	15-20
Equipment	5
Utility System	5-40

J. Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts. Only unused vacation will be paid upon resignation or retirement. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave and compensatory time that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. The City is responsible for payment of vested or accumulated vacation leave and compensatory time. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation leave and compensatory time of the proprietary funds is recorded as an expense and liability of that fund as the benefits accrue to employees. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The general fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

K. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City may have deferred outflows related to a pension, other postemployment benefit and differences resulting from debt refundings.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resources in the period the amounts become available. The City also may have pension and OPEB related deferred inflows.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions

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

M. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

N. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt. Loss on refundings and bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position

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

P. Fund Balance

Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Restricted** – These funds are governed by externally enforceable restrictions.
- **Non-spendable** – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- **Committed** - Fund balances in this category are limited by the government's highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- **Assigned** – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council. Authority to make assignments has not been established as this time.
- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City's Council or its designated official has provided otherwise in its commitments or assignment actions. The City's policy is to maintain a minimum unassigned fund balance in the General Fund of 25% of the current year's operating expenditures.

Q. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating.

S. Use of Estimates

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

NOTE 2 -- INVESTMENTS

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Act of 1995 (Chapter 2256, Texas Government Code). The City's investment policy requires all deposits to be fully collateralized. Investments held in pools shall be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service. The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year. Investments at year end are representative of the types of investments maintained by the City during the year.

The City's investments at September 30, 2024 consisted entirely of certificates of deposit reported at amortized cost. These certificates are held at the City's depository and were covered as part of the pledged collateral provided by the depository.

The following is an analysis of the investment risks of the City.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to less than one year. The City's investment policy limits the final stated maturity of any security to no more than five years. As a matter of policy, the City holds all investments to maturity.

Credit Risk. The City's investment policy states that municipal obligations and other debt investments will be rated not less than A and pools will be no lower than AAA rated. The state comptroller of public accounts exercises oversight responsibility over TexPool, a local government investment pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 2 -- INVESTMENTS (Continued)

Custodial Credit Risk. The City's deposits are collateralized by a combination of FDIC coverage and pledged collateral from the City's depository. Funds were fully covered.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the government securities owned by the City are held by its agent in the City's name.

Concentration of Credit Risk. None of the City's investments in any one agency exceeded 3% of total investments.

NOTE 3 -- RECEIVABLES

Receivables consist of the following as of September 30, 2024:

	Governmental Funds			Proprietary Fund
	General	Debt Service	Other Nonmajor Funds	Utility Fund
<i>Receivables:</i>				
Property Taxes	\$ 11,152	\$ 21,127	\$ -	\$ -
Sales Tax	482,255	-	160,752	-
Franchise Taxes	75,646	-	-	-
Retail Customers	-	-	-	488,181
Wholesale	-	-	-	404,422
Unbilled Service	-	-	-	64,983
Gross Receivables	569,053	21,127	160,752	957,586
Less: Allowance for Uncollectibles	-	-	-	(143,497)
Net Total Receivables	<u>\$ 569,053</u>	<u>\$ 21,127</u>	<u>\$ 160,752</u>	<u>\$ 814,089</u>

NOTE 4 -- PROPERTY TAX

Taxes are levied on and payable as of October 1. The City has contracted with the Williamson County Tax Assessor/Collector to collect taxes on its behalf. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action. For fiscal year 2024, the assessed tax rate for the City was \$0.414004 per \$100 on an assessed valuation of \$677 million. This is broken out as \$0.189608 per \$100 for maintenance and operations and \$0.224396 per \$100 for debt retirement. Total tax levy for fiscal year 2024 (tax year 2023) is \$2.66 million. As of September 30, 2024, the delinquent current taxes for 2024 were \$16 thousand.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 5 -- CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 404,177	\$ -	\$ -	\$ 404,177
<i>Total Capital Assets Not Being Depreciated</i>	<u>404,177</u>	<u>-</u>	<u>-</u>	<u>404,177</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	1,579,148	-	-	1,579,148
Streets and Infrastructure	1,471,306	-	-	1,471,306
Machinery and Equipment	720,540	177,304	(44,984)	852,860
<i>Total Capital Assets Being Depreciated</i>	<u>3,770,994</u>	<u>177,304</u>	<u>(44,984)</u>	<u>3,903,314</u>
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(259,180)	(27,131)	-	(286,311)
Streets and Infrastructure	(654,706)	(98,568)	-	(753,274)
Machinery and Equipment	(461,767)	(124,550)	44,984	(541,333)
<i>Total Accumulated Depreciation</i>	<u>(1,375,653)</u>	<u>(250,249)</u>	<u>44,984</u>	<u>(1,580,918)</u>
Total Capital Assets Being Depreciated, Net	<u>2,395,341</u>	<u>(72,945)</u>	<u>-</u>	<u>2,322,396</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,799,518</u>	<u>\$ (72,945)</u>	<u>\$ -</u>	<u>\$ 2,726,573</u>

Depreciation expense was charged to the governmental functions as follows

<i>Governmental Activities:</i>	
General Government	\$ 40,111
Public Safety	110,444
Parks	14,405
Public Works	85,289
<i>Total Depreciation Expense - Governmental Activities</i>	<u>\$ 250,249</u>

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 5 -- CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Disposals	Ending Balance
Business-Type Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 1,316,914	\$ 1,256,468	\$ -	\$ 2,573,382
Water Rights	-	1,750,000	-	1,750,000
Construction in Progress	14,364,289	9,217,586	(1,592,164)	21,989,711
<i>Total Capital Assets Not Being Depreciated</i>	<u>15,681,203</u>	<u>12,224,054</u>	<u>(1,592,164)</u>	<u>26,313,093</u>
<i>Capital Assets, Being Depreciated:</i>				
Utility System	41,759,144	76,583	1,592,164	43,427,891
Machinery and Equipment	252,250	-	-	252,250
<i>Total Capital Assets Being Depreciated</i>	<u>42,011,394</u>	<u>76,583</u>	<u>1,592,164</u>	<u>43,680,141</u>
<i>Accumulated Depreciation:</i>				
Utility System	(7,012,902)	(1,133,887)	-	(8,146,789)
Machinery and Equipment	(21,021)	(25,225)	-	(46,246)
<i>Total Accumulated Depreciation</i>	<u>(7,033,923)</u>	<u>(1,159,112)</u>	<u>-</u>	<u>(8,193,035)</u>
Total Capital Assets Being Depreciated, Net	<u>34,977,471</u>	<u>(1,082,529)</u>	<u>1,592,164</u>	<u>35,487,106</u>
Business-Type Activities Capital Assets, Net	<u>\$ 50,658,674</u>	<u>\$ 11,141,525</u>	<u>\$ -</u>	<u>\$ 61,800,199</u>

NOTE 6 -- BONDS AND NOTES PAYABLE

The City has the following outstanding debts:

	Original Principal	Interest Rate	Maturity	Purpose
<i>Business-Type Activities:</i>				
2006 Certificates	\$7,895,000	0%	2026	Water/Wastewater system improvements
2008 Certificates	1,520,000	0%	2038	Water/Wastewater system improvements
2015 Note Payable	2,985,000	3-5%	2035	Water/Wastewater system improvements
2017 Certificates	12,000,000	0.71-2.23%	2042	Water/Wastewater system improvements
2018 Certificates	2,005,000	3.75-5%	2043	Water/Wastewater system improvements
2020 Certificates	13,685,000	2.25-5%	2045	Water/Wastewater system improvements
2023 Certificates	10,790,000	4-5%	2043	Water/Wastewater system improvements

The 2006, 2008 and 2017 certificates were privately placed with no subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 6 -- BONDS AND NOTES PAYABLE (Continued)

The 2015 note payable was created as part of a facilities acquisition agreement with Lone Star Regional Water Authority in which the City took ownership of a ground storage tank upon completion of construction. The tank was financed through bonds issued by Lone Star Regional Water Authority for which the City is making the debt service payments.

Changes in debt during the fiscal year ending September 30, 2024 were as follows:

	Balance 9/30/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
<i>Business-Type Activities:</i>					
Public Offerings:					
2018 Certificates	\$ 1,765,000	\$ -	\$ (55,000)	\$ 1,710,000	\$ 60,000
2020 Certificates	12,805,000	-	(410,000)	12,395,000	430,000
2023 Certificates	10,790,000	-	(245,000)	10,545,000	350,000
Private Placement:					
2006 Certificates	1,995,000	-	(650,000)	1,345,000	670,000
2008 Certificates	1,125,000	-	(30,000)	1,095,000	30,000
2017 Certificates	9,480,000	-	(430,000)	9,050,000	435,000
2015 Note Payable	2,020,000	-	(140,000)	1,880,000	145,000
Unamortized Premiums	1,742,581	-	(171,816)	1,570,765	-
<i>Total Business-Type Activities</i>	<u>\$ 41,722,581</u>	<u>\$ -</u>	<u>\$ (2,131,816)</u>	<u>\$ 39,590,765</u>	<u>\$ 2,120,000</u>

The annual debt service requirements on these bonds as of September 30, 2024 are as follows:

Year Ending September 30,	Business-Type Activities				
	Public Offering		Private Placement		Total
	Principal	Interest	Principal	Interest	
2025	\$ 840,000	\$ 919,119	\$ 1,280,000	\$ 247,579	\$ 3,286,698
2026	880,000	877,119	1,295,000	238,401	3,290,520
2027	925,000	833,119	670,000	228,181	2,656,300
2028	970,000	786,869	680,000	217,167	2,654,036
2029	1,020,000	738,369	695,000	205,258	2,658,627
2030-2034	5,740,000	2,953,795	3,755,000	806,034	13,254,829
2035-2039	6,685,000	1,806,495	3,250,000	378,935	12,120,430
2040-2044	6,870,000	656,858	1,745,000	78,155	9,350,013
2045	720,000	16,200	-	-	736,200
Total	<u>\$ 24,650,000</u>	<u>\$ 9,587,943</u>	<u>\$ 13,370,000</u>	<u>\$ 2,399,710</u>	<u>\$ 50,007,653</u>

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 7 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM

A. Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to but Not Yet Receiving Benefits	2
Active Employees	18
	<u>20</u>

C. Contributions

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year (an increase from 6% in the previous fiscal year). The City matches employee contributions 2 to 1 (an increase from 1 to 1 in the previous fiscal year). The City's required contribution rates were 7% and 7.19% for calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$194,285 which exceeded the required contributions.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 7 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

D. Net Pension Liability

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

E. Actuarial Assumptions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 7 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

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

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
	<u>100.00%</u>	

F. Discount Rate

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

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 7 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

G. Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2022	\$ -	\$ -	\$ -
Changes for the year:			
Service Cost	137,219	-	137,219
Interest	2,120	-	2,120
Change of Benefit Terms	(37,209)	-	(37,209)
Difference Between Expected and Actual Experience	-	-	-
Changes of Assumptions	(1,999)	-	(1,999)
Contributions - Employer	-	57,868	(57,868)
Contributions - Employee	-	59,381	(59,381)
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>100,131</u>	<u>117,249</u>	<u>(17,118)</u>
Balance at December 31, 2023	<u>\$ 100,131</u>	<u>\$ 117,249</u>	<u>\$ (17,118)</u>

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ (2,896)	\$ (17,118)	\$ (29,449)

I. 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.tmrs.com.

J. Pension Expense

For the year ended September 30, 2024, the City recognized pension expense of \$42,532.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 7 -- PENSION PLAN – TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

K. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2024, 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>
Differences between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	1,782
Differences Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	<u>169,634</u>	<u>-</u>
	<u><u>\$ 169,634</u></u>	<u><u>\$ 1,782</u></u>

The City reported \$169,634 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2023) will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31,	
2024	\$ (217)
2025	(217)
2026	(217)
2027	(217)
2028	(217)
Thereafter	<u>(697)</u>
	<u><u>\$ (1,782)</u></u>

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB)

The City also participates in the cost sharing multiple-employer defined benefit group- term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). 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 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2023, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active Employees	18
	<u>18</u>

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	3.77% (Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid throe the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retiree	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retire	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONTINUED)

The City's contributions to TMRS for the benefit were \$2,911 for the fiscal year ended September 30, 2024 and were equal to the required contributions. The SDBF required contribution rates were as follows:

Calendar Year	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2024	0.16%	0.00%
2023	0.16%	0.00%

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2023 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2022	\$ -
Changes for the year:	
Service Cost	2,599
Interest	53
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(6)
Benefit Payments	-
Net Changes	<u>2,646</u>
Balance at December 31, 2023	<u>\$ 2,646</u>

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.77% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 2.77%	Discount Rate 3.77%	Discount Rate 4.77%
Total OPEB Liability	\$ 3,150	\$ 2,646	\$ 2,265

For the year ended September 30, 2024, the City recognized OPEB expense of \$2,651. Also as of September 30, 2024, the City reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 9 -- TRANSACTIONS BETWEEN FUNDS

The following balances were owed between funds as of September 30, 2024:

Due From	Due to	Amount	Purpose
Nonmajor Governmental	Utility Fund	\$ 939,240	Bond Proceeds Held for Utility
General Fund	Nonmajor Governmental	309	Allocation of cash receipts
Debt Service	Utility Fund	497,028	Debt Service Reimbursements
Debt Service	General Fund	840,282	Allocation of cash receipts
		<u>\$2,276,859</u>	

Transfers during the fiscal year ending September 30, 2024 consisted of \$1,272,280 from the debt service fund to the utility fund for debt service on certificates of obligation and \$2,836,756 from the capital projects fund to the utility fund in support of capital outlay.

NOTE 10 -- JOINT VENTURE – LONE STAR REGIONAL WATER AUTHORITY

The City participates with the Sonterra Municipal Utility District and Williamson County as a member of Lone Star Regional Water Authority (LSRWA). LSRWA was created in 2011 to design, finance, construct and operate wholesale water infrastructure projects for public/private water providers. The City appoints a portion of the Board of LSRWA. In 2015, the City executed a water supply agreement with LSRWA with two other entities to create the East Williamson County Regional Water Transmission System Project (“Project”). The City is entitled to a share of the water produced from the project and is required to make payments to LSRWA in amounts sufficient to cover the City’s allocated share of the Project’s operating costs and debt service through a pledge of the City’s utility fund revenues. LSRWA has issued contract revenue bonds based on the water supply contract. For the fiscal year ended September 30, 2023, LSRWA’s audited financial statements reported total assets of \$64 million and total liabilities of \$61 million. The outstanding bonds and notes for the Project were \$28.4 million, including \$8.9 million based on the City’s portion of the water supply contract. Payments to LSRWA during the year are recorded as water purchase expense in the Utility Fund. Payments by the City to LSRWA for the year ended September 30, 2024 were \$519 thousand.

NOTE 11 -- CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, 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.

NOTE 12 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. There were no significant changes in coverage during fiscal year 2024.

CITY OF JARRELL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE 13 -- COMMITMENTS

The City has entered into contracts for construction and engineering on water and wastewater projects. Commitments on these projects as of September 30, 2024 are as follows:

	<u>Estimated Project Cost to City</u>	<u>Expended to Date</u>	<u>Estimated Future Commitment</u>
<i>Business-Type Activities:</i>			
Balcones Flat Lift Station	\$ 7,840,306	\$ 7,809,847	\$ 30,459
<i>Governmental Activities:</i>			
TxDOT Traffic Signals	<u>195,000</u>	<u>-</u>	<u>195,000</u>
Total Estimated Future Commitments	<u>\$ 8,035,306</u>	<u>\$ 7,809,847</u>	<u>\$ 225,459</u>

NOTE 14 -- LITIGATION

The City is the defendant in two claims. One is for an alleged breach of contract seeking \$1.8 million in damages. The other involved an alleged breach of a development agreement to provide utility service with unspecified damages. Management and legal counsel intend to defend against these claims and believe it is unlikely a material loss to the City would occur. However, if decided adversely to the City, the damages could be significant.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

*[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 JARRELL, TEXAS, COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF JARRELL, TEXAS (the "City") of the certificates of obligation described above (the "Certificates"), we have examined in to 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 March 3, 2026 authorizing the issuance of the Certificates (the "Ordinance").

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 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, 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 water 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. 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,