

# OFFICIAL STATEMENT

Dated January 22, 2026

## Ratings:

S&P: "AA+"

Fitch: "AA+"

(See "OTHER INFORMATION

– Ratings herein)

## NEW ISSUE – Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas (Bond Counsel, defined below), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Obligations (defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax and Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations. See "TAX MATTERS" herein.



## HAYS COUNTY, TEXAS (A political subdivision of the State of Texas)

**\$94,615,000**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2026**

**\$38,300,000**  
**LIMITED TAX REFUNDING BONDS,**  
**SERIES 2026**

**Dated Date: February 17, 2026**

**Due: February 15, as shown on pages 2 and 3**

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

**PAYMENT TERMS** . . . Interest on the \$94,615,000 Hays County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") and \$38,300,000 Hays County, Texas Limited Tax Refunding Bonds, Series 2026 (the "Bonds" and together with the Certificates, the "Obligations") will accrue from the Date of Initial Delivery (defined below) and will be payable on August 15 and February 15 of each year commencing August 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Obligations 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 Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS – Book-Entry-Only System"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE OBLIGATIONS – Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Texas Constitution (the "Constitution") and the general laws of the State of Texas (the "State"), including particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Sections 271.041 through 271.064, Section 363.135, as amended, Texas Health and Safety Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an order adopted by the Commissioners Court of Hays County, Texas (the "County") on January 20, 2026, and an approval certificate relating to the Certificates executed on January 22, 2026 (such order together with the approval certificate relating to the Certificates, the "Certificate Order"). The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Chapter 1371, an order adopted by the Commissioners Court of the County on January 20, 2026, and an approval certificate relating to the Bonds executed on January 22, 2026 (such order together with the approval certificate relating to the Bonds, the "Bond Order").

The Certificates are direct obligations of the County payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County and are further secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the County's solid waste management system (the "Solid Waste Management System"), such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues which may be pledged to the payment of any Prior Lien Bonds or Junior Lien Bonds (each as described and defined in the Certificate Order) hereafter issued by the County. In the Certificate Order the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations, while the Certificates are outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds are direct obligations of the County payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County. See "THE OBLIGATIONS – Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment."

**PURPOSE** . . . Proceeds from the sale of the Obligations will be used as more particularly described herein (see "PLAN OF FINANCING – Purpose").

**CUSIP PREFIX: 421020**

**MATURITY SCHEDULE**

**See Pages 2 and 3**

**LEGALITY** . . . The Obligations are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinions of the Attorney General of Texas and the approval of certain legal matters by of Orrick, Herrington & Sutcliffe LLP, Austin, Texas ("Bond Counsel") (see "APPENDIX C – Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by their counsel, Jackson Walker LLP, Houston, Texas.

**DELIVERY** . . . It is expected that the Obligations will be available for initial delivery through DTC on February 17, 2026 (the "Date of Initial Delivery").

**JEFFERIES**  
**FROST BANK**

**RAYMOND JAMES**  
**SIEBERT WILLIAMS SHANK**

**\$94,615,000**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2026**

**MATURITY SCHEDULE**

2/15 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers <sup>(1)</sup>
2027	\$ 435,000	5.000%	2.36%	421020Y28
2028	455,000	5.000%	2.40%	421020Y36
2029	2,235,000	5.000%	2.43%	421020Y44
2030	2,350,000	5.000%	2.49%	421020Y51
2031	2,470,000	5.000%	2.55%	421020Y69
2032	2,595,000	5.000%	2.62%	421020Y77
2033	2,730,000	5.000%	2.73%	421020Y85
2034	2,870,000	5.000%	2.81%	421020Y93
2035	3,020,000	5.000%	2.92%	421020Z27
2036	3,175,000	5.000%	2.98%	(2) 421020Z35
2037	3,335,000	5.000%	3.14%	(2) 421020Z43
2038	3,505,000	5.000%	3.25%	(2) 421020Z50
2039	3,685,000	5.000%	3.38%	(2) 421020Z68
2040	3,875,000	5.000%	3.47%	(2) 421020Z76
2041	4,075,000	5.000%	3.63%	(2) 421020Z84
2042	4,285,000	5.000%	3.77%	(2) 421020Z92
2043	4,505,000	5.000%	3.91%	(2) 421020A5
2044	4,735,000	5.000%	4.04%	(2) 421020B3
2045	4,975,000	5.000%	4.17%	(2) 421020C1
2046	5,230,000	5.000%	4.27%	(2) 421020D9

**\$30,075,000 4.500% Term Bonds due February 15, 2051, Priced to a Dollar Price of 97.750 to Yield 4.653% – 421020E7<sup>(1)</sup>**

**(Interest Accrues from the Date of Initial Delivery)**

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the County, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- (2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2035, the first date of optional redemption of such Certificates, at the price of par plus accrued interest to such redemption date.

**REDEMPTION . . .** The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS – Optional Redemption”). Additionally, Term Certificates maturing on February 15, 2051 are subject to mandatory sinking fund redemption (see “THE OBLIGATIONS – Mandatory Sinking Fund Redemption”).

**CONCURRENT ISSUANCE . . .** Concurrently with the issuance of the Certificates, the County is issuing its \$38,300,000 Limited Tax Refunding Bonds, Series 2026 (the “Bonds”) under this common Official Statement. The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while such Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

**\$38,300,000**  
**LIMITED TAX REFUNDING BONDS, SERIES 2026**

**MATURITY SCHEDULE**

2/15 Maturity	Principal Amount	Rate	Initial Yield	CUSIP Numbers <sup>(1)</sup>
2027	\$ 3,375,000	5.000%	2.36%	4210202F4
2028	1,330,000	5.000%	2.40%	4210202G2
2029	5,655,000	5.000%	2.43%	4210202H0
2030	6,980,000	5.000%	2.49%	4210202J6
2031	5,520,000	5.000%	2.55%	4210202K3
2032	3,575,000	5.000%	2.62%	4210202L1
2033	3,755,000	5.000%	2.73%	4210202M9
2034	3,950,000	5.000%	2.81%	4210202N7
2035	4,160,000	5.000%	2.92%	4210202P2

**(Interest Accrues from the Date of Initial Delivery)**

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the County, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

**REDEMPTION . . . The Bonds are not subject to redemption prior to their stated maturities** (see “THE OBLIGATIONS – Optional Redemption”).

**CONCURRENT ISSUANCE . . .** Concurrently with the issuance of the Bonds, the County is issuing its \$94,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) under this common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and, while such Certificates and Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

*[The remainder of this page intentionally left blank.]*

No dealer, broker, salesman or other person has been authorized by the County or the Underwriters 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 County or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Obligations 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 County or obtained from other sources believed by the County 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 County 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 opinion or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.

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

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

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

NONE OF THE COUNTY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM HEREIN, AS SUCH INFORMATION WAS PROVIDED BY DTC.

## TABLE OF CONTENTS

<b>OFFICIAL STATEMENT SUMMARY .....</b>	<b>5</b>	<b>INVESTMENTS .....</b>	<b>31</b>
<b>COUNTY OFFICIALS, STAFF AND CONSULTANTS ..8</b>		TABLE 12 – CURRENT INVESTMENTS .....	33
ELECTED OFFICIALS – COMMISSIONERS COURT .....	8	<b>TAX MATTERS .....</b>	<b>33</b>
COUNTY OFFICIALS .....	8	<b>CONTINUING DISCLOSURE OF INFORMATION .....</b>	<b>35</b>
CONSULTANTS AND ADVISORS.....	8	<b>LEGAL MATTERS .....</b>	<b>36</b>
<b>INTRODUCTION.....</b>	<b>9</b>	<b>OTHER INFORMATION .....</b>	<b>37</b>
<b>PLAN OF FINANCING .....</b>	<b>9</b>	<b>SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS.....</b>	<b>40</b>
<b>THE OBLIGATIONS.....</b>	<b>10</b>	<b>APPENDICES</b>	
<b>AD VALOREM PROPERTY TAXATION .....</b>	<b>16</b>	GENERAL INFORMATION REGARDING THE COUNTYA	
TABLE 1 – VALUATIONS, EXEMPTIONS AND GENERAL		EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL	
OBLIGATION DEBT .....	23	REPORT .....	B
TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT		FORMS OF BOND COUNSEL'S OPINIONS .....	C
HISTORY .....	23		
TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY	24		
TABLE 4 – TEN LARGEST TAXPAYERS.....	24		
TABLE 5 – TAX ADEQUACY .....	24		
TABLE 6 – ESTIMATED OVERLAPPING DEBT .....	25		
<b>DEBT INFORMATION .....</b>	<b>27</b>		
TABLE 7 – DEBT SERVICE REQUIREMENTS.....	27		
TABLE 8 – INTEREST AND SINKING FUND BUDGET			
PROJECTION.....	28		
TABLE 9 – AUTHORIZED BUT UNISSUED TAX BONDS .....	28		
TABLE 10 – OTHER OBLIGATIONS .....	28		
<b>FINANCIAL INFORMATION.....</b>	<b>30</b>		
TABLE 11 – GENERAL FUND REVENUES AND EXPENDITURE			
HISTORY .....	30		

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

## OFFICIAL STATEMENT SUMMARY

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

### THE OBLIGATIONS

**THE OBLIGATIONS.....** The Certificates are issued as \$94,615,000 Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial Certificates maturing on February 15 in each of the years 2027 through and including 2046 and as Term Certificates maturing on February 15, 2051 (see “THE OBLIGATIONS – Description of the Certificates”).

The Bonds are issued as \$38,300,000 Limited Tax Refunding Bonds, Series 2026. The Bonds are issued as serial Bonds maturing on February 15 in each of the years 2027 through and including 2035 (see “THE OBLIGATIONS – Description of the Bonds”).

**PAYMENT OF INTEREST .....** Interest on the Obligations accrues from the Date of Initial Delivery (as defined on the cover page hereof) and is payable on August 15 and February 15 of each year, commencing on August 15, 2026 until maturity or prior redemption (see “THE OBLIGATIONS – Description of the Obligations” and “THE OBLIGATIONS – Optional Redemption”).

**AUTHORITY FOR ISSUANCE .....** The Certificates are issued pursuant to the Texas Constitution (the “Constitution”) and the general laws of the State of Texas (the “State”), particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Sections 271.041 through 271.064, Section 363.135, as amended, Texas Health and Safety Code, Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), an order adopted by the Commissioners Court of the County on January 20, 2026, and an approval certificate relating to the Certificates executed on January 22, 2026 (such order together with the approval certificate relating to the Certificates, the “Certificate Order”) (see “THE OBLIGATIONS – Authority for Issuance”).

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1207, as amended, Texas Government Code (“Chapter 1207”), Chapter 1371, an order adopted by the Commissioners Court of the County on January 20, 2026, and an approval certificate relating to the Bonds executed on January 22, 2026 (such order together with the approval certificate relating to the Bonds, the “Bond Order”) (see “THE OBLIGATIONS – Authority for Issuance”).

As permitted by Chapter 1371, the County, in each order authoring the issuance of the Certificates and the Bonds, authorized certain designated officials of the County (each an “Authorized Official”) to execute an approval certificate establishing the terms of sale of the Certificates and the Bonds and finalizing certain characteristics thereof related to the final pricing of the Certificates and the Bonds.

The Certificate Order and the Bond Order are sometimes referred to collectively as the “Orders.”

**SECURITY.....** The Certificates constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the County and are further secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the County’s solid waste management system (the “Solid Waste Management System”), such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues which may be pledged to the payment of any Prior Lien Bonds or Junior Lien Bonds hereafter issued by the County (each as described and defined in the Certificate Order). In the Certificate Order the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Obligations, while the Certificates are outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

The Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limitations prescribed by law,

on all taxable property located within the County (see “THE OBLIGATIONS – Security and Source of Payment”).

**REDEMPTION** ..... The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE OBLIGATIONS – Optional Redemption”). Additionally, Term Certificates maturing on February 15, 2051 are subject to mandatory sinking fund redemption (see “THE OBLIGATIONS – Mandatory Sinking Fund Redemption”).

**The Bonds are not subject to redemption prior to their stated maturities.**

**TAX EXEMPTION**..... In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, is based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinions of Bond Counsel, interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations. See “TAX MATTERS” herein.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for all or any portion of the costs associated with (i) constructing, equipping, improving, extending, expanding, upgrading and/or developing a County administration building to be known as the Eastside Campus, including any necessary acquisition of land or interest in land in connection therewith, related drainage and utility costs, and other costs related thereto; (ii) acquiring, constructing, equipping, improving, renovating, extending, expanding, upgrading and/or developing animal shelter facilities, including any necessary land acquisition, related drainage and utility costs and other costs related thereto; (iii) remodeling, constructing, equipping, improving, renovating, extending, expanding, upgrading the existing Hays County Government Center; (iv) acquiring, constructing, equipping, improving, renovating, extending, expanding, upgrading and/or developing a Precinct 4 office building and a Precinct 5 office building, including any necessary land acquisition in connection therewith, related drainage and utility costs, and other costs related thereto; and (v) professional services of attorneys, financial advisors, engineers and other professionals in connection with the foregoing purposes and the issuance of the Certificates.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the County’s outstanding obligations (the “Refunded Obligations”) (see “SCHEDULE I – Schedule of Refunded Obligations” herein) in order to achieve debt service savings and (ii) pay the costs associated with the issuance of the Refunding Bonds (see “PLAN OF FINANCING – Purpose”).

**GENERAL**

**THE COUNTY** ..... Hays County, Texas (the “County”) is a political subdivision of the State of Texas (the “State”). The County covers approximately 678 square miles. The City of San Marcos, Texas is the County Seat (see “INTRODUCTION – Description of the County” and “APPENDIX A – General Information Regarding the County”).

**RATINGS** ..... The Obligations and the outstanding debt of the County have been rated “AA+” by S&P Global Ratings (“S&P”) and “AA+” by Fitch Ratings, Inc. (“Fitch”) (see “OTHER INFORMATION – Ratings”).

**BOOK-ENTRY-ONLY SYSTEM**..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the

Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see “THE OBLIGATIONS – Book-Entry-Only System”).

**PAYMENT RECORD** ..... The County has never defaulted in the payment of its general obligation tax debt.

#### SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated County Population <sup>(1)</sup>	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt <sup>(2)</sup>	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	269,103	\$ 29,379,331,587	\$ 109,175	\$ 494,455,000	\$ 1,837	1.68%	99.83%
2023	280,486	37,635,251,669	134,179	496,860,000	1,771	1.32%	99.25%
2024	292,029	45,330,370,026	155,226	472,090,000	1,617	1.04%	98.36%
2025	292,029	49,543,505,073	169,653	445,260,000	1,525	0.90%	97.20% <sup>(4)</sup>
2026	292,029	52,196,932,068	178,739	693,025,000 <sup>(3)</sup>	2,373	1.33%	N/A

(1) Source: The County.

(2) Includes the County’s limited tax and unlimited tax debt, including the Pass-Through Toll Bonds (as defined herein) and excludes the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.

(3) Projected; includes the Obligations and excludes the Refunded Obligations.

(4) Partial collections as of September 2, 2025.

*[The remainder of this page intentionally left blank.]*

## COUNTY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS – COMMISSIONERS COURT

Commissioners Court	Length of Service	Term Expires
Ruben Becerra County Judge	7 Years	December 2026
Debbie Gonzales Ingalsbe County Commissioner, Precinct 1	29 Years	December 2028
Dr. Michelle Cohen County Commissioner, Precinct 2	3 Years	December 2026
Morgan Hammer County Commissioner, Precinct 3	1 Year	December 2028
Walt Smith County Commissioner, Precinct 4	7 Years	December 2026

### COUNTY OFFICIALS

Name	Position	Length of Service
Kandice Boutte	County Administrator	<1 Year
Marisol Villarreal-Alonzo, CPA	County Auditor	9 Years
Elaine H. Cardenas, MBA, PhD	County Clerk	7 Years
Daphne Tenorio	County Treasurer	3 Years

### CONSULTANTS AND ADVISORS

Outside Auditor .....ABIP, PC  
San Antonio, Texas

Bond Counsel ..... Orrick, Herrington & Sutcliffe LLP  
Austin, Texas

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

For additional information regarding the County, please contact:

Marisol Villarreal-Alonzo, CPA County Auditor Hays County Government Center 712 South Stagecoach Trail Suite 1071 San Marcos, Texas 78666 (512) 393-2283 (512) 393-2265 Fax	or	Dan Wegmiller Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 (512) 275-7305 Fax
--	----	---



**OFFICIAL STATEMENT  
RELATING TO  
HAYS COUNTY, TEXAS**

**\$94,615,000  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2026**

**\$38,300,000  
LIMITED TAX REFUNDING BONDS,  
SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the schedule and appendices hereto, provides certain information regarding the issuance of the \$94,615,000 Hays County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) and the \$38,300,000 Hays County, Texas Limited Tax Refunding Bonds, Series 2026 (the “Bonds” and together with the Certificates, the “Obligations”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in (i) the order adopted on January 20, 2026 by the Commissioners Court of Hays County, Texas (the “Court”) and the approval certificate relating to the Certificates executed on January 22, 2026 (such order together with the approval certificate relating to the Certificates, the “Certificate Order”) and (ii) the order adopted on January 20, 2026 by the Court and the approval certificate relating to the Bonds executed on January 22, 2026 (such order together with the approval certificate relating to the Bonds, the “Bond Order”). As permitted by Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), the County, in each order authorizing the issuance of the Certificates and the Bonds, authorized certain designated officials of the County (each an “Authorized Official”) to execute an approval certificate establishing the terms of sale of the Certificates and the Bonds and finalizing certain characteristics thereof related to the final pricing of the Certificates and the Bonds. The Certificate Order and Bond Order are referred to herein as the “Orders” which will authorize the issuance of the Obligations, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding Hays County, Texas (the “County”) 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 County’s Financial Advisor, Specialized Public Finance Inc., Austin, 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 Obligations will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the County’s undertaking to provide certain information on a continuing basis.

**DESCRIPTION OF THE COUNTY . . .** The County was organized in 1843 and operates as specified under the Constitution of the State of Texas and statutes which provide for the Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other major County elective officers include the County Clerk, and County Treasurer. The County Auditor is appointed for a term of two years by and serves at the will of the District Judges whose courts are located in the County. The County Administrator is responsible for the day-to-day oversight of the Hays County government. The 2025 estimated population is approximately 292,029. The County covers approximately 678 square miles. The City of San Marcos, Texas is the County Seat.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for all or any portion of the costs associated with (i) constructing, equipping, improving, extending, expanding, upgrading and/or developing a County administration building to be known as the Eastside Campus, including any necessary acquisition of land or interest in land in connection therewith, related drainage and utility costs, and other costs related thereto; (ii) acquiring, constructing, equipping, improving, renovating, extending, expanding, upgrading and/or developing animal shelter facilities, including any necessary land acquisition, related drainage and utility costs and other costs related thereto; (iii) remodeling, constructing, equipping, improving, renovating, extending, expanding, upgrading the existing Hays County Government Center; (iv) acquiring, constructing, equipping, improving, renovating, extending, expanding, upgrading and/or developing a Precinct 4 office building and a Precinct 5 office building, including any necessary land acquisition in connection therewith, related drainage and utility costs, and other costs related thereto; and (v) professional services of attorneys, financial advisors, engineers and other professionals in connection with the foregoing purposes and the issuance of the Certificates.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the County’s outstanding obligations (the “Refunded Obligations”) (see “SCHEDULE I – Schedule of Refunded Obligations” herein) in order to achieve debt service savings and (ii) pay the costs associated with the issuance of the Bonds.

**REFUNDED OBLIGATIONS . . .** The principal of and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates, maturity dates and the respective redemption dates of such Refunded Obligations, as applicable, from funds and the proceeds of direct obligations of the United States of America to be deposited pursuant to an Escrow Agreement (the “Escrow

Agreement”) between the County and The Bank of New York Mellon Trust Company, National Association, Houston, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received by the County from the Underwriters the County will deposit with the Escrow Agent cash and direct obligations of the United States of America (“Escrow Securities”) in amounts sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective maturity dates and redemption dates, as applicable.

Public Finance Partners LLC, will verify the mathematical accuracy of schedules provided by the Financial Advisor at the time of delivery of the Bonds to the Underwriters and that the Escrow Securities will mature at such times and yield interest in amounts, together with uninvested funds, if any, in the Escrow Fund (as defined below), sufficient to pay the principal of and interest on the Refunded Obligations as the same shall become due by reason of stated maturity or earlier redemption. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrow Securities will not be available to pay principal of or interest on the Bonds. See “OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations.”

Simultaneously with the issuance of the Bonds, the County will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to their stated maturity on the first optional redemption date, on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the County will have entered into firm banking and financial arrangements for the discharge, defeasance and fund payment of the Refunded Obligations pursuant to the terms of the ordinances authorizing the issuance of such Refunded Obligations and in accordance with State law, including Chapter 1207, as amended, Texas Government Code (“Chapter 1207”). Bond Counsel will render an opinion to the effect that, in reliance upon the report of Public Finance Partners LLC and as a result of such defeasance, the Refunded Obligations will be deemed to be no longer outstanding except for the purpose of being paid from funds provided therefor by, and secured solely by and payable solely from, the Escrow Agreement and thereafter the County will have no further responsibility with respect to amounts available to the Escrow Agent for the payment of such Refunded Obligations, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrow Securities.

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

Sources:	<u>The Certificates</u>	<u>The Bonds</u>
Par Amount of Obligations	\$ 94,615,000.00	\$ 38,300,000.00
Net Reoffering Premium	<u>6,198,801.10</u>	<u>4,168,001.55</u>
Total Sources	\$ 100,813,801.10	\$ 42,468,001.55
Uses:		
Deposit to the Construction Fund	\$ 100,000,000.00	\$ 0.00
Deposit to the Escrow Fund	0.00	42,158,377.72
Underwriters’ Discount	475,491.74	149,223.39
Deposit to Interest and Sinking Fund	3,666.51	2,562.19
Costs of Issuance	<u>334,642.85</u>	<u>157,838.25</u>
Total Uses	\$ 100,813,801.10	\$ 42,468,001.55

## THE OBLIGATIONS

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated February 17, 2026 (the “Dated Date”) and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Date of Initial Delivery (as defined on the cover page hereof), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2026 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Certificates will be made to the 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 “Book-Entry-Only System” herein.

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated February 17, 2026 (the “Dated Date”) and mature on February 15 in each of the years and in the amounts shown on page 3 hereof. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined on the cover page hereof), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2026 until maturity or prior redemption. The definitive Bonds 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 Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Texas Constitution (the “Constitution”) and general laws of the State of Texas (the “State”) including particularly the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Sections 271.041 through 271.064, Section 363.135, as amended, Texas Health and Safety Code, Chapter 1371, and the Certificate Order.

The Bonds are issued pursuant to the Constitution and the general laws of the State, including particularly Chapter 1207, Chapter 1371, and the Bond Order.

**SECURITY AND SOURCE OF PAYMENT . . . Pledge of Ad Valorem Taxes.** The Obligations are general obligations of the County, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the County (see “TAX INFORMATION” and “TAX INFORMATION – General Obligation Debt Limitation” herein).

*Limited Revenue Pledge Benefitting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being that portion of the Net Revenues derived from the operation of the County’s Solid Waste Management System, appropriated during a fiscal year and set aside in the annual budget for the payment of principal and interest on the Certificates and each series of the currently outstanding Certificates Similarly Secured as determined within the sole discretion of the Court), such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of any Prior Lien Bonds or Junior Lien Bonds (each as described and defined in the Certificate Order) hereafter issued by the County. In the Certificate Order the County retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Additional Parity Certificates, while the Certificates are Outstanding, without limitations as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

Even though the County has pledged the Pledged Revenues of the Solid Waste Management System to further secure the Certificates, the County does not expect that any Net Revenues from such Solid Waste Management System will actually be utilized to pay the debt service requirements on the Certificates.

**OPTIONAL REDEMPTION . . .** The County reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the County may select the maturities to be redeemed. If less than all outstanding Certificates of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot or other customary method the Certificates to be redeemed.

**The Bonds are not subject to redemption prior to their stated maturities.**

**MANDATORY SINKING FUND REDEMPTION . . .** The Certificates maturing on February 15, 2051 (the “Term Certificates”) are subject to mandatory sinking fund redemption prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Certificates Due February 15, 2051	
Redemption Date	Principal Amount
February 15, 2047	\$ 5,485,000
February 15, 2048	5,740,000
February 15, 2049	6,000,000
February 15, 2050	6,280,000
February 15, 2051*	6,570,000

\*Stated Maturity.

At least 30 days prior to each February 15 in each of the years specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar will select by lot the Term Certificates within the applicable maturity to be redeemed on February 15 from money set aside for that purpose in the interest and sinking fund related to the Certificates (the “Bond Certificates”).

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the County, by the principal amount of any Term Certificates of such Stated Maturity which, at least 45 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the County and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the

request of the County with money in the Certificate Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth in the Certificate Order and not theretofore credited against a mandatory redemption requirement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior a redemption date for the Certificates or portions thereof prior to stated maturity, the County shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on the Certificates (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificates shall not be deemed to be Outstanding in accordance with the provisions of the Certificate Order.

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

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

**SELECTION OF CERTIFICATES TO BE REDEEMED . . .** If less than all of the Certificates are to be redeemed, the particular Certificates to be redeemed will be selected by the County in integral multiples of \$5,000 within any one Stated Maturity. The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates of the same Stated Maturity are to be redeemed on the redemption date, the County will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**CONDITIONAL REDEMPTION . . .** Notwithstanding anything in the Certificate Order to the contrary, the County may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the County chooses to provide a conditional notice of redemption, the County shall include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected holder of the Certificates. Any Certificates subject to conditional redemption and such redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the County to make money or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

**DEFEASANCE . . .** If the County pays or causes to be paid, or there is otherwise paid to the owners of the Certificates, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in the Certificate Order, then the pledge of taxes levied under the Certificate Order and all covenants, agreements, and other obligations of the County to the owners of the Certificates shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above when (i) money sufficient to pay in full such Certificates or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability,

without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The Certificate Order provides that "Government 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 the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the County adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Because the Certificate Order does not contractually limit the investments that may be deposited into an escrow fund created for the purpose of defeasing the Certificates, owners of the Certificates may be deemed to have consented to defeasance of the Certificates with investments other than those described above if such investments are permitted by applicable law in the future. Notwithstanding the above, the Approval Certificate may contractually limit the Government Securities eligible for deposit into an escrow fund created for the purpose of defeasing any of the Certificates.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to Certificate Order which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the County or deposited as directed by the County. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of three years after the Stated Maturity of the Certificates, or applicable redemption date, such money was deposited and is held in trust to pay shall upon the request of the County be remitted to the County against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of the Certificate Order to the contrary, it is hereby provided that any determination not to redeem defeased Certificates that is made in conjunction with the payment arrangements specified in subsection (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the County expressly reserves the right to call the defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Certificates immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Certificates, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Certificates.

If the County pays or causes to be paid, or there is otherwise paid to the owners of the Bonds, the principal of, premium, if any, and interest on the Bond, at the times and in the manner stipulated in the Bond Order, then the pledge of taxes levied under the Bond Order and all covenants, agreements, and other obligations of the County to the owners of the Bonds shall thereupon cease, terminate, and be discharged and satisfied.

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations 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 County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered Obligations 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 Obligations, 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 S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. 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 Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County 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 Obligations 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 County, 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 County 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 Obligations at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligations 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 County believes to be reliable, but the County does not 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 Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order 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 County, the Financial Advisor, or the Underwriters.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. In the Orders, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations 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 Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for determining the parties entitled to receipt of the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the month next preceding the interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which must be 15 days after the Special Record Date) will 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 owner of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**OBLIGATION HOLDERS' REMEDIES . . .** In addition to all the rights and remedies provided by the laws of the State, the County covenants and agrees particularly that in the event the County (i) defaults in the payments to be made to the Certificate Fund or Bond Fund, as applicable, or (ii) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Orders, the owners of any of the Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the County and other officers of the County to observe and perform any covenant, condition, or obligation prescribed in the Orders.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the Orders and the County's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Orders do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the County to perform in accordance with the terms of the applicable Order, 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. Chapter 1371, which pertains to the issuance of public securities by issuers such as the County, permits the County to waive sovereign immunity in the proceedings authorizing the issuance of the Obligations. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Obligations, the County has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the County’s sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the County for breach of the Obligations or Orders covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County’s property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the County 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

**AMENDMENTS TO THE ORDERS . . .** The County may amend the Orders without the consent of or notice to any registered owners of the Obligations in any manner not detrimental to the interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Obligations then outstanding, affected by, amend, add to, or rescind any of the provisions of the Orders; provided that, without the consent of all holders of outstanding Obligations, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Obligations or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Obligations, (2) give any preference to any Obligation over any other Obligation, (3) extend any waiver of default to subsequent defaults; or (4) reduce the aggregate principal amount of the Obligations required to be held by the holders of such Obligations for consent to any such amendment, addition, or rescission as provided in the Orders.

## **AD VALOREM PROPERTY TAXATION**

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

**2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . .** The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting counties among other legislation affecting counties. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The County is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the County is the responsibility of the Hays County Central Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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.

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

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

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

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

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

Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . .** The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons sixty-five (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. State law grants an exemption from ad valorem taxation of \$125,000 of the market value of tangible personal property that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within

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

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

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

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

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

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

**ECONOMIC DEVELOPMENT GRANTS AND LOANS . . .** Counties are also authorized, pursuant to Chapter 381, Texas Local Government Code (“Chapter 381”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the county. In accordance with a program established pursuant to Chapter 381, the county may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the county.

**COUNTY AND TAXPAYER REMEDIES . . .** Under certain circumstances, the County 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 County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the County 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.

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

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

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

“effective tax rate” means the rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“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). Certain counties for which certain expenditures for indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue tax rate proportionately with such expenditures in the manner provided by the Property Tax Code.

“special taxing unit” means a county 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 foregone revenue amount for the three tax years prior to the current tax year divided by the total taxable value of property for the current, year less exemptions.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s 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.

A county 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 county and the county tax assessor collector. A county 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 county 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 county for the preceding tax year.

As described below, the Property Tax Code provides that if a county 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 county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the county appraisal district has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

If a county’s adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county 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 county does not qualify as a special taxing unit, if a county’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 county’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county 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 county 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 county’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 County’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County’s tax-supported debt obligations meeting the definition of “debt” as defined in Chapter 26, as amended, Texas Tax Code (“Chapter 26”) including the Bonds. Certain uses of the proceeds of the Certificates do not qualify as debt as defined under Chapter 26, and therefore, the annual debt service on the Certificates will be included in voter-approval tax rate; however, pursuant to the Constitution, the County is required to levy for the current year and for each succeeding year thereafter so long as the Certificates remain outstanding a tax sufficient to pay the interest on and provide at least two per cent (2%) as a sinking fund for the payment of 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.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October

1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due on February 1 of each year and the final installment due on August 1.

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

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

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

**TAX DEBT LIMITATION . . . Unlimited Tax Road Bonds . . .** Article III, Section 52 of the Texas Constitution provides that road bonds payable from an ad valorem tax unlimited as to rate or amount, but in no case in any amount exceeding 25% of the County's assessed valuation of real property, may be issued upon affirmative vote of qualified voters of the County.

**Limited Tax Bonds Payable From the \$0.80 Constitutional Tax Rate . . .** Article VIII, Section 9, of the Texas Constitution, imposes a limit of \$0.80 per \$100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and limited tax bonds issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.40 of the \$0.80 constitutional tax rate for limited tax bond debt service. **The Obligations are limited tax obligations payable from the \$0.80 constitutional limit.**

The Texas Constitution also authorizes (i) a special Road and Bridge Tax for the further maintenance of the public roads not to exceed \$0.15 per \$100 of assessed valuation, none of which may be used for payment of debt service, and (ii) a tax for Farm-to-Market or Flood Control purposes not to exceed \$0.30 per \$100 of assessed valuation.

Chapter 1301, as amended, Texas Government Code limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 ½% of Assessed Valuation
Courthouse and Jail Bonds	-	3 ½% of Assessed Valuation
Road and Bridge Bonds	-	1 ½% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Section 1473.101, as amended, Texas Government Code which removes the above limitations.

The Texas Constitution also authorizes (i) a special Road and Bridge Tax for the further maintenance of the public roads not to exceed \$0.15 per \$100 of assessed valuation, none of which may be used for payment of debt service, and (ii) a tax for Farm-to-Market or Flood Control purposes not to exceed \$0.30 per \$100 of assessed valuation.

**COUNTY APPLICATION OF TAX CODE . . .** The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older or disabled of \$45,000. The County established a limitation in County property tax increases on the residences of persons who are disabled or over sixty-five years of age effective in tax year 2016.

The County has granted an additional exemption of 1% of the market value of residence homesteads; minimum exemption of \$5,000.

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

The County does not tax nonbusiness personal property.

The County has ceased taxing freeport goods as of the 2016 tax year. To reduce the immediate impact of the exemption, the County has entered into agreements with its top 10 existing freeport companies obligating such companies to continue making payments in lieu of the freeport taxes over four years (25% less each year).

The Tax Assessor-Collector collects taxes for the County.

In late 2007, the County adopted a resolution authorizing the continued taxation of good-in-transit for the 2008 tax year and beyond.

The County has adopted a tax abatement policy. Currently, the County does not have any outstanding tax abatement grants.

**COUNTY USE OF CHAPTER 381 . . .** When competing with other local jurisdictions around the nation for the relocation, retention, or expansion of commercial enterprise, the County may negotiate the terms of an Economic Development Incentives Agreement pursuant to Chapter 381, Texas Local Government Code (“381 Agreements”). The County’s 381 Agreements are often coupled with economic development incentives from a municipality (under Chapter 380, Texas Local Government Code) and are sometimes accompanied by incentives from the State, such as the Texas Enterprise Fund. The local negotiation of the County’s 381 Agreements is conducted through legal counsel and the Hays Caldwell Economic Development Partnership (“HCEDP”), a public-private partnership aimed at regional and community advancement through economic development.

With the assistance of HCEDP, the County has executed 381 Agreements with a wide array of companies, such as affiliates of Amazon, H-E-B, Best Buy, Cabela’s, Grifols, Costco, and U.S. Foodservice. In most cases the County’s 381 Agreements are focused on job creation, requiring that a certain number of jobs (at minimum wage/salary thresholds) be created during the term of the contract. In return for meeting its job creation and other performance requirements, the company qualifies for a “Performance Payment,” which is a payment equal to a certain negotiated percentage of the prior year’s ad valorem taxes. If the company fails to meet its job creation or other performance requirements in any given year, it does not qualify for that year’s Performance Payment.

Although the incentive offered to companies will vary based on projected economic impact of the company’s presence in the community, HCEDP analysts work with County staff to ensure that the 381 Agreement conservatively projects more positive economic impact than the aggregate of Performance Payments over the term of the contract. The County also includes contractual safeguards in each 381 Agreement. For example, each 381 Agreement executed by the County contains a “Budget Out” clause that conditions the County’s participation on an annual appropriation of funds by the Court. The County cannot guarantee, however, that its 381 Agreements will result in positive economic impact for the County.

For more information on the County’s 381 Agreements and other tax incentives granted by the County, see “Note 4.F. – Tax Incentives” in the Financial Statements.

**COUNTY PARTICIPATION IN TAX INCREMENT FINANCING ZONES . . .** As an alternative to co-creating tax increment financing zones, Hays County participates in Tax Increment Reinvestment Zones (“TIRZs”) by way of Interlocal Cooperation Agreements (“ILAs”). All County TIRZ ILAs function differently than a County-created TIRZ. TIRZ ILAs contain a “Budget Out” clause that conditions the County’s participation upon annual appropriation of funds by the Court. The following TIRZ ILAs have been executed by Hays County.

The County has entered into an interlocal agreement with the City of Buda, Texas:

*Tax Increment Reinvestment Zone Number Three, Persimmon TIRZ, City of Buda, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the approximately 774.235-acre zone.

The County has entered into various interlocal agreements with the City of Kyle, Texas:

*Tax Increment Reinvestment Zone Number One, City of Kyle, Texas .* Pursuant to such interlocal agreement, the County has agreed to contribute 100% of the tax increment attributed to the captured appraised value within the approximately 475 acre zone.

*Tax Increment Reinvestment Zone Number Two, City of Kyle, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the approximately 1,480 acre zone.

*Tax Increment Reinvestment Zone Number Three, City of Kyle, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 36.74% of the tax increment attributed to the captured appraised value within the approximately 201.37 acre zone.

*Tax Increment Reinvestment Zone Number Four, City of Kyle, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the approximately 177.853 acre zone.

*Tax Increment Reinvestment Zone Number Five, City of Kyle, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the approximately 101.8283 acre zone.

*Tax Increment Reinvestment Zone Number Six, City of Kyle, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the approximately 229 acre zone.

The County has entered into various interlocal agreement with the City of San Marcos, Texas:

*Tax Increment Reinvestment Zone Number Three, City of San Marcos, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 100% of the tax increment attributed to the captured appraised value within the approximately 15 acre zone.

*Tax Increment Reinvestment Zone Number Four, City of San Marcos, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 10% of the tax increment within the approximately 1,338 acre zone with the County's total contribution limited to \$20 million.

*Tax Increment Reinvestment Zone Number Five, City of San Marcos, Texas.* Pursuant to such interlocal agreement, the County has agreed to contribute 70% of the tax increment attributed to the captured appraised value within the approximately 244 acre zone.

The County has entered into various interlocal agreement with the City of Dripping Springs, Texas:

*Tax Increment and Reinvestment Zone Numbers One and Two, Dripping Springs, Texas.* Pursuant to such ILA, the County has agreed to contribute 50% of the tax increment attributed to the captured appraised value within the respective zones.

For more information on the County's TIRZ ILAs and other tax incentives granted by the County, see "Note 4.F. – Tax Incentives" in the Financial Statements.

**TRANSPORTATION REINVESTMENT ZONES . . .** Pursuant to Section 222.107 of the Transportation Code, the County has established Transportation Reinvestment Zone Number One, County of Hays ("TRZ No. 1") for the purpose of promoting transportation projects within TRZ No. 1 which will promote public safety; facilitate the improvement, development, or redevelopment of property; and facilitate the movement of traffic. The County has dedicated one-half of the tax increment on the property within TRZ No. 1 to the reimbursement of TxDOT for the costs of improvements to, and extension and expansion of FM 110 (the "Project") under the terms of an advance funding agreement (the "AFA"). TRZ No. 1 remains in effect through December 31 of the year in which the County completes the repayment of money owed under the AFA, and any other agreement for the development, redevelopment, or improvement of the Project or projects for which TRZ No. 1 is designated. In Opinion No. KP-0004 dated February 26, 2015, the Attorney General of Texas has questioned the constitutional authority of a county to establish a transportation reinvestment zone and utilize captured tax increments to fund the county created tax reinvestment zone. A county's ability to create a TRZ was addressed in 2021 when Texas passed House Joint Resolution (HJR) 99 to put this issue on the ballot for the voters to consider. The resolution known as Ballot Proposition 2 passed in the November 2021 election. The TRZ No. 1 will generate all funds needed to reimburse TxDOT fully in fiscal year 2026.

**TAX ABATEMENT POLICY . . .** The County established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement.

*[The remainder of this page intentionally left blank.]*

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

2025/26 Market Valuation Established by Hays Central Appraisal District (excluding totally exempt property and exempt agricultural use value)		\$ 66,789,804,904
Less Exemptions/Reductions		14,592,872,836
2025/26 Net Taxable Assessed Valuation		<u>\$ 52,196,932,068</u>
Debt Payable from Ad Valorem Taxes (as of 11/30/2025)		
General Obligation Debt	\$ 589,945,000 <sup>(1)</sup>	
The Certificates	94,615,000	
The Bonds	<u>38,300,000</u>	
Debt Payable from Ad Valorem Taxes		\$ 722,860,000
Interest and Sinking Fund (as of 11/30/2025)		\$ 29,765,836
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.38%
2025 Estimated Population - 292,029		
Per Capita Taxable Assessed Valuation - \$178,739		
Per Capita Net Debt Payable from Ad Valorem Taxes - \$2,475		

- (1) Includes the Pass-Through Toll Bonds that are secured by (a) payments received by the County pursuant to a Pass-Through Toll Agreement between the County and the Texas Department of Transportation, together with any subsequent pass-through toll or other agreement pledged by the County to secure its pass-through toll obligations, and (b) a pledge of an ad valorem tax, within the limits prescribed by law, on all taxable property within the County to the extent such revenues are not sufficient to pay debt service on the Pass-Through Toll Bonds and any similarly secure obligations. Excludes the Refunded Obligations and the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.

**TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year <sup>(2)</sup>	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
9/30						
2022	269,103	\$ 29,379,331,587	\$ 109,175	\$ 494,455,000	1.68%	\$ 1,837
2023	280,486	37,635,251,669	134,179	496,860,000	1.32%	1,771
2024	292,029	45,330,370,026	155,226	472,090,000	1.04%	1,617
2025	292,029	49,543,505,073	169,653	445,260,000	0.90%	1,525
2026	292,029	52,196,932,068	178,739	693,025,000 <sup>(3)</sup>	1.33%	2,373

- (1) Source: The County.

- (2) Includes the County's limited tax and unlimited tax debt, including the Pass-Through Toll Bonds (as defined herein) and excludes the Refunded Obligations, the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.

- (3) Projected; includes the Obligations and excludes the Refunded Obligations.

*[The remainder of this page intentionally left blank.]*

**TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate <sup>(1)</sup>	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 0.3629	\$ 0.2383	\$ 0.1246	\$ 114,037,000	99.60%	99.83%
2023	0.2950	0.2037	0.0913	119,990,000	99.23%	99.25%
2024	0.2875	0.2046	0.0829	140,806,000	98.09%	98.36%
2025	0.3085	0.2256	0.0829	152,841,713	96.41% <sup>(2)</sup>	97.20% <sup>(2)</sup>
2026	0.3573	0.2544	0.1029	186,499,638	In Process of Collection	

(1) Does not include the Road and Bridge Tax, no part of which may be used for debt service on the Outstanding Debt.

(2) Partial collections as of September 2, 2025.

**TABLE 4 – TEN LARGEST TAXPAYERS**

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
H.E. Butt Grocery Co. LP	\$ 239,614,829	0.46%
Pleasanton Housing Finance Corporation	191,752,801	0.37%
Hays Energy LP	173,763,260	0.33%
MDH F3 Aus Kyle 35 LLC	118,151,055	0.23%
Permian Highway Pipeline LLC	101,944,434	0.20%
Pedernales Electric Coop Inc.	98,668,826	0.19%
Shake Shack #1408	97,518,890	0.19%
Texas Lehigh Cement Company	86,237,214	0.17%
San Marcos Factory Stores Ltd.	78,866,056	0.15%
SRPF C/Buda Industrial LP	73,116,868	0.14%
	<u>\$ 1,259,634,233</u>	<u>2.41%</u>

**TABLE 5 – TAX ADEQUACY<sup>(1)</sup>**

2026 Principal and Interest Requirements	\$ 56,198,696
\$0.1099 Tax Rate at 98% Collection Produces	\$ 56,217,140
Average Annual Principal and Interest Requirements, 2026-2051	\$ 41,704,458
\$0.0816 Tax Rate at 98% Collection Produces	\$ 41,740,843
Maximum Annual Principal and Interest Requirements, 2027	\$ 59,999,162
\$0.1173 Tax Rate at 98% Collection Produces	\$ 60,002,461

(1) Includes the Obligations and the County's limited tax and unlimited tax debt, including the Pass-Through Toll Bonds. Excludes the Refunded Obligations and the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.



**TABLE 6 – ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the County are paid out of ad valorem taxes levied by such entities on properties within the County. Such entities are independent of the County and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County 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 County.

*[The remainder of this page intentionally left blank.]*

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	County's Overlapping Tax Supported Debt as of 11/30/2025
Hays County	\$ 722,860,000	100.00%	\$ 722,860,000 <sup>(1)</sup>
<u>Cities</u>			
City of Austin	\$ 2,394,870,000	0.13%	\$ 3,113,331
City of Buda	146,245,000	100.00%	146,245,000
City of Dripping Springs	51,960,000	100.00%	51,960,000
City of Kyle	254,830,000	100.00%	254,830,000
City of Mountain City	110,000	100.00%	110,000
City of San Marcos	424,730,000	99.39%	422,139,147
City of Wimberley	362,000	100.00%	362,000
City of Woodcreek	3,155,000	100.00%	3,155,000
Total Cities			\$ 881,914,478
<u>School Districts</u>			
Blanco ISD	\$ 72,930,000	5.97%	\$ 4,353,921
Comal ISD	1,421,355,214	0.17%	2,416,304
Dripping Springs ISD	618,040,000	99.76%	616,556,704
Hays CISD	1,274,510,000	98.08%	1,250,039,408
Johnson City ISD	57,795,000	9.37%	5,415,392
San Marcos CISD	298,760,000	93.03%	277,936,428
Wimberley ISD	216,923,649	99.92%	216,750,110
Total School Districts			\$ 2,373,468,266
<u>Special Districts</u>			
Anthem MUD	\$ 15,720,000	100.00%	\$ 15,720,000
Austin CCD	657,685,000	5.15%	33,870,778
Crosswinds MUD	44,550,000	100.00%	44,550,000
Driftwood Conservation District	8,245,000	100.00%	8,245,000
East Hays County MUD #1	13,620,000	100.00%	13,620,000
Greenhawe WC&ID #2	5,580,000	100.00%	5,580,000
Hays Co. Development District #1	39,250,000	100.00%	39,250,000
Hays Co. MUD #4	14,820,000	100.00%	14,820,000
Hays Co. MUD #5	21,040,000	100.00%	21,040,000
Hays Co. WC&ID #1	12,065,000	100.00%	12,065,000
Hays Co. WC&ID #2	28,820,000	100.00%	28,820,000
Headwaters MUD	91,120,000	100.00%	91,120,000
North Hays Co. MUD #1	40,000,000	100.00%	40,000,000
North Hays Co. MUD #2	12,010,000	100.00%	12,010,000
Reunion Ranch WC&ID	25,120,000	100.00%	25,120,000
South Buda WC&ID #1	31,925,000	100.00%	31,925,000
Springhollow MUD	41,445,000	100.00%	41,445,000
Sunfield MUD #1	71,366,529	96.39%	68,790,197
Sunfield MUD #3	121,634,944	100.00%	121,634,944
Sunfield MUD #4	34,638,527	100.00%	34,638,527
			\$ 704,264,446
Total Direct and Overlapping Tax Supported Debt			\$ 4,682,507,190
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			8.97%
Per Capita Overlapping Tax Supported Debt			\$ 16,034

- (1) Includes the Obligations and excludes the Refunded Obligations and the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.

## DEBT INFORMATION

**TABLE 7 – DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending	Outstanding Debt <sup>(1)</sup>			The Certificates <sup>(2)</sup>			The Bonds <sup>(3)</sup>			Total Debt Service Requirements
9/30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2026	\$ 29,835,000	\$ 23,152,094	\$ 52,987,094	\$ -	\$ 2,264,741	\$ 2,264,741	\$ -	\$ 946,861	\$ 946,861	\$ 56,198,696
2027	26,910,000	22,879,037	49,789,037	435,000	4,569,500	5,004,500	3,375,000	1,830,625	5,205,625	59,999,162
2028	30,200,000	21,751,060	51,951,060	455,000	4,547,250	5,002,250	1,330,000	1,713,000	3,043,000	59,996,310
2029	24,095,000	20,704,420	44,799,420	2,235,000	4,480,000	6,715,000	5,655,000	1,538,375	7,193,375	58,707,795
2030	24,050,000	19,744,153	43,794,153	2,350,000	4,365,375	6,715,375	6,980,000	1,222,500	8,202,500	58,712,028
2031	26,885,000	18,679,057	45,564,057	2,470,000	4,244,875	6,714,875	5,520,000	910,000	6,430,000	58,708,932
2032	30,225,000	17,513,659	47,738,659	2,595,000	4,118,250	6,713,250	3,575,000	682,625	4,257,625	58,709,534
2033	27,570,000	16,342,865	43,912,865	2,730,000	3,985,125	6,715,125	3,755,000	499,375	4,254,375	54,882,365
2034	28,680,000	15,230,039	43,910,039	2,870,000	3,845,125	6,715,125	3,950,000	306,750	4,256,750	54,881,914
2035	29,790,000	14,121,137	43,911,137	3,020,000	3,697,875	6,717,875	4,160,000	104,000	4,264,000	54,893,012
2036	28,660,000	12,968,666	41,628,666	3,175,000	3,543,000	6,718,000	-	-	-	48,346,666
2037	25,150,000	11,870,340	37,020,340	3,335,000	3,380,250	6,715,250	-	-	-	43,735,590
2038	26,215,000	10,809,454	37,024,454	3,505,000	3,209,250	6,714,250	-	-	-	43,738,704
2039	25,745,000	9,710,194	35,455,194	3,685,000	3,029,500	6,714,500	-	-	-	42,169,694
2040	26,860,000	8,600,309	35,460,309	3,875,000	2,840,500	6,715,500	-	-	-	42,175,809
2041	28,000,000	7,458,144	35,458,144	4,075,000	2,641,750	6,716,750	-	-	-	42,174,894
2042	29,205,000	6,264,406	35,469,406	4,285,000	2,432,750	6,717,750	-	-	-	42,187,156
2043	19,730,000	5,242,650	24,972,650	4,505,000	2,213,000	6,718,000	-	-	-	31,690,650
2044	20,570,000	4,400,425	24,970,425	4,735,000	1,982,000	6,717,000	-	-	-	31,687,425
2045	13,830,000	3,651,050	17,481,050	4,975,000	1,739,250	6,714,250	-	-	-	24,195,300
2046	14,480,000	2,997,500	17,477,500	5,230,000	1,484,125	6,714,125	-	-	-	24,191,625
2047	12,335,000	2,354,625	14,689,625	5,485,000	1,229,963	6,714,963	-	-	-	21,404,588
2048	12,965,000	1,722,125	14,687,125	5,740,000	977,400	6,717,400	-	-	-	21,404,525
2049	13,630,000	1,057,250	14,687,250	6,000,000	713,250	6,713,250	-	-	-	21,400,500
2050	14,330,000	358,250	14,688,250	6,280,000	436,950	6,716,950	-	-	-	21,405,200
2051	-	-	-	6,570,000	147,825	6,717,825	-	-	-	6,717,825
	<u>\$ 589,945,000</u>	<u>\$ 279,582,909</u>	<u>\$ 869,527,909</u>	<u>\$ 94,615,000</u>	<u>\$ 72,118,878</u>	<u>\$ 166,733,878</u>	<u>\$ 38,300,000</u>	<u>\$ 9,754,111</u>	<u>\$ 48,054,111</u>	<u>\$ 1,084,315,899</u>

(1) Excludes the Refunded Obligations, the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.

(2) Interest calculated at the rates shown on page 2 hereof.

(3) Interest calculated at the rates shown on page 3 hereof.

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

Unlimited Tax and Limited Tax Supported Debt Service Requirements, FY Ending 9/30/26		\$ 56,198,696 <sup>(1)</sup>
Interest and Sinking Fund, 9/30/25	\$ 29,432,520	
Estimated Pass-Through Toll Revenue FY 2026	6,658,500	
Budgeted Interest and Sinking Fund Tax Collections @ 95% <sup>(2)</sup>	<u>51,025,111</u>	<u>87,116,131</u>
Estimated Balance, 9/30/2026		<u><u>\$ 30,917,435</u></u>

- (1) Includes the Obligations and the Pass-Through Toll Bonds and excludes the Refunded Obligations, the \$2,596,681 Public Property Finance Contractual Obligations, Series 2017 and the \$1,499,083 Public Property Finance Contractual Obligations (Tax Credit Qualified Energy Conservation Bonds), Series 2017.
- (2) Based on the Fiscal Year 2026 Interest and Sinking Fund rate of \$0.1029.

**TABLE 9 – AUTHORIZED BUT UNISSUED TAX BONDS**

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Authorization Being Used	Unissued Balance
Park	5/12/2007	\$ 30,000,000	\$ 29,955,000	\$ -	\$ 45,000
Road <sup>(1)</sup>	11/5/2024	439,634,000	-	-	439,634,000
Total		\$ 469,634,000	\$ 29,955,000	\$ -	\$ 439,679,000

(1) On November 5, 2024, the qualified voters of the County authorized the County to issue \$439,634,000 in unlimited tax road bonds. On June 23, 2025, the Travis County District Court declared the order authorizing the road bond election void, and on June 26, 2025, the Travis County District Court denied the County's First Amended Petition for Expedited Declaratory Judgement relating to the validity and legality of the road bond election (collectively, the "road bond lawsuit"). The County has appealed the road bond lawsuit rulings and anticipates a decision on the appeal within the next 8 months. In the meantime, the Commissioners Court approved the issuance of the Hays County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "2025 Certificates") to partially replace the road bond authorization previously authorized by voters. If the County prevails in the appeal and the original road bond authorization is reinstated, the County plans to issue bonds under that authorization to cover the remaining amount. In the opinion of various officials of the County, an adverse decision in the election litigation would not materially adversely affect the financial condition of the County.

In addition to voter-authorized ad valorem tax-supported debt, the County may also enter into other financial obligations, including certificates of obligation, certain types of limited tax bonds, tax anticipation notes, special assessment revenue bonds, and public property finance contractual obligations.

**ANTICIPATED ISSUANCE OF TAX DEBT . . .** The County does anticipate issuing additional tax-supported debt within the next twelve months.

**TABLE 10 – OTHER OBLIGATIONS . . .** As of January 13, 2026, the County has entered into copier leases in the amount of \$10,365 over 48 months, and fleet vehicle leases for \$2,423,264 over 60 months. For more information on other obligations, see "Excerpts from the Hays County, Texas Annual Financial Report for the Fiscal Year Ended September 30, 2024" attached hereto as APPENDIX B (the "Financial Statements"). Pursuant to Subchapter A of Chapter 372, Texas Local Government Code, as amended, the County is authorized to form public improvement districts ("PIDs"), and to levy special assessments on assessable property within such PIDs. In September 2014, the County created the La Cima Public Improvement District ("La Cima PID"), an approximately 2,044 acre master planned project located within the County and within the extraterritorial jurisdiction of the City of San Marcos, Texas ("San Marcos"). As land within the La Cima PID is platted, such platted land is annexed by San Marcos. The County has previously issued bonds secured by the special assessments levied on property within the La Cima PID to commence development of roadway, water, wastewater and drainage improvements. Such bonds are not a debt of the general credit or taxing power of the County and are secured only by special assessments levied within the La Cima PID. See Note 3.F.1 to the Financial Statements.

Additionally, in February of 2017, the County entered into two public property finance contracts with a combined principal amount of approximately \$5.4 million. The County anticipates paying these obligations through energy savings from the financed property.

**PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS . . .** The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional, defined-benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate plan provisions of the Texas statutes governing TCDRS (the "TCDRS Act"). The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Hays County contributed using the actuarially determined rate of 13.59% from October 2023

through December 2023 and 13.76% from January 2024 to September 2024 of annual covered payroll. The County's contributions to the TCDRS for the years ending September 30, 2024, 2023, and 2022 were \$10,332,148, \$8,646,147, and \$7,860,548, respectively, and were equal to the required contributions for each year. The Commissioners' Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate. The deposit rate payable by all employee members for the 2024 fiscal year was the rate of 7% of their annual covered payroll. For more detailed information concerning the employee pension fund, see "Note 4.B. – Employee Pension Plan" in the Financial Statements.

The County also provides certain other postemployment benefits ("OPEBs"), including a medical insurance benefit plan for retirees. The County administers this single-employer defined benefit medical plan. The County subsidizes a portion of the premium cost for eligible retirees meeting certain criteria. The County is under no legal obligation to supplement, directly, or indirectly, the retirees' health coverage, and the decision to rescind these benefits may be made by an action of the Court. Currently, eligible County retirees may remain on the standard medical plan, an in-network medical plan, a dental PPO plan, a dental HMO plan and a vision plan, and subsidized medical coverage is available to the retiree but not the retiree's spouse.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 replaces prior requirements contained in GASB Statement Nos. 45, 57, and 74 (collectively, the "Prior GASB Statements"). Among other things, GASB 75 provides new requirements for calculating an entity's total OPEB liability (formerly "actuarial accrued liability" under the Prior GASB Statements) and requires entities to include the total OPEB liability in the Statement of Net Position.

The County's total OPEB liability of \$37,709,453 was measured as of September 30, 2024, and was determined by an actuarial valuation as of October 1, 2023. Actuarial valuations necessarily involve estimates and assumptions, including those regarding the cost of health care, discount rate, inflation and mortality. For additional discussion on the estimates and assumptions used in calculating the County's OPEB liability, see Note 4.C. to the Financial Statements.

**HEALTH CARE PLAN . . .** During the year ended September 30, 2024 employees of the County were covered by the County's self-funded health insurance plan (the "Health Plan"). The County contributed \$944 per month for medical and \$34 per month for dental per employee per month to the Health Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator acting on behalf of the self-funded pool. The Health Plan was authorized by Article 3.51-2, Texas Insurance Code, and was documented by contractual agreement. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through United Healthcare, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$200,000 and for aggregate loss of \$18,823,256. For more information on the Health Plan, see "Note 4 – Other Information" to the Financial Statements.

*[The remainder of this page intentionally left blank.]*

## FINANCIAL INFORMATION

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

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
<b>Revenues:</b>					
Taxes	\$ 120,518,299	\$ 107,701,261	\$ 99,884,680	\$ 95,071,065	\$ 84,128,662
Intergovernmental/Grants	7,162,424	6,883,266	4,905,003	5,107,940	3,793,786
Charges for Services	8,717,989	8,174,478	8,611,414	9,042,155	8,391,600
Fines and Forfeitures	1,700,195	1,334,326	1,386,335	1,379,829	1,454,529
Miscellaneous	6,270,377	4,927,731	1,747,126	1,219,623	2,284,819
Total Revenues	<u>\$ 144,369,284</u>	<u>\$ 129,021,062</u>	<u>\$ 116,534,558</u>	<u>\$ 111,820,612</u>	<u>\$ 100,053,396</u>
<b>Expenditures:</b>					
General Government	\$ 21,159,803	\$ 16,981,848	\$ 16,345,824	\$ 14,750,316	\$ 14,792,660
Justice System	25,414,719	21,930,159	19,187,366	16,937,833	15,951,184
Law Enforcement/Corrections	74,311,467	67,860,503	61,025,725	56,648,876	50,278,994
Community/economic development	2,473,932	2,326,795	2,893,408	2,026,071	2,297,393
Health and human services	5,567,440	5,208,337	3,779,567	3,343,783	3,053,578
General Maintenance	2,884,531	2,456,944	2,235,376	1,909,542	1,723,351
Highways and Streets	91,204	85,974	147,554	54,290	54,579
Capital Outlay	11,306,067	17,485,102	2,420,855	2,216,419	2,581,253
Miscellaneous	3,335,740	2,465,858	1,209,430	429,242	433,225
Total Expenses	<u>\$ 146,544,903</u>	<u>\$ 136,801,520</u>	<u>\$ 109,245,105</u>	<u>\$ 98,316,372</u>	<u>\$ 91,166,217</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (2,175,619)	\$ (7,780,458)	\$ 7,289,453	\$ 13,504,240	\$ 8,887,179
Operating Transfers In	\$ -	\$ 200,000	\$ 3,322	\$ -	\$ 121,045
Capital Lease Proceeds	4,708,379.00	-	-	-	-
Issuance of Debt	832,766	8,224,989	-	-	-
Sale of Real Property	-	-	-	-	-
Operating Transfers Out	(2,279,373)	(2,718,880)	(2,557,711)	(2,430,326)	(2,367,439)
	<u>3,261,772</u>	<u>5,706,109</u>	<u>(2,554,389)</u>	<u>(2,430,326)</u>	<u>(2,246,394)</u>
Net Increase (Decrease)	\$ 1,086,153	\$ (2,074,349)	\$ 4,735,064	\$ 11,073,914	\$ 6,640,785
Fund Equity at Beginning of Year	\$ 69,203,471	\$ 71,277,820	\$ 66,542,756	\$ 55,468,842	\$ 48,828,057
Restatement of Beginning Fund Balance	-	-	-	-	-
Fund Equity at End of Year <sup>(1)</sup>	<u>\$ 70,289,624</u>	<u>\$ 69,203,471</u>	<u>\$ 71,277,820</u>	<u>\$ 66,542,756</u>	<u>\$ 55,468,842</u>

(1) The unaudited General Fund balance as of September 30, 2025 is approximately \$76,200,000.

**FINANCIAL POLICIES . . .** Included herewith in APPENDIX B is the Annual Financial Report of the County for the year ended September 30, 2024.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

*Budgetary Procedures . . .* The annual budget was prepared for adoption for the General Fund and the Debt Service Fund. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

- a. Prior to the beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Court is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Court.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Court. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Court and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

## INVESTMENTS

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

**LEGAL INVESTMENTS . . .** Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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 the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for County deposits, or (ii) certificates of deposit where (a) the funds are invested by the County through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the County as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (b) the broker or the depository institution selected by the County 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 County, (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 County appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the County with respect to the certificates of deposit issued for the account of the County; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (7) 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 (7) above and clauses (12) through (15) below, (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) 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 (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of 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 that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the County with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the County has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than “AAA” or “AAA-m” or at an equivalent rating by at least one nationally recognized rating service; and (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the County and deposited with the County or with a third party selected and approved by the County.

An eligible political subdivision such as the County may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision’s cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

The County 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 County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution.

The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Under Texas law, the County’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 County’s investment officers must submit an investment report to the Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest County funds without express written authority from the Court.

Under Texas law, the County is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the County, (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the County’s investment policy, (5) 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 repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt



service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 12 – CURRENT INVESTMENTS**

As of October 31, 2025 (unaudited), the County’s investable funds were invested in the following categories:

Investments	Market Value	% of Total
LOGIC	\$ 21,556,630	4.90%
TexPool	303,852,180	69.03%
CLASS MBIA	80,572,290	18.30%
Sage Bank	22,878,822	5.20%
Sunflower Bank	6,838,688	1.55%
Broadway Bank CDs	4,477,022	1.02%
	<u>\$ 440,175,632</u>	<u>100.00%</u>

As of such date, 100% of the County’s investment portfolio will mature within the 130 days. No funds of the County are invested in derivative securities; i.e. securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations. Complete copies of the proposed forms of opinions of Bond Counsel are set forth in APPENDIX C hereto.

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Obligations. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Obligations will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Obligations being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Obligations. The opinions of Bond Counsel assumes the accuracy of these representations and compliance with these covenants.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Obligations may adversely affect the value of, or the tax status of interest on, the Obligations. Accordingly, the opinions of Bond Counsel are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

Bond Counsel's engagement with respect to the Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Obligations in the event of an audit examination by the IRS. Under current procedures Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Obligations for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Obligations, and may cause the County or the Beneficial Owners to incur significant expense.

Payments on the Obligations generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Obligations may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Obligations and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Obligations. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

*[The remainder of this page intentionally left blank.]*

## CONTINUING DISCLOSURE OF INFORMATION

**GENERAL . . .** The County has made the following agreement in each of the Orders for the benefit of the holders and beneficial owners of the Obligations. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the County 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 (the “MSRB”), through its Electronic Municipal Markets Access (“EMMA”) system, where said information will be available to the general public, without charge, at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** Under State law, including but not limited to, Chapter 115, as amended, Texas Local Government Code, the County must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant and must maintain the audit report with the County Auditor. The County’s fiscal records and audit report are available for inspection during the regular business hours of the County Auditor and the County is required to provide a copy of the County’s audit reports to any holder of an Obligation or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The County 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 County of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 12 and in APPENDIX B. The County will update and provide this information within 6 months after the end of each fiscal year ending in or after 2026. The County will provide this updated information to the MSRB.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

**EVENT NOTICES . . .** The County will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The County will provide notice of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of beneficial owners of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the County, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the County, 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 County, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Obligations nor the Order makes any provision for debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County 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 County, 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 County, and (b) the County intends the words used in clauses (15) and (16) in the preceding paragraph and the definition of financial obligation in this section to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

**AVAILABILITY OF INFORMATION . . .** The County has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The County has agreed to update information and to provide notices of material events only as described above. The County 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 County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the County to comply with its agreement.

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

## **LEGAL MATTERS**

**LEGAL OPINION AND NO-LITIGATION CERTIFICATE . . .** The County will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Obligations are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Obligations, issued in compliance with the provisions of the Orders, are valid and legally binding obligations of the County. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by, and only represents, the County in connection with the issuance of the Obligations. In its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas has reviewed the information under the captions and subcaptions “THE OBLIGATIONS” (except under the subcaptions “Book-Entry-Only System” and “Use of Certain Terms in Other Sections of this Official Statement” as to which no opinion is expressed), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except under the first paragraph of “Annual Reports,” as to which no opinion is expressed), “LEGAL MATTERS” (except for the last sentence of the first paragraph of the subcaption entitled “– Legal Opinion and No-Litigation Certificate” and under the subcaption “Litigation,” as to which no opinion is expressed), and “OTHER INFORMATION – Registration and Qualification of Obligations for Sale” in the Official Statement, and such firm is of the opinion that the information relating to the Obligations and the Orders contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the County for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of Obligations are contingent on the sale and delivery of the Obligations. The forms of the legal opinion of Bond Counsel are attached hereto as APPENDIX C. Certain legal matters will be passed upon for the Underwriters by their counsel, Jackson Walker LLP, Houston, Texas, whose fee is contingent on the delivery of the Obligations.

The various legal opinion to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinion 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.

**LITIGATION . . .** In the opinion of various officials of the County, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the County in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the County.

On November 5, 2024, the qualified voters of the County authorized the County to issue \$439,634,000 in unlimited tax road bonds. On June 23, 2025, the Travis County District Court declared the order authorizing the road bond election void, and on June 26, 2025, the Travis County District Court denied the County's First Amended Petition for Expedited Declaratory Judgement relating to the validity and legality of the road bond election (collectively, the "road bond lawsuit"). The County has appealed the road bond lawsuit rulings and anticipates a decision on the appeal within the next 8 months. In the meantime, the Commissioners Court has approved the issuance of the 2025 Certificates to partially replace the road bond authorization previously authorized by voters. If the County prevails in the appeal and the original road bond authorization is reinstated, the County plans to issue bonds under that authorization to cover the remaining amount. In the opinion of various officials of the County, an adverse decision in the election litigation would not materially adversely affect the financial condition of the County.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations 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 Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code, as amended, provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Obligations are eligible to sure 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.

The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The Issuer has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

## **OTHER INFORMATION**

**RATINGS . . .** The Obligations and the outstanding debt of the County have been rated "AA+" by S&P Global Ratings ("S&P") and "AA+" by Fitch Ratings, Inc. ("Fitch"). The County has furnished to the rating agencies certain information and materials relating to the Obligations and the County, including certain information and materials which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the County makes no representation as to the appropriateness of any rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

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

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

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the County in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County 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 County

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, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County'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 County on the date hereof, and the County 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.

**INFORMATION FROM OUTSIDE SOURCES . . .** References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined, in SEC Rule 15c2-12.

**UNDERWRITING . . .** The Underwriters for the Certificates have agreed, subject to certain conditions, to purchase the Certificates from the County, at the offering prices shown on page 2 of this Official Statement, less an underwriting discount of \$475,491.74. The Underwriters for the Certificates will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters for the Certificates.

The Underwriters for the Bonds have agreed, subject to certain conditions, to purchase the Bonds from the County, at the offering prices shown on page 3 of this Official Statement, less an underwriting discount of \$149,223.39. The Underwriters for the Bonds will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters for the Bonds.

Jefferies LLC ("Jefferies") and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, Jefferies and its affiliates may have certain creditors and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. Jefferies and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to the clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

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

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

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the County. In addition, Public Finance Partners LLC has relied on any information provided to it by the County's retained advisors, consultants or legal counsel.

**MISCELLANEOUS . . .** The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Orders authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriters.

Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the County has no obligation to disclose any changes in the affairs of the County and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the County delivers the Obligations to the Underwriters at closing, unless extended by the Underwriters. All information with respect to the resale of the Obligations subsequent to the "end of the underwriting period" is the responsibility of the Underwriters.

This Official Statement will be approved by the Commissioners Court of the County 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.

/s/ Rueben Becerra

County Judge

Hays County, Texas

ATTEST:

/s/ Elaine H. Cardenas, MBA, PhD

County Clerk

Hays County, Texas

**SCHEDULE OF REFUNDED OBLIGATIONS**

Limited Tax Refunding Bonds, Series 2015		
Amount	Maturity	Coupon
\$ 4,220,000	2/15/2029	3.375%
\$ 4,220,000		

Redemption Date: 3/20/2026  
Redemption Price: 100%

Pass-Through Toll Revenue and Unlimited Tax Bonds, Series 2015		
Amount	Maturity	Coupon
\$ 1,745,000	2/15/2030	3.000%
\$ 1,745,000		

Redemption Date: 3/20/2026  
Redemption Price: 100%

Limited Tax Refunding Bonds, Series 2016		
Amount	Maturity	Coupon
\$ 2,110,000	2/15/2027	5.000%
3,635,000	2/15/2030	3.000%
3,765,000	2/15/2031	4.000%
3,920,000	2/15/2032	4.000%
4,080,000	2/15/2033	4.000%
4,250,000	2/15/2034	4.000%
4,430,000	2/15/2035	4.000%
\$ 26,190,000		

Redemption Date: 3/20/2026  
Redemption Price: 100%

Pass-Through Toll Revenue and Limited Tax Bonds, Series 2016		
Amount	Maturity	Coupon
\$ 1,825,000	2/15/2027	5.000%
1,920,000	2/15/2028	5.000%
2,010,000	2/15/2029	4.000%
2,080,000	2/15/2030	3.000%
2,145,000	2/15/2031	3.000%
\$ 9,980,000		

Redemption Date: 3/20/2026  
Redemption Price: 100%



**APPENDIX A**

**GENERAL INFORMATION REGARDING THE COUNTY**

**THIS PAGE LEFT BLANK INTENTIONALLY**

## THE COUNTY

Hays County, Texas was created in 1848 from Travis County in south central Texas. The County is a component of the Austin Metropolitan Statistical Area and is traversed by Interstate Highway 35, U.S. Highway 290, State Highways 21 and 123 and ten farm-to-market roads. The City of San Marcos (population 73,803) is the county seat. Other cities include Buda, Dripping Springs, Hays, Kyle, and Wimberley.

## HISTORICAL POPULATION

Year	Population
2020	230,191
2010	157,107
2000	97,589
1990	65,614
1980	40,594
1970	27,642

Source: U.S. Census Bureau.

## LABOR MARKET PROFILE

	Hays County	
	November 2025	November 2024
Total Civilian Labor Force	165,969	162,983
Total Employment	160,052	157,422
Total Unemployment	5,917	5,561
Percent Unemployed	3.6%	3.4%

	State of Texas	
	November 2025	November 2024
Total Civilian Labor Force	16,038,665	15,758,856
Total Employment	15,361,936	15,115,304
Total Unemployment	676,729	643,552
Percent Unemployed	4.2%	4.1%

Source: Texas Workforce Commission.

## BUSINESS AND INDUSTRY

The County is diversified by tourism, education, agriculture and manufacturing. Kyle, Buda, and San Marcos are located within what has become known as the “Austin/San Antonio Corridor” along I.H. 35. Austin and San Antonio are two anchors of a region which include 1.6 million people. The Austin/San Antonio Corridor is the third most populous area in Texas and the state’s third largest area of economic activity.

Hays County is rapidly changing from rural to urban. Even though agriculture remains important, retail and manufacturing activities are rapidly expanding. One of the largest factory outlet malls in the nation is located in San Marcos and generates several million dollars in city, county and state sales taxes. Tourism has been and will continue to be one of the County’s most productive industries.

Cabela’s opened a retail store in Buda in June, 2005. Cabela’s is known as the “World’s Foremost Outfitter” for outdoor gear. The company was founded in 1961 by Dick and Mary Cabela; in 1963 Jim Cabela joined the company. Cabela’s is currently operating 10 stores throughout the United States, it employs as many as 250 to 500 full and part-time employees per store.

## COUNTY EDUCATION

School Districts in the County include Hays C.I.S.D., Dripping Springs I.S.D., Wimberley I.S.D., and San Marcos C.I.S.D. Texas State University – San Marcos (formerly Southwest Texas State University) is located in San Marcos.

**THIS PAGE LEFT BLANK INTENTIONALLY**

**APPENDIX B**

**EXCERPTS FROM THE  
HAYS COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2024**

The information contained in this APPENDIX consists of excerpts from the Hays County, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information

**THIS PAGE LEFT BLANK INTENTIONALLY**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and  
Commissioners of Hays County, Texas  
San Marcos, Texas

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hays County, Texas (the County), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hays County, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibility of Management for the Financial Statements

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

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

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

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

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

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

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

## **Required Supplementary Information**

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



## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hays County's basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor funds budget to actual schedules, and other supplementary information and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Single audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## Other Information

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the Hays County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hays County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hays County's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
March 25, 2025

## HAYS COUNTY, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Hays County, Texas' (the "County") Annual Comprehensive Financial Report presents an overview of the County's financial activities for the fiscal year ended September 30, 2024. The Management's Discussion and Analysis should be considered in conjunction with the accompanying basic financial statements, accompanying notes to those financial statements, and other portions of the Annual Comprehensive Financial Report.

#### FINANCIAL HIGHLIGHTS

- The County's total combined net position increased from prior year to \$114.3 million at September 30, 2024. Of this amount, (\$220.3) million is unrestricted. Negative unrestricted net position is the result of expenses financed by long-term debt proceeds for infrastructure improvements not owned by the County. Expenses from debt proceeds generally also increase county assets; however, Hays County voters approved lending County support to improving state and city-owned roads, highways, and parks.
- At the close of the fiscal year 2024, Hays County's governmental funds reported combined ending fund balances of \$225.6 million.
- The general fund reported a fund balance this year of \$70.3 million, of which \$59.9 million is unassigned, \$1.1 million is restricted, and \$9.0 million is committed. The fund balance represents 47.2% of General Fund expenditures and transfers out.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which consist of three components:

- government-wide financial statements
- fund financial statements and
- notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private sector business. The government-wide financial statements consist of two financial statements, the *Statement of Net Position* and *Statement of Activities*.

- The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Eventually, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the county is improving or deteriorating.
- The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. 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 result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a portion of their costs through user fees and charges. The governmental activities of the County include general administration, judicial, law enforcement and corrections, community and public service, health and human services, general maintenance, and streets and highways.

## FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information by grouping related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 County can be divided into the following three categories: governmental, proprietary, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's functions.

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 in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

**Proprietary funds** provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to report activities that provide supplies and services for other programs and activities-such as the County's Medical and Dental Insurance fund. Because this service predominantly benefits government rather than business-type functions, the Internal Service Fund is reported with *governmental activities* in the government-wide financial statements.

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

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

**Required and other supplementary information** is presented concerning the County's major funds. The General Fund, Road and Bridge Fund, Debt Service Fund, American Rescue Plan Act Fund, and Major Capital Projects Funds are the County's major funds. A budgetary comparison statement for the General Fund, Road and Bridge Fund, and American Rescue Plan Act Fund which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with the budget. Required Supplementary Information also includes the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Contributions for the County's pension plan, and a Schedule of Changes of Other Postemployment Benefits Liability.

The combining and individual fund statements and schedules provide information for non-major governmental funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information. Additionally, the County legally adopts budgets for a number of other governmental funds. Schedules that include original and final amended budget compared to actual figures are presented for these governmental funds with a legally adopted budget.

## FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

### **Net Position:**

The County's combined net position was \$114,262,894 at September 30, 2024 as detailed below:

	2023 Governmental Activities	2024 Governmental Activities	Total Percent Change 2024-2023
Current and other assets	\$ 340,245,354	\$ 306,028,575	-10.06%
Capital assets, net	444,946,928	461,030,293	3.61%
Total Assets	785,192,282	767,058,868	-2.31%
Deferred outflows of resources	36,793,204	30,687,311	-16.60%
Other liabilities	78,269,554	75,171,136	-3.96%
Long-term liabilities	643,691,952	591,520,188	-8.11%
Total Liabilities	721,961,506	666,691,324	-7.66%
Deferred inflows of resources	10,813,717	16,791,961	55.28%
Net Position:			
Net investment in capital assets	192,825,863	195,449,612	1.36%
Restricted	156,346,666	139,142,280	-11.00%
Unrestricted	(259,962,266)	(220,328,998)	-15.25%
Total Net Position	\$ 89,210,263	\$ 114,262,894	28.08%

Total net position increased by \$25.1 million compared to 2023. There are significant changes in the statement of net position at September 30, 2024 from September 30, 2023. Capital assets increased by \$16.1 million as a result of the purchase of park land, completion of capital projects, and the acceptance of several new roads in subdivisions. Voter approved park bonds funded the improvements to Sentinel Peak Park and conservancy of Owl Bluff. The continued growth of the County has caused an increase of new home development. The roads in these subdivisions such as Headwaters at Barton Creek, Trails at Windy Hill, Sunset Oaks, and Caliterra will be maintained by the County. The County also continues to improve County roads and County buildings such as the Election Building and Courthouse Grounds Renovation project. Long term debt decreased by \$52.2 million resulting from the payment of debt principal. This is discussed in detail on pages 45-51 of this report.

A portion of the County's net position reflects investment in capital assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay the debt associated with these capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. If there are unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

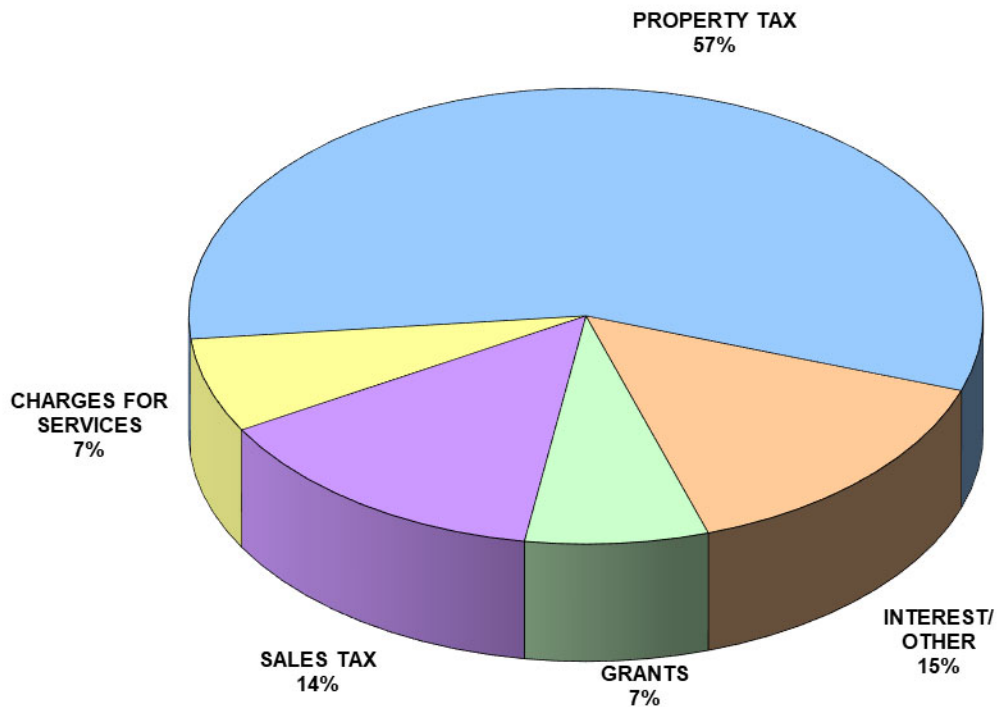
The investment in capital assets does not necessarily correlate directly with changes in capital assets as a whole. Many road projects, once completed, are contributed to the State of Texas or local entity involved thus removing the asset from the County's books. Since 2008, in order to facilitate both population and economic growth in the County and with voter approval to issue \$206 million in road bonds, the County started responsibly issuing road bonds to address road improvements countywide. In 2016, voters approved \$131.4 million for transportation safety and mobility improvements across the county. As road projects are completed, ownership of many of the new roads is transferred to the State of Texas or local entity. This plan has benefited the County over the years making travel faster and safer throughout the County. In connection with the 2008 road bond program, the County entered into an agreement regarding the road construction projects relating to State roads in which the State of Texas will reimburse Hays County over an approximate 20-year period the sum of \$133,170,000. Revenues for those road projects that TxDot has agreed to reimburse the County for are deemed earned and recognized when TxDot approves the road. The County deferred the expenses until the State road projects were approved.

### Changes in Net Position:

The County's total revenues were \$250,980,618. A significant portion, 71% of the County's revenue comes from taxes. Of this total, \$35.6 million was from sales taxes and the remaining \$142.9 million is ad valorem taxes. Charges for services include court fines and fees (\$6.0 million), law enforcement and correction facilities (\$3.8 million), health and human service fees (\$2.6 million), road and bridges (\$3.4 million), administration fees (\$1.1 million), and community and public service fees (\$.005 million).

- The County's total cost of governance was \$225.9 million.
- The amount our taxpayers paid for these activities through taxes was \$178.5 million.
- Those who directly benefited from the programs paid \$16.9 million.
- Interest, grants, contributions, and miscellaneous revenues share of the cost was \$55.6 million.

## REVENUES FY 2024



Changes in net position from year to year are a result of the net impact of the change in revenues and expenses from one year to the next. The change in net position for the year is summarized as follows:

	2023	2024	Total Percent Change 2024-2023
Taxes	\$ 163,079,009	\$ 178,518,357	9.47%
Program revenues:			
Charges for Services	15,930,790	16,853,947	5.79%
Operating grants and contributions	24,967,334	18,130,648	-27.38%
Capital grants and contributions	4,446,113	584,550	-86.85%
Investment earnings	13,859,412	14,402,885	3.92%
Miscellaneous and other	21,638,466	22,490,231	3.94%
Total revenues	243,921,124	250,980,618	2.89%
Expenses			
General administration	16,688,661	24,029,819	43.99%
Judicial	26,904,332	32,110,797	19.35%
Law enforcement/corrections	77,901,185	81,655,359	4.82%
Community/public service	11,447,897	7,523,844	-34.28%
Health and human services	50,736,795	35,210,776	-30.60%
General maintenance	2,960,236	3,391,776	14.58%
Streets and highways	30,397,942	22,931,779	-24.56%
Debt service/bond interest	21,305,547	19,073,837	-10.47%
Total expenses	238,342,595	225,927,987	-5.21%
Change in net position	5,578,529	25,052,631	349.09%
Net position, beginning	83,631,734	89,210,263	6.67%
Net position, ending	\$ 89,210,263	\$ 114,262,894	28.08%

Amounts received for property tax revenues of \$142,900,485 increased from last year by 12.4% due primarily to the addition of new property to the tax base as well as an increase in value of existing property. Property tax revenue makes up 57% of total revenues. Sales tax collections of \$35,617,872 experienced a slight decrease of .9%.

Investment earnings increased by 3.9% as a result of increased investment rates on cash and investments on hand during FY2024.

Operating grants and contributions decreased by 27.4% and capital grants and contributions decreased by 86.9% as a result of the completion of American Rescue Plan Act for Coronavirus State and Local Fiscal Recovery Fund projects in FY2023.

The increase in “miscellaneous and other” revenues from FY2023 to FY2024 represents a 3.9% increase in other pass thru revenues for debt service.

Total expenses decreased by 5.21% during the year. Streets and highways decreased by 24.56% as a result of road construction and road improvement project expenses decreasing in fiscal year 2024 as the 2016 Voter Approved Road Bond Projects end completion. Judicial expenses increased by 19.35% as a result of an increase in indigent defense, pre-trial services, and grant criminal justice program expenses as well as a new Judicial Services department. Law enforcement and corrections increased by 4.82% as a result of increased contract inmate detention expenses. General Administrative expenses increased by 43.99% as a result of the implementation of employee salary step plans. General Maintenance expenses increased by 14.58% as the result of completed building improvements and an increase in building maintenance expenses. Community and Public Service expenses decreased by 34.28% as a result of the purchase of park and nature preserve land in FY2023. Health and Human Services expenses decreased by 30.60% as the result of the completion of projects and contributions related to the American Rescue Plan Act for Coronavirus State and Local Fiscal Recovery Fund in FY2023.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The County reports the following types of governmental funds: the General Fund; Special Revenue; Debt Service; and Capital Project Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances that are available for spending. Such information is useful in assessing the County's annual financing and budgeting 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. As of the end of the 2024 fiscal year, the County's governmental funds reported combined ending fund balance of \$225.6 million. Approximately \$59.9 million of the fund balance represents unassigned fund balance while the remaining major components of fund balance are restricted for capital projects and construction (\$16.7 million), capital projects for others (\$92.9 million), debt service (\$28.6 million), road and bridge (\$1.5 million), and special revenue (\$14.4 million). Committed fund balance was for projects budgeted to be expended in fiscal year 2024 (\$9.0 million). The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance.

### *General Fund*

The General Fund is the primary operating fund of the County. At the end of the 2024 fiscal year, fund balance of the General Fund was \$70.3 million, of which \$59.9 million is unassigned. 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 expenditures and operating transfers. Unassigned fund balance represents 40.3% of total general fund expenditures, and total fund balance represent 47.2% of that same amount. This significant fund balance to total expenditures ratio indicates a healthy financial position.

The fund balance of Hays County's General Fund increased by \$1,086,153 during the current fiscal year. Key factors that enabled the County to increase the level of fund balance are as follows:

- Total General Fund property tax revenues increased over the prior year by \$13.0 million. Property tax revenues increased due to an increase in taxable property values while increasing the General Fund Maintenance and Operations tax rate.
- The growth of the County has created an increase in demand for services and expenditures. The General Fund expenditures increased by \$9.8 million over the prior year's totals. Spending increased due to the addition of 26 new full-time employees, \$2.1 million for salary increase to place employees in the new market salary chart, \$.35 million for salary adjustments related to Law Enforcement positions in collective bargaining, \$.64 million for flood mitigation projects, \$.46 million for upgraded equipment for judicial courtrooms, and an additional \$.23 million in Hays Central Appraisal District fees.
- Although County growth has caused increases to overall general fund expenditures, the County's fiscally conservative spending resulted in lower than budgeted operational costs.

### *Road and Bridge Fund*

The Road and Bridge Fund has a total fund balance of \$2.0 million, with a decrease of \$4.9 million. The decrease is a result of an increase in road expenses (\$2.1 million), offset by an increase in property tax rate and revenue (\$2.3 million), decrease in motor vehicle sales tax (\$.15 million), decrease in operating grants and contributions (1.7 million), and decrease in interest earnings (\$.27 million) from FY2023. The decreases were offset by an increase in charges for services for permitting (\$.14 million).

### *American Rescue Plan Act Fund*

The American Rescue Plan Fund has a total fund balance of \$1,854,755. In September 2021 the County received \$22,355,951 in Coronavirus State and Local Fiscal recovery funds from the US Treasury. The County received the 2<sup>nd</sup> tranche of funding totaling \$22,355,951 in October 2022. At September 30, 2024, funds totaling \$6.4 million were unearned as the County fulfills its commitment to use the funds in Fiscal Year 2025. Fiscal Year 2024 expenditures in the American Rescue Plan Act Fund included \$1.5 million for the Emergency Services District #5 facility, \$1.2 million for Pre-Trial and Judicial services, \$.3 million for Mental Health programs, \$.4 million for Magistration services, \$.2 million for a Vaccine Bus, \$.2 million for Emergency Services District #6, \$.1 million for Wimberley EMS, \$.4 million for San Marcos Hays County EMS, \$.3 million for the Hays Caldwell Women's Center, \$.7 million for rental assistance, \$2.3 million for the Public Defender Office, \$.2 million for United Way Cancer Screening, \$.1 million for School Resource Officers, and \$.4 million for School Behavioral Health program.

#### *Debt Service Fund*

The debt service fund has a total fund balance of \$28,573,265 all of which will be used for the payment of debt service. The balance reflects a current year net increase of \$3,804,327. The increase is a result of an increase in the ad valorem taxes of \$2.0 million as a result of an increased property values with a decrease in debt tax rate, and additional pass thru revenues of \$.6 million for debt service.

#### *Major Capital Project Fund*

The Road Bond 2019 Major Capital Project Fund balance decreased as spending for roads and infrastructure capital projects continued. Numerous road construction projects that were initiated in prior years continued throughout fiscal year 2024. Other major capital project fund balances increased due to interest earnings.

- The Road Bond 2019 Fund has a total fund balance of \$21.9 million, with a net decrease of \$13.7 million. The major road expenditures included road construction project expenses of \$5.0 million for Dacy Lane, \$.5 million for FM 2001 – Graef Road, \$.4 million for FM2001 GAP, \$.2 million for Kohler’s Crossing, \$2.4 million for RM12 – RM3237 Intersection, \$.6 million for FM3237 CSI - RM150 to RR12, \$.3 million for Centerpoint Rd-IH35 to Hunter Rd , \$.2 million for Wimberley Valley Trail, \$.3 million for RM150 West Alignment, \$3.2 million for RM150-RR12 Intersection SMP, and \$1.2 million for Darden Hill improvements.
- The Park Bond 2022 Fund has a total fund balance of \$27.4 million, with an increase of \$1.4 million. The increase is a direct result of interest earnings as the County depletes the prior park bond issuance before depleting the Park Bond 2022 Fund.
- The FM110 TRZ Fund has a total fund balance of \$28.5 million, with an increase of \$8.3 million. The increase is a direct result of ad valorem taxes of \$7.5 million and an increase in interest earnings of \$.27 million. These funds will be utilized for the payment of construction for the FM110 road project coordinated by the Texas Department of Transportation.

#### *Proprietary Fund*

The County operates one internal service fund, the Medical Insurance Fund. This internal service fund is used to report activities connected with the County’s self-insurance program for employee health insurance. As of September 30, 2024, the net position of the Medical Insurance Fund was \$20.4 million, an increase of \$642,136. The increase resulted from additional medical claims offset by an increase in employee premiums due to an increase in the County workforce.

#### GENERAL FUND BUDGETARY HIGHLIGHTS:

The Fiscal Year 2024 budget was adopted on September 19, 2023. The FY2024 budget increase (9.4%) over FY2023 was primarily a result of \$.35 million for salary adjustments for Law Enforcement positions for collective bargaining, \$2.8 million for new positions, \$2.1 million for market salary chart placement for civilian positions, \$.67 million for elected officials’ salary increases, \$.26 million for the creation of a new Justice of the Peace precinct, \$.46 million for upgraded equipment for judicial courtrooms, and \$4.5 million for additional improvements to park and open space projects.

Over the course of the year, the County revised its budget on several occasions for line-item transfers within existing line items, with no increase in the overall budget. Any noted increases in the overall budget was due to additional grants with offsetting revenues that were received but were not anticipated during the budget process.

Actual expenditures were less than budgeted expenditures by \$17,161,824, primarily due to the incompleteness of capital projects and savings from vacant positions. Actual revenues collected were more than budgeted by \$412,816. The revenue increase was primarily the result of an increase in interest earnings. Actual revenues exceeded the budget and actual expenditures were less than budgeted due partially to the County’s conservative approach to budgeting as well as continued economic growth.

#### CAPITAL ASSETS

The capital assets of the County are those assets (land, buildings, improvements, infrastructure, and furniture and equipment), which are used in the performance of the County’s functions. At September 30, 2024, net capital assets of the governmental activities totaled \$461,030,293 million. Annual depreciation and amortization for buildings, infrastructure, improvements, furniture and equipment, right-to-use leased buildings and equipment,



and right-to-use subscription assets totaled \$21.7 million. More detailed information about the County's capital asset activity is presented in Note 3. C. of the notes to the financial statements.

	2023	2024	Total Percent Change 2024-2023
Capital assets not being depreciated:			
Land	\$ 43,072,123	\$ 44,404,823	3.09%
Construction in progress - infrastructure	57,937,915	28,991,615	-49.96%
Construction in progress - building	6,148,066	5,047,306	-17.90%
Construction in progress - land improvements	101,562	383,234	277.34%
Total capital assets not being depreciated	107,259,666	78,826,978	-26.51%
Capital assets being depreciated:			
Infrastructure	246,249,399	298,957,340	21.40%
Buildings and improvements	220,950,336	224,574,600	1.64%
Park improvements	5,171,513	5,171,513	0.00%
Equipment	51,928,897	54,990,177	5.90%
Right-to-use leased asset - equipment	4,296,344	8,601,368	100.20%
Right-to-use subscription asset	7,449,281	8,240,098	10.62%
Total capital assets being depreciated	536,045,770	600,535,096	12.03%
Less accumulated depreciation for:			
Infrastructure	(100,943,281)	(107,328,673)	6.33%
Buildings and improvements	(54,562,306)	(62,299,777)	14.18%
Park Improvements	(2,293,211)	(2,511,676)	9.53%
Equipment	(38,390,234)	(41,745,710)	8.74%
Less accumulated amortization for:			
Right-to-use leased asset - equipment	(1,450,529)	(2,489,473)	71.63%
Right-to-use subscription asset	(718,947)	(1,956,472)	172.13%
Total accumulated depreciation	(198,358,508)	(218,331,781)	10.07%
Total capital assets being depreciated, net	337,687,262	382,203,315	13.18%
Governmental activities capital assets, net	\$ 444,946,928	\$ 461,030,293	3.61%

#### DEBT ADMINISTRATION

At the end of the 2024 fiscal year, the County reported \$633.1 million in outstanding debt. Of this amount, \$472.1 million is general obligation debt, \$42.0 million is special assessment revenue bonds, \$1.2 million is qualified energy conservation bonds, and \$2.2 million is a public property finance act contract loan for additional energy efficiency capital projects. The County reported \$4.6 million in vested vacation and sick benefits, \$37.7 million in post employment benefits, \$6.2 million in right-to-use lease liability, and \$6.5 million in right-to-use subscription liability. Premiums being amortized over the life of the bond were \$41.2 million at year-end.

A majority of the general obligation debt is the result of a voter approved bond issue for roads, parks, and public safety facilities. In 2008, voters approved \$206 million for roads and \$30 million for parks projects. In 2016, voters approved \$106.4 million for public safety facilities and \$131.4 million for transportation safety and mobility improvements across the county. In connection with the 2008 road bond program, the County has entered into an agreement regarding the road construction projects relating to State roads in which the State of Texas will reimburse Hays County over an approximate 20-year period the sum of \$133,170,000. In 2020, voters approved \$75.0 million for constructing, improving, renovating, equipping, and acquiring land and interest in land, and buildings for park and recreational purposes. More detailed information about the County's long-term debt activity is presented in Note 3. F. of the notes to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES:

Appraised property values used for the FY2025 budget preparation will increase by \$2.13 billion, or 5.6% from FY2024. The increase in FY2025 property values was the result of new improvements (\$2.3 billion). Additionally, a tax freeze for seniors over the age of 65 and disabled persons adopted in FY2017 is still in place. The average home value in FY2025 was \$466,243 as compared to the average home value in FY2024 of

\$435,318. These indicators were considered when adopting the FY2025 General Fund budget. Amounts available for appropriation in the FY2025 General Fund budget are \$157.7 million, compared to the final FY2024 budget of \$144.4 million. Total revenue for all operating funds, including General Fund, for FY2025 are budgeted at \$209.9 million.

Total expenditures for all operating funds, including General Fund, for FY2025 are budgeted at \$225.9 million which is a 2.8% increase from the previous year. This increase is primarily a result of an increase in new personnel added to the budget, market adjustments for positions included in Collective Bargaining and replacement capital equipment.

If these estimates are realized, the County's budgetary General Fund balance is anticipated to drop by \$9.0 million. The decrease in fund balance is the result of the use of reserves to fund one-time expenditures for capital improvements related to district courtroom equipment upgrades, technology equipment for a server refresh project for the Public Safety Building, park projects, as well as other miscellaneous one-time capital project expenses. Based on our practice of conservatism in the budget process, we anticipate that the drop in projected fund balance will be less than anticipated in FY2025.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 712 S. Stagecoach Trail, Suite 1071, San Marcos, Texas 78666 or 512-393-2283.



**HAYS COUNTY, TEXAS  
ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
2024**

**BASIC FINANCIAL STATEMENTS**



**HAYS COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2024**

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash:	
Cash and cash equivalents	\$ 250,520,465
Receivables:	
Delinquent ad valorem taxes	1,079,072
Sales and use tax	5,369,155
Lease receivable	109,461
Miscellaneous	47,379,137
Materials & supplies inventory, at cost	534,806
Prepaid items	239,479
Deposits	797,000
Capital assets (net of accumulated depreciation and amortization):	
Land	44,404,823
Buildings	162,274,823
Land improvements	2,659,837
Furniture, fixtures and equipment	13,244,467
Right-to-use leased asset - equipment	6,111,895
Right-to-use SBITA asset	6,283,626
Infrastructure	191,628,667
Construction in progress	34,422,155
Total Assets	<u>767,058,868</u>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	7,966,603
Deferred pension charges	11,300,317
Deferred OPEB charges	11,420,391
Total deferred outflow of resources	<u>30,687,311</u>
<b>Liabilities</b>	
Accounts payable	20,067,131
Accrued interest payable	2,426,443
Due to other agencies	3,865,139
Unearned revenues	7,185,792
Noncurrent liabilities:	
Due within one year	41,626,631
Due in more than one year	591,520,188
Total Liabilities	<u>666,691,324</u>
<b>Deferred inflows of resources</b>	
Deferred revenue-leases	109,682
Deferred OPEB charges	16,682,279
Total deferred outflow of resources	<u>16,791,961</u>
<b>Net Position</b>	
Net investment in capital assets	195,449,612
Restricted for:	
Restricted-administration	351,372
Restricted-debt service	28,573,265
Restricted-road and bridge	1,520,046
Restricted-court building	1,417,232
Restricted-law enforcement and corrections	625,680
Restricted-records management and preservation	2,229,653
Restricted-community services and programs	4,193,695
Restricted-judicial	1,497,536
Restricted-health and human services	5,856,821
Restricted-capital projects for others	92,876,980
Unrestricted	(220,328,998)
Total Net Position	<u>\$ 114,262,894</u>

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2024**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Administration	\$ (24,029,819)	\$ 1,126,397	\$ 2,251	\$ -
Judicial	(32,110,797)	5,980,176	6,907,827	-
Law enforcement and corrections	(81,655,359)	3,756,860	3,583,557	163,010
Community and public services	(7,523,844)	4,950	334,946	-
Health and human services	(35,210,776)	2,596,284	6,674,885	276,855
General maintenance	(3,391,776)	-	-	83,224
Highways and streets	(22,931,779)	3,389,280	627,182	61,461
Interest and fees	(19,073,837)	-	-	-
Total governmental activities	(225,927,987)	16,853,947	18,130,648	584,550
Total primary government	\$ (225,927,987)	\$ 16,853,947	\$ 18,130,648	\$ 584,550

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2024**

	<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Primary Government</b>	
<b>Functions/Programs</b>	<b>Governmental Activities</b>	
<b>Primary government:</b>		
Governmental activities:		
Administration	\$	(22,901,171)
Judicial		(19,222,794)
Law enforcement and corrections		(74,151,932)
Community and public services		(7,183,948)
Health and human services		(25,662,752)
General maintenance		(3,308,552)
Highways and streets		(18,853,856)
Interest and fees		(19,073,837)
Total governmental activities		(190,358,842)
Total primary government	\$	(190,358,842)
Ad valorem taxes		142,900,485
Sales and use tax		35,617,872
Interest on deposits		14,402,885
Miscellaneous revenues		22,490,231
Total general revenues		215,411,473
<b>Change in net position</b>		<b>25,052,631</b>
Net position - beginning		89,210,263
<b>Net position - ending</b>	<b>\$</b>	<b>114,262,894</b>

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

**HAYS COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2024**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Debt Service Fund</b>	<b>Road Bond 2019 Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 76,753,724	\$ 5,683,648	\$20,987,702	\$ 26,311,338
Receivables				
Ad valorem taxes	707,196	72,135	299,741	-
Sales and use taxes	5,369,155	-	-	-
Lease receivable	109,461	-	-	-
Due from other governments	999,303	644,311	8,200,168	131,052
Miscellaneous	2,178,293	2,579	-	42
Due from other funds	2,735,241	190,954	15,692	-
Prepaid items	237,597	-	-	-
Inventory, at cost	7,686	527,120	-	-
Total Assets	<u>\$ 89,097,656</u>	<u>\$ 7,120,747</u>	<u>\$29,503,303</u>	<u>\$ 26,442,432</u>
<b>Liabilities</b>				
Liabilities				
Accounts payable	\$ 9,513,173	\$ 3,344,277	\$ 8,071	\$ 3,844,655
Unearned revenue	502,595	-	-	-
Due to other agencies	2,976,731	97,900	790,508	-
Due to other funds	5,387,565	1,597,611	1,771	670,289
Total Liabilities	<u>18,380,064</u>	<u>5,039,788</u>	<u>800,350</u>	<u>4,514,944</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue-property taxes	318,286	33,793	129,688	-
Unavailable revenue-leases	109,682	-	-	-
Total Deferred Inflows of Resources	<u>427,968</u>	<u>33,793</u>	<u>129,688</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	\$ 245,283	\$ 527,120	\$ -	\$ -
Restricted-administration	351,372	-	-	-
Restricted-debt service	-	-	28,573,265	-
Restricted-capital projects and construction	-	-	-	539,249
Restricted-court building	-	-	-	-
Restricted-road and bridge	-	1,520,046	-	-
Restricted-law enforcement and corrections	-	-	-	-
Restricted-records management and preservation	-	-	-	-
Restricted-community services and programs	764,502	-	-	-
Restricted-judicial	-	-	-	-
Restricted-health and human services	-	-	-	-
Restricted-capital projects for others	-	-	-	21,388,239
Committed-administration	472,005	-	-	-
Committed-general maintenance	614,642	-	-	-
Committed-community services and programs	3,500,000	-	-	-
Committed-health and human services programs	508,647	-	-	-
Committed-law enforcement and corrections	620,042	-	-	-
Committed-judicial	266,157	-	-	-
Committed-capital projects and construction	3,000,000	-	-	-
Unassigned	59,946,974	-	-	-
Total Fund Balances	<u>70,289,624</u>	<u>2,047,166</u>	<u>28,573,265</u>	<u>21,927,488</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 89,097,656</u>	<u>\$ 7,120,747</u>	<u>\$29,503,303</u>	<u>\$ 26,442,432</u>

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



**HAYS COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2024**

	<b>American Rescue Plan Act Fund</b>	<b>Park Bond 2022 Fund</b>	<b>FM 110 TRZ Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 8,709,128	\$ 27,351,862	\$23,882,740	\$ 45,032,068	\$ 234,712,210
Receivables					
Ad valorem taxes	-	-	-	-	1,079,072
Sales and use taxes	-	-	-	-	5,369,155
Lease receivable	-	-	-	-	109,461
Due from other governments	-	-	4,586,444	232,069	14,793,347
Miscellaneous	-	-	-	2,034,862	4,215,776
Due from other funds	11,159	-	-	114,649	3,067,695
Prepaid items	1,665	-	-	217	239,479
Inventory, at cost	-	-	-	-	534,806
Total Assets	<u>\$ 8,721,952</u>	<u>\$ 27,351,862</u>	<u>\$28,469,184</u>	<u>\$ 47,413,865</u>	<u>\$ 264,121,001</u>
<b>Liabilities</b>					
Liabilities					
Accounts payable	\$ 456,818	\$ -	\$ -	\$ 1,803,407	\$ 18,970,401
Unearned revenue	6,410,358	-	-	272,839	7,185,792
Due to other agencies	-	-	-	-	3,865,139
Due to other funds	21	-	-	286,068	7,943,325
Total Liabilities	<u>6,867,197</u>	<u>-</u>	<u>-</u>	<u>2,362,314</u>	<u>37,964,657</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	-	-	-	-	481,767
Unavailable revenue-leases	-	-	-	-	109,682
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,449</u>
<b>Fund Balances</b>					
Nonspendable	\$ 1,665	\$ -	\$ -	\$ 217	\$ 774,285
Restricted-administration	-	-	-	-	351,372
Restricted-debt service	-	-	-	-	28,573,265
Restricted-capital projects and construction	-	12,110,376	-	4,070,238	16,719,863
Restricted-court building	-	-	-	1,417,232	1,417,232
Restricted-road and bridge	-	-	-	-	1,520,046
Restricted-law enforcement and corrections	-	-	-	625,680	625,680
Restricted-records management and preservation	-	-	-	2,229,653	2,229,653
Restricted-community services and programs	-	-	-	3,429,193	4,193,695
Restricted-judicial	-	-	-	1,497,536	1,497,536
Restricted-health and human services	1,853,090	-	-	4,003,731	5,856,821
Restricted-capital projects for others	-	15,241,486	28,469,184	27,778,071	92,876,980
Committed-administration	-	-	-	-	472,005
Committed-general maintenance	-	-	-	-	614,642
Committed-community services and programs	-	-	-	-	3,500,000
Committed-health and human services programs	-	-	-	-	508,647
Committed-law enforcement and corrections	-	-	-	-	620,042
Committed-judicial	-	-	-	-	266,157
Committed-capital projects and construction	-	-	-	-	3,000,000
Unassigned	-	-	-	-	59,946,974
Total Fund Balances	<u>1,854,755</u>	<u>27,351,862</u>	<u>28,469,184</u>	<u>45,051,551</u>	<u>225,564,895</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,721,952</u>	<u>\$ 27,351,862</u>	<u>\$28,469,184</u>	<u>\$ 47,413,865</u>	<u>\$ 264,121,001</u>

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

**HAYS COUNTY, TEXAS**  
**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
**September 30, 2024**

Total fund balances - governmental funds	\$ 225,564,895
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are expensed in the funds	461,030,293
Payables for bond principal and premiums, which are not due in the current period are not reported in the funds	(558,667,503)
Payables for right-to-use-assets	(12,752,280)
Payables for bond interest which are not due in the current period are not reported in the funds	(2,426,443)
Compensated absences which are not due in the current period are not reported in the funds	(4,662,714)
Net pension liability is not reported in the funds	(19,354,868)
Internal service funds assets and liabilities are included in the governmental activities in the statement of net position	20,386,495
Property tax receivable unavailable to pay current year expenditures is deferred in the funds	481,767
Other post employment benefit liability is not reported in the funds	(37,709,453)
Deferred outflows on net pension liability are not reported in the funds	11,300,317
Deferred outflows on other post employment benefits are not reported in the funds	11,420,391
Deferred inflows on other post employment benefits are not reported in the funds	(16,682,279)
Deferred amounts on refunding are deferred outflows of resources and, therefore, are not reported in the funds	7,966,603
Receivables for which current financial resources are not available	28,367,673
Governmental activities - net position	<hr/> \$ 114,262,894

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2024**

	<b>General</b>	<b>Road and Bridge Fund</b>	<b>Debt Service Fund</b>	<b>Road Bond 2019 Fund</b>
<b>Revenues</b>				
Taxes				
Ad valorem	\$ 87,578,552	\$ 8,924,446	\$ 35,274,081	\$ -
Sales and use	32,939,747	2,678,125	-	-
Fines	1,700,195	339,404	-	-
Charges for services	8,717,989	2,826,904	-	-
Interest on deposits	4,954,726	417,891	1,088,654	1,815,481
Interest income on leases	805	-	-	-
Operating grants and contributions	7,162,424	165,832	-	522,811
Other revenue	1,314,846	102,821	10,940,821	839,950
Asset forfeitures	-	214,773	-	-
Total Revenues	<u>144,369,284</u>	<u>15,670,196</u>	<u>47,303,556</u>	<u>3,178,242</u>
<b>Expenditures</b>				
Current				
Administration	21,159,803	-	-	-
Judicial	25,414,719	-	-	-
Law enforcement and corrections	74,311,467	-	-	-
Community and public services	2,473,932	-	-	-
Health and human services	5,567,440	-	-	-
General maintenance	2,884,531	-	-	-
Highways and streets	91,204	17,532,237	-	10,467,337
Debt service				
Administrative charges	15,500	-	9,675	-
Interest	281,101	219	18,719,554	-
Principal retirement	3,039,139	1,592	24,770,000	-
Bond issuance costs	-	-	-	-
Capital outlay	11,306,067	3,024,474	-	6,443,874
Total expenditures	<u>146,544,903</u>	<u>20,558,522</u>	<u>43,499,229</u>	<u>16,911,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,175,619)</u>	<u>(4,888,326)</u>	<u>3,804,327</u>	<u>(13,732,969)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,279,373)	-	-	-
Total Transfers to other funds	<u>(2,279,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers In	-	-	-	-
Total Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Special assessment bonds issued	-	-	-	-
Other financing sources - SBITA	832,766	-	-	-
Other financing sources - leases	4,708,379	-	-	-
Total Issuance of debt	<u>5,541,145</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3,261,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,086,153	(4,888,326)	3,804,327	(13,732,969)
Fund balances - beginning	69,203,471	6,935,492	24,768,938	35,660,457
Fund balances - ending	<u>\$ 70,289,624</u>	<u>\$ 2,047,166</u>	<u>\$ 28,573,265</u>	<u>\$ 21,927,488</u>

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2024**

	<b>American Rescue Plan Act Fund</b>	<b>Park Bond 2022 Fund</b>	<b>FM 110 TRZ Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes					
Ad valorem	\$ -	\$ -	\$ 7,494,755	\$ 3,884,674	\$ 143,156,508
Sales and use	-	-	-	-	35,617,872
Fines	-	-	-	-	2,039,599
Charges for services	-	-	-	2,032,728	13,577,621
Interest on deposits	734,439	1,417,183	828,401	2,771,159	14,027,934
Interest income on leases	-	-	-	-	805
Operating grants and contributions	9,440,328	-	-	1,423,803	18,715,198
Other revenue	-	-	-	21,149,854	34,348,292
Asset forfeitures	-	-	-	101,717	316,490
Total Revenues	<u>10,174,767</u>	<u>1,417,183</u>	<u>8,323,156</u>	<u>31,363,935</u>	<u>261,800,319</u>
<b>Expenditures</b>					
Current					
Administration	2,250	-	-	-	21,162,053
Judicial	3,974,008	-	-	2,977,621	32,366,348
Law enforcement and corrections	126,186	-	-	647,633	75,085,286
Community and public services	36,181	-	-	5,003,979	7,514,092
Health and human services	5,063,689	-	-	23,501,911	34,133,040
General maintenance	-	-	-	56,878	2,941,409
Highways and streets	-	-	-	954,904	29,045,682
Debt service					
Administrative charges	-	-	-	6,500	31,675
Interest	1,862	-	-	2,425,210	21,427,946
Principal retirement	28,259	-	-	846,758	28,685,748
Bond issuance costs	-	-	-	-	-
Capital outlay	<u>327,777</u>	<u>-</u>	<u>-</u>	<u>2,051,015</u>	<u>23,153,207</u>
Total expenditures	<u>9,560,212</u>	<u>-</u>	<u>-</u>	<u>38,472,409</u>	<u>275,546,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>614,555</u>	<u>1,417,183</u>	<u>8,323,156</u>	<u>(7,108,474)</u>	<u>(13,746,167)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	-	-	-	-	(2,279,373)
Total Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,279,373)</u>
Transfers In	-	-	-	2,279,373	2,279,373
Total Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,279,373</u>	<u>2,279,373</u>
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-
Other financing sources - SBITA	50,103	-	-	-	882,869
Other financing sources - leases	69,781	-	-	-	4,778,160
Total Issuance of debt	<u>119,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,661,029</u>
Total other financing sources (uses)	<u>119,884</u>	<u>-</u>	<u>-</u>	<u>2,279,373</u>	<u>5,661,029</u>
Net change in fund balances	734,439	1,417,183	8,323,156	(4,829,101)	(8,085,138)
Fund balances - beginning	<u>1,120,316</u>	<u>25,934,679</u>	<u>20,146,028</u>	<u>49,880,652</u>	<u>233,650,033</u>
Fund balances - ending	<u>\$ 1,854,755</u>	<u>\$ 27,351,862</u>	<u>\$ 28,469,184</u>	<u>\$ 45,051,551</u>	<u>\$ 225,564,895</u>

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

**HAYS COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2024**

Net change in fund balances -- total governmental funds	\$ (8,085,138)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are not reported as expenses in the statement of activities	37,830,774
Depreciation and amortization of capital assets is not recorded in the funds	(21,747,409)
Bond issues are recorded as a current resource in the funds, but as a liability in the statement of net position	-
Repayment of bond principal is an expenditure in the funds but a reduction of the liability in the statement of net position	25,866,536
Bond premiums are capitalized and amortized in the statement of net position	3,110,660
Refunding bond gains/losses are capitalized and amortized in the statement of net position	(871,781)
Lease issues are recorded as a current resource in the funds, but as a liability in the statement of net position	(5,661,029)
Payment of right-to-use leased asset liability	2,819,203
Increase in non-current portion of compensated absences is not an expenditure in the funds, but is recorded as a liability in the statement of net position	(340,745)
Property taxes unearned in the funds are recognized as revenue in the statement of activities	(256,013)
Increase in accrued interest payable from beginning of the period to the end of the period	146,905
Net expenditure in the internal service funds are reported in the governmental activities	642,136
Post employment benefit expense is not reported in the funds	(1,562,987)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in the funds such as the net pension benefit expense	4,099,340
Governmental funds report expenditures for costs of assets under construction that will be contributed on completion to another entity. However, in the statement of activities, the cost of those assets will be expensed when asset is transferred	<u>(10,937,821)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 25,052,631</u>

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2024**

	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 15,808,255
Accounts receivable	2,341
Due from other funds	5,073,821
Total Current assets	<u>20,884,417</u>
Non-current asset	
Deposits held by paying agent	797,000
Total Non-current asset	<u>797,000</u>
Total Assets	<u><u>\$ 21,681,417</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities	
Accounts payable	\$ 245,213
Due to other funds	198,191
Claims payable	851,518
Total Current liabilities	<u>1,294,922</u>
Total Liabilities	<u>1,294,922</u>
Net Position	
Restricted for future claims	20,386,495
Total Net Position	<u><u>\$ 20,386,495</u></u>

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

**HAYS COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2024**

	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 16,661,194
Total operating revenues	<u>16,661,194</u>
<b>OPERATING EXPENSES</b>	
Medical claims	<u>16,393,201</u>
Total operating expenses	<u>16,393,201</u>
Operating Income	<u>267,993</u>
<b>Nonoperating Revenues</b>	
Interest on deposits	<u>374,143</u>
Total non-operating revenues	<u>374,143</u>
Change in net position	642,136
Total net position - beginning	19,744,359
Total net position - ending	<u><u>\$ 20,386,495</u></u>

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2024**

	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from interfund services provided	\$ 26,901,804
Payment for claims	(17,363,281)
Net cash (used) by operating activities	<u>9,538,523</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	374,143
Net cash provided by investing activities	<u>374,143</u>
Net decrease in cash and cash equivalents	9,912,666
Balances - beginning of year	<u>5,895,589</u>
Balances - end of year	<u><u>\$ 15,808,255</u></u>
<b>Reconciliation of operating income (loss) to net cash</b>	
<b>net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 267,993
Changes in assets and liabilities:	
Interfund receivables	9,916,226
Accounts receivable	126,193
Prepaid items	10,625
Deposits held by paying agent	-
Accounts payable - other	181,813
Accounts payable - claims	(1,162,518)
Interfund payables	198,191
Net Cash (used) by operating activities	<u><u>\$ 9,538,523</u></u>

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



**HAYS COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**September 30, 2024**

	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 17,096,151
Accounts receivable	3,226,943
Total assets	<u>\$ 20,323,094</u>
<b>LIABILITIES</b>	
Miscellaneous payables	-
Due to other agencies	-
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Restricted for:	
Individuals, organizations and other governments	20,323,094
Total net position	<u><u>\$ 20,323,094</u></u>

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

**HAYS COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended September 30, 2024**

	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>	
Property taxes	\$ 503,709,512
Motor vehicle registrations	73,182,159
Motor vehicle sales tax	47,968,231
Restitution	20,520
Seizures and evidence	23,346
Bond and registry accounts	1,152,858
Custodial accounts	25,138,218
Miscellaneous fees	145,469
Total additions	<u>651,340,313</u>
<b>DEDUCTIONS</b>	
Property taxes	501,025,363
Motor vehicle registrations	73,114,866
Motor vehicle sales tax	48,002,945
Restitution	21,561
Seizures and evidence	21,111
Bond and registry accounts	2,442,001
Custodial accounts	38,075,950
Miscellaneous payables	124,058
Total deductions	<u>662,827,855</u>
Change in net position	<u>(11,487,542)</u>
Net position - beginning	<u>31,810,636</u>
Net position - ending	<u><u>\$ 20,323,094</u></u>

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

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**NOTE 1. Summary of Significant Accounting Policies**

The combined financial statements of Hays County, Texas (the “County”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s more significant accounting policies are described below.

The County adopted the provisions of GASB #63 *Financial Reporting of Deferred Outflows of Resources Deferred Inflows of Resources, and Net Position*. The statement requires governments to account for deferred outflows of resources, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption “Net Assets” to “Net Position.”

The County adopted the provisions of GASB Statement #65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements and required a retroactive adjustment to recognize the costs associated with bond issuances that were previously amortized using the straight-line method over the life of the bonds.

The County adopted the provisions of GASB Statement #68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The County adopted the provisions of GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. These pronouncements have been implemented for purposes of measuring the pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the County’s Texas County & District Retirement System (TCDRS) plans and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The County adopted the provisions of GASB Statement #72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, which would generally require state and local governments to measure investments at fair value. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government’s financial position.

The County adopted the provisions of GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The County adopted the provisions of GASB Statement #77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding the tax abatement commitments. The Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic developments or otherwise benefits the government or its citizens. This Statement requires disclosures of tax abatement information about (1) a reporting government's own tax abatements agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Statement requires a reporting government to disclose the names of the governments that entered into agreements, the specific taxes being abated, and the gross dollar amount of taxes abated during the reporting year. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public.

The County adopted the provisions of GASB Statement #84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The Statement defines types of fiduciary funds, eliminating Agency funds and replacing them with Custodial Funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

The County adopted the provisions of GASB Statement #87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The County adopted the provisions of GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

### **Reporting Entity**

The County of Hays is a political subdivision of the State of Texas and is governed by four Commissioners elected by precinct and a County Judge elected countywide that comprise the Commissioners Court. The accompanying financial statements present the government's financial statements.

The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its components units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

The County is not a component unit of any other reporting entity as defined by the GASB Statement. Based on the criteria above, the County determined that there are no component units.

**Government-wide and Fund Financial Statements**

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that report information on all of the non-fiduciary activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effect of interfund activity has been eliminated for the government-wide financial statements; however, interfund services provided and used by the County's funds are not eliminated in the process of consolidation.

**A. 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of the accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Operating statement of these funds presents increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Thus, the operating statements for the governmental funds are considered to present a summary of sources and uses of "available spendable resources" during a period.

All governmental funds used the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

funds to be available if the revenues are collected within sixty (60) days after year-end. Revenues from local sources consist primarily of property taxes and sales tax. Property and sales tax revenues, grant revenues, and reimbursements due to the County are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under leases or subscription arrangements are reported as other financing sources.

All proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned rather than when received, and their expenses are recognized when they are incurred rather than actually paid. The measurement focus for proprietary funds is on determination of net income, changes in net position (or cost recover), financial position and cash flows. All proprietary funds, i.e. internal service funds, use accrual basis of accounting. Revenues are recognized when earned and expenses are accounted for using a cost of service measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' balance sheets.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Fiduciary funds are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds with the County. Custodial funds generally are used to account for assets that the County holds on behalf of others as their agent. Custodial funds are custodial in nature and use the economic resources measurement focus.

The County uses funds to report its financial positions and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County function or activities. County resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expense. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

**General Fund.** This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. It is the basic fund of the County and covers all activities for which a special revenue fund has not been established.

**Road and Bridge Fund:** This fund is used to account for resources restricted to, or designated for, road and bridge maintenance and operations. The Road and Bridge fund is a Special Revenue Fund used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for the construction and maintenance of roads and bridges within the County and is primarily funded by ad valorem taxes and vehicle registration fees.

**Debt Service Fund:** The debt service fund is used to account for the resources accumulated for and the payment of principal and interest on long-term debt of the County.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**Capital Projects Funds:** These funds are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal. The Road Bond 2019 Fund, Park Bond 2022 Fund, and the FM110 TRZ Fund are reported as major capital project funds.

**American Rescue Plan Act Fund:** This fund is a major special revenue fund that is used to account for grant funds that are restricted for use by the American Rescue Plan Act. The American Rescue Plan Act facilitates the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic.

In addition, the County reports the following fund types:

**Special Revenue Funds:** These funds are used to account for funds related to grants and contracts and other general government resources that are restricted by law or contractual agreement to specific purposes other than debt service or capital projects.

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the County's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The County operates one internal service fund, the Medical Insurance Fund.

**Fiduciary Funds:** Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the County. The County uses Custodial Funds to account for assets held in the agent capacity for other governments for which the tax office collects taxes, for monies seized by County law enforcement agencies, custodial funds held for individuals such as inmates, bail bondsmen, minors, and incapacitated individuals, and for restitution owed to others.

**B. Assets, Liabilities, and Net Position or Fund Balance**

1. Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand deposits, certificates of deposits with a maturity date within six months of the date acquired by the government, and deposits in TexPool, Logic, Texas Class, and other local government investment pools.

In accordance with GASB Statement 9, the County has developed a definition of cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, certificates of deposits, as well as temporary investments with a maturity date of three months from the date acquired by the County.

State statutes and bond ordinances authorize the County to invest in direct obligations of State and Local Governments (SLGS) and the United States of America. Additionally, there are no differences in the types of investments authorized for different funds, fund types, or component units. Investments may consist of:

- a. Obligations including letters of credit, or the United States or its agencies and instrumentalities;
- b. Direct obligations of the State of Texas or its agencies and instrumentalities;
- c. Other obligations, the principal and interest which are unconditionally guaranteed or insured by, backed by the full faith and credit off the State of Texas or the United States or their respective agencies and instrumentalities; and
- d. 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;

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

- e. Certificates of deposit and Share Certificates that are guaranteed or insured by the federal Deposit Insurance Corporation (“FDIC”) or its successor; or the National Credit Union Share Insurance Fund (“NCUSIF”) or its successor; or secured in any other manner and amount provided by law for deposits of the County;
- f. An investment in certificates of deposits made through a depository institution and the full amount of the principal and accrued interest of each certificate of deposit is insured by the United States or an instrumentality of the United States;
- g. Fully collateralized repurchase agreements as defined in the Public Fund Investment Act with a defined termination date, pledged with a third party, and secured by obligations of the United State or its agencies and instrumentalities;
- h. A banker’s acceptance if it has a stated maturity of 270 days or fewer from the date of issuance, will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank;
- i. Commercial paper had a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or an equivalent rating;
- j. Mutual funds and money market funds with limitations.

Investments for the government are reported at fair value using quoted market prices.

**2. Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial statements and are netted in the government-wide financial statements.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes collected from February 1<sup>st</sup> through June 30<sup>th</sup> are considered past due and are assessed a late payment penalty and interest. On July 1<sup>st</sup>, any remaining uncollected taxes become delinquent. Thereafter, the County may file suit for collection of the unpaid delinquent taxes, which then become subject to additional penalties and attorney fees. A schedule of tax rates and other pertinent ad valorem information is presented as part of the statistical section of this report.

Taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Tax revenues are recognized as they become available. Accordingly, an amount equal to taxes not yet available has been reported as deferred inflows of resources at the governmental fund level.

Allowances for uncollectible tax receivables within the General, Road & Bridge Special Revenue Fund and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for doubtful accounts in the General, Road & Bridge Special Revenue Fund and Debt Service Funds was \$1,121,531, \$159,457, and \$454,810 respectively.

**3. Inventories and Prepaid Items**

Inventories of consumable supplies are valued at cost using the first in/first out (FIFO) method. The costs of government fund type inventories are recorded as expenditures when consumed rather than when purchased.



**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources.” The costs of prepaid items are recorded as expenditures when consumed rather than when purchased.

4. Pensions

The County has adopted accounting policy in response to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27* (GASB 68). For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County’s Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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. Information regarding the County’s Total Pension Liability is obtained from TCERS through a report prepared for the County by TCERS consulting actuary, Milliman, Inc., in compliance with GASB 68.

5. Other Postemployment Benefits (OPEB)

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires a liability for OPEB obligations to be recognized on the balance sheets of participating employers. Changes in OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change. Information regarding the County’s OPEB Liability is obtained through a report prepared for the County by Milliman, Inc., a consulting actuary, in compliance with GASB 75.

6. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refundings is reported in the government-wide statement of net position.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference between expected and actual experience and changes in assumptions for net pension liability and OPEB liability - These differences are deferred and amortized over the average life for all active, inactive, and retired members.

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

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

- Difference between expected and actual experience of pension assets - This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual OPEB experience and changes in assumptions – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Unavailable revenues-leases – The unavailable revenue related to leases represents the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

**7. Capital Assets**

Capital assets include land, land and property improvements, buildings, infrastructure (e.g. roads and bridges), and equipment that used in operations and benefit more than a single fiscal period. Infrastructure assets are long-lived assets that normally are stationary in nature and typically can be preserved for a significantly greater number of years than most capital assets. The County defines capital assets as items with an initial, individual cost of more than \$5,000 and estimate useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary funds statements. Capital assets are recorded as expenditures of the current period in the governmental funds financial statements.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25-50
Land Improvements	10-30
Buildings	50
Equipment and Vehicles	5-10

**8. Compensated Absences**

County employees earn vacation leave in varying amounts. When an employee leaves the service of the County, he or she will be paid for accrued but unused vacation leave (not to exceed 240 hours for full-time, 180 hours for three quarter time, and 120 for half-time employees) upon resignation, retirement, or death. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, all full-time non-exempt County employees earn compensatory time for hours worked beyond their regular working hours. Accumulated compensatory time (up to a maximum of 60 hours) is also paid upon termination of employment. Unused sick leave may also be accumulated. A reimbursement is made for accumulated sick leave upon voluntary retirement with a TCDRS annuity and at least 20 years of continuous service with Hays County. Eligible employees will be paid at the county's lowest hourly rate at the time of retirement up to 480 hours of accrued sick leave for regular full-time employees, 360 hours for  $\frac{3}{4}$  regular employees, and 240 hours for part-time employees, with a maximum gross of \$6,000.

All vacation and compensatory time is accrued when incurred in the government-wide financial statements. Sick leave related to employees that are eligible to retire is also accrued. Liabilities for compensated absences

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

are recognized in all the funds statements to the extent the liabilities have matured (i.e. are due for payment). Accrued vacation and compensatory time is paid at the wage rate in place at separation and is shown as an expenditure in the fund the employee had been assigned to prior to termination. The General Fund and Road and Bridge funds have been typically used to liquidate the accrued vacation and compensatory obligation.

9. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the cost services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

10. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables ("due from other funds") and payables ("due to other funds") as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are eliminated on the government-wide statement of activities.

11. Unearned Revenue

Revenues not expected to be available for the current period are reflected as unearned revenue. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Grants and reimbursement revenues received in advance of expenses/ expenditures are reflected as unearned revenue.

12. Long-term Obligations

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Losses on refundings are reported as deferred charges and amortized over the term of the related debt.

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

13. Fund Balance Classification Policy

The County adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. The County reports fund balance classifications in its governmental funds that

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

correspond to a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. As of year end, non-spendable funds were composed of inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited for a specific purpose by the government's highest level of decision making (in this case the Commissioners Court). Formal action of the County would be those actions, which are voted on at Commissioners' Court meetings that are in compliance with Texas law. The County's policy is to approve all commitments by formal court order. Similar action of the County is required to modify or rescind such commitments.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the Commissioners Court or an official delegated by the court, such as a county judge or county auditor. For example, during the budget process, the court decided to use some existing fund balance to support activities in the upcoming year.
- 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 unassigned fund balance amount. However, in governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

**14. Net Position**

Net Position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. 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 County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**15. 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. Stewardship, Compliance, and Accountability**

**A. Budgets**

Budgeting is an essential element of the financial planning, control, and evaluation processes of the County. Budgets for the County are prepared in conformity with generally accepted accounting principles (GAAP). The County legally adopts budgets for the General Fund, Special Revenue Funds (except some Discretionary Funds), Debt Service Funds, and Capital Project Funds. Budgets for grant funds are established pursuant to grant awards

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

and budgets for Capital Project Funds are established on a project basis with annual budgets adopted using estimated expenditures left to complete projects. All annual appropriations, except grant funds and Capital Project Funds, lapse at fiscal year-end.

The Hays County Commissioners Court appoints a Budget Officer who prepares the county budget with the certification of revenues by the County Auditor. The following procedures are followed in establishing the budgetary data reflected in the financial report.

1. The Budget Officer submits to the County Commissioners Court a proposed operating budget for the following fiscal year commencing the following October. The operational budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by the Commissioners Court by September 30 each year.

The final approved budget as adopted by the Commissioners Court is filed with the County Clerk as a matter of public record. The Commissioners Court may amend the budget at any time after it's adopted, all changes in the budget must be by an affirmed vote of majority of the Commissioners Court. The budgets adopted by the County Commissioners Court set into law the maximum expenditure authorizations that cannot be legally exceeded. Under State statute, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners Court must approve any over-expenditures of appropriations or transfers of appropriated amount. The County's legal level of budgetary control is the department's expenditure category levels. Any transfers or supplemental appropriations that amend expenditure category levels require the approval of a majority of the Commissioners Court. Budgets for the General Fund, certain Special Revenue Funds, Debt Service Fund, and certain Capital Project Funds are adopted on a modified accrual basis in accordance with generally accepted accounting principles. The County's legal level of budgetary control is at the department's cost center level with expenditure category levels defined as salaries, operating, travel, continuing education, and capital outlay. Any transfers or supplemental appropriations that amend expenditures across category levels require the approval of a majority of the Commissioners Court. Any amendments to the budget must be within the revenues and reserves estimated as available or the revenues estimated must be changed by an affirmative vote of a majority of the members of Commissioners Court. During the year, several supplemental appropriations were necessary.

A number of Special Revenue Funds do not have annually adopted budgets. State statutes establishing who has control of and the purposes for which the funds can be used generally govern these funds. The revenues in these funds cannot be sufficiently anticipated in order to establish a viable budget.

The following Special Revenue Funds did not have formally adopted budgets:

Sheriff LEOSE Fund  
Sheriff Federal Discretionary Fund  
Sheriff Commissary Fund  
District Attorney State Apportionment Fund  
Juvenile Delinquency Prevention Fund  
Specialty Court Fund  
Help America Vote Act Fund  
Constable LEOSE Fund  
District Attorney LEOSE Fund

**B. Encumbrance Accounting**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized as an extension of formal budgetary integration in the governmental funds of the County. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable encumbered amounts. Encumbrances outstanding

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

at year end are reported by the County as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2024.

**C. Deficit Unrestricted Net Position**

A deficit unrestricted net position of approximately \$220,328,998 exists in governmental activities as of September 30, 2024. This deficit is primarily the result of the County issuing bonds to finance the construction of infrastructure contributed to other governmental entities. As of September 30, 2024, the amounts of bonds outstanding that were used to finance construction of assets transferred to another governmental entity was approximately \$175,921,732. These bonds will be paid with future property tax revenues restricted for debt service.

**NOTE 3. Detailed Notes on all Funds**

**A. Deposits and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. The County's cash deposits at September 30, 2024, and during the year ended September 30, 2024 were entirely covered by FDIC insurance or pledged collateral held by the County's agent bank in the County's name.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The County's investments in these pools is the same as the value of the pool shares, which are valued based on quoted market rates.

The County invests in Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791, and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Comptroller is sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

The County also invests in LOGIC which has been organized in conformity with the Texas Government Code, and the Public Funds Investment Act. The business and affairs of LOGIC are managed by the board members. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest, a division of Hilltop Securities, Inc. serve as co-administrators for LOGIC. JPMIM provides investment management services, fund accounting, transfer agency and custodial services and First Southwest provides participant services and marketing. The 5-member board of directors for LOGIC is comprised of individuals from participating government entities in the pool. The Bylaws set forth procedures governing the selection of, and action taken by the Board. Board oversight of LOGIC is maintained through daily, weekly, and monthly reporting requirements.

The County also invests in The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) which was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS is overseen by the Texas CLASS Board of Trustees, comprised of 7 active members of the pool and elected by the Participants, guided by a 4-member advisory board. The Board is responsible for selecting the Administrator and Investment Advisor. The Board retains the services of Public Trust Advisors, LLC (Public Trust) as program administrators and Wells Fargo Bank Texas, N.A. as Custodian.

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

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

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The County has recurring fair value measurements as presented in the table below. The County's investment balances, investment weighted average maturity, and investment Standard & Poor's (S&P) rating are listed in the table below:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Investment or Investment Type	September 30, 2024	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)	Percent of Total Portfolio	Weighted Average Maturity in Days	Rating S&P
Investments not subject to Fair Value (amortized cost)							
TexPool Investment Pool	\$ 171,276,533	\$ -	\$ -	\$ -	75.28%	31	AAAm
Logic Investment Pool	20,528,346	-	-	-	9.02%	46	AAAm
Texas Class Investment Pool	17,418,766	-	-	-	7.66%	36	AAAm
BOK Financial	-	7,595,152	-	-	3.34%	N/A	N/A
Certificates of Deposit	-	10,712,582	-	-	4.71%	180	N/A
Total	209,223,645	18,307,734	-	-			
Total investments held by the County	\$ 227,531,379						
Plus cash in banks	40,085,237						
Total investments and cash held by County	267,616,616						
Less cash held in fiduciary funds	(17,096,151)						
Total cash and cash equivalents reported on statement of net position	\$ 250,520,465						

Analysis of Specific Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the County, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. The County's policy is to comply with state law. At year end, all of the County's investments meet the State's requirements.

At September 30, 2024, the County's investments are rated as to credit quality as shown in the above table.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The County's Investment Policy requires that securities be registered in the name of the County. All safekeeping receipts for investment instruments are held in accounts in the County's name, and all securities are registered in the name of the County.

During Fiscal Year 2024, the County was not exposed to investment custodial risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The County's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings.



**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

During Fiscal Year 2024, the County was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the County manages its interest rate risk by limiting the weighted average maturity of any investment owned by the County to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The County's exposure to interest rate risk at September 30, 2024 is summarized in the above table as the weighted average days to maturity.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

**B. Receivables/Lease Receivable/Unearned Revenue/Deferred Inflow of Resources**

Receivables at September 30, 2024 for the County's individual major governmental funds and other non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Road and Bridge Fund	Debt Service Fund	Road Bond 2019 Fund	FM 110 TRZ Fund	Other Governmental Funds	Total Funds
Ad valorem taxes	\$1,828,727	\$231,592	\$ 754,551	\$ -	\$ -	\$ -	\$ 2,814,870
Allowance for doubtful accounts	(1,121,531)	(159,457)	(454,810)	-	-	-	(1,735,798)
Sales and use taxes	5,369,155	-	-	-	-	-	5,369,155
Lease receivable	109,461	-	-	-	-	-	109,461
Due from other governments	999,303	644,311	8,200,168	131,052	4,586,444	232,069	14,793,347
Miscellaneous	2,178,293	2,579	-	42	-	2,034,862	4,215,776
	<u>\$9,363,408</u>	<u>\$719,025</u>	<u>\$8,499,909</u>	<u>\$131,094</u>	<u>\$4,586,444</u>	<u>\$2,266,931</u>	<u>\$25,566,811</u>

Governmental funds reported deferred inflow of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflow of resources and unearned revenue reported in the governmental funds were as follows:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

	Fund	Unearned Revenue	Deferred Inflow of Resources
Net tax revenue	General	\$ -	\$ 318,286
Other	General	502,595	-
Lease receivable	General	-	109,682
Net tax revenue	Road and Bridge	-	33,793
Net tax revenue	Debt	-	129,688
Other	American Rescue Plan	6,410,358	-
Other	Local Assistance and Tribal Consistency	86,075	-
Other	Family Health Services	15,752	-
Other	ORCA Cedar Oaks Mesa	1,125	-
Other	Texas Water Development	169,887	-
	Total Governmental Funds	<u>\$ 7,185,792</u>	<u>\$ 591,449</u>

On September 1, 2021, the County entered into a four-year lease agreement for the lease of land and facilities at the County's building located in Kyle, Texas. Based on this agreement, the annual lease payments were \$19,200 until the lease terminates on August 31, 2025. The interest rate on the lease is 0.475%. On October 1, 2021, the County entered into a four-year lease agreement for the lease of office space and facilities at the Hays County Government Center. Based on this agreement, the annual lease payments were \$92,139 until the lease terminates on September 30, 2025. The interest rate on the lease is 0.475%. At September 30, 2024, the County reported lease receivable and deferred inflows of resources of \$109,461 and \$109,682, respectively.

Future minimum lease payments to be received are as follows:

Fiscal Year	Governmental Activities		
	Lease Receivable	Lease Revenue	Lease Interest
2025	109,461	108,728	278
	<u>\$ 109,461</u>	<u>\$ 108,728</u>	<u>\$ 278</u>

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**C. Capital Assets**

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

	Beginning Balances	Reclasses and Increases	Reclasses and Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 43,072,123	\$ 1,332,700	\$ -	\$ 44,404,823
Construction in progress - infrastructure	57,937,915	12,570,515	(41,516,815)	28,991,615
Construction in progress - buildings	6,148,066	2,686,614	(3,787,374)	5,047,306
Construction in progress - land improvements	101,562	281,672	-	383,234
Total capital assets not being depreciated	<u>107,259,666</u>	<u>16,871,501</u>	<u>(45,304,189)</u>	<u>78,826,978</u>
<i>Other capital assets:</i>				
Infrastructure	246,249,399	52,707,941	-	298,957,340
Buildings and improvements	220,950,336	3,624,264	-	224,574,600
Park improvements	5,171,513	-	-	5,171,513
Equipment	51,928,897	4,288,292	(1,227,012)	54,990,177
Right-to-use leased asset - equipment	4,296,344	4,778,160	(473,136)	8,601,368
Right-to-use subscription asset	7,449,281	882,869	(92,052)	8,240,098
Total other capital assets at historical cost	<u>536,045,770</u>	<u>66,281,526</u>	<u>(1,792,200)</u>	<u>600,535,096</u>
Less accumulated depreciation for:				
Infrastructure	(100,943,281)	(6,385,392)	-	(107,328,673)
Buildings and improvements	(54,562,306)	(7,737,471)	-	(62,299,777)
Land and park improvements	(2,293,211)	(218,465)	-	(2,511,676)
Equipment	(38,390,234)	(4,569,065)	1,213,589	(41,745,710)
Less accumulated amortization for:				
Right-to-use leased asset - equipment	(1,450,529)	(1,507,439)	468,495	(2,489,473)
Right-to-use subscription asset	(718,947)	(1,329,577)	92,052	(1,956,472)
Total accumulated depreciation and amortization	<u>(198,358,508)</u>	<u>(21,747,409)</u>	<u>1,774,136</u>	<u>(218,331,781)</u>
Total other capital assets, net	<u>337,687,262</u>	<u>44,534,117</u>	<u>(18,064)</u>	<u>382,203,315</u>
Governmental activities capital assets, net	\$ <u>444,946,928</u>	\$ <u>61,405,618</u>	\$ <u>(45,322,253)</u>	\$ <u>461,030,293</u>

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

	Depreciation	Amortization	Total
General administration	\$ 3,555,374	\$ 225,718	\$ 3,781,092
Judicial	168,038	123,300	291,338
Law enforcement/corrections	5,523,268	2,269,208	7,792,476
Community/public service	267,028	15,700	282,728
Health and welfare	1,525,316	177,443	1,702,759
General maintenance	631,668	24,055	655,723
Streets and highways	7,239,701	1,592	7,241,293
Total depreciation expense	\$ <u>18,910,393</u>	\$ <u>2,837,016</u>	\$ <u>21,747,409</u>

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**Capital Project and Construction Commitments**

The County has active construction projects as of September 30, 2024. The projects include road construction, parks and park improvements, as well as facilities construction. As of September 30, 2024, the County's commitments with contractors were as follows:

<u>Fund</u>	<u>Project Category</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Public Safety Bond 2017 Fund	Road Construction	\$ 107,879,059	\$ 1,647,018
Road and Bridge Fund	Road Construction	4,903,719	1,467,403
Road Bond 2019 Fund	Road Construction	81,640,649	539,249
Park Bond 2021 Fund	Park Improvements	6,406,801	1,007,245
	<b>TOTAL</b>	<b>\$ 200,830,228</b>	<b>\$ 4,660,915</b>

**D. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2024, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road Bond 2019 Fund	\$ 670,289	Short-term loans
General Fund	Non-major Capital Project Funds	98,330	Short-term loans
General Fund	Non-major Special Revenue Funds	185,915	Short-term loans
General Fund	Road and Bridge Fund	1,580,724	Short-term loans
General Fund	Internal Service Fund	198,191	Short-term loans
General Fund	Debt Service Fund	1,771	Short-term loans
General Fund	American Rescue Plan Act Fund	21	Short-term loans
	Total General Fund	<u>2,735,241</u>	
Road and Bridge Fund	General Fund	190,954	Short-term loans
	Total Road and Bridge Fund	<u>190,954</u>	
Debt Service	Road and Bridge Fund	15,692	Short-term loans
	Total Debt Service Fund	<u>15,692</u>	
American Rescue Plan Act Fund	General Fund	11,159	Short-term loans
	Total Road Bond 2019 Fund	<u>11,159</u>	
Non-major Special Revenue Funds	General Fund	30,204	Short-term loans
Non-major Special Revenue Funds	Non-major Capital Project Funds	861	Short-term loans
Non-major Special Revenue Funds	Non-major Special Revenue Funds	962	Short-term loans
	Total Non-major Special Revenue Funds	<u>32,027</u>	
Non-major Capital Project Funds	General Fund	82,622	Short-term loans
	Total Non-major Capital Project Funds	<u>82,622</u>	
Total Governmental Funds due from other funds		\$ 3,067,695	
Total Governmental Funds due to other funds		(7,943,325)	
Total Internal Service Fund due from other funds		5,073,821	
Total Internal Service Fund due to general fund		<u>(198,191)</u>	
		<u>\$ -</u>	

All amounts due are scheduled to be repaid within one year.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2024, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Non-major Special Revenue Fund	\$ 2,235,153	Supplement health service costs
General Fund	Non-major Capital Project Fund	44,220	Short-term loan
	Total Transfers	<u>\$ 2,279,373</u>	

**E. Due to Other Governments**

Due to other governments are summarized below:

<u>Fund</u>	<u>Amount</u>
General Fund	
Court fines due to State	\$ 580,849
Unclaimed funds due to State	398,264
Other amounts due to State and others	1,997,618
	<u>2,976,731</u>
Road and Bridge Fund	
Other amount due to State	\$ 2,287
Other amount due to others	95,613
	<u>97,900</u>
Debt Service Fund	
Other amount due to others	\$ 790,508
Total due to other government:	<u>\$ 3,865,139</u>

**F. Long-Term Obligations**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2024, are as follows:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 496,860,000	\$ -	(24,770,000)	\$ 472,090,000	\$ 26,830,000
Certificates of obligations	-	-	-	-	-
Special assessment revenue bonds	42,725,000	-	(741,000)	41,984,000	776,000
Qualified energy conservation bonds	1,358,039	-	(142,944)	1,215,095	144,870
Public property finance act contract	2,389,416	-	(212,592)	2,176,824	218,056
Bond premiums	44,312,244	-	(3,110,660)	41,201,584	-
	<u>587,644,699</u>	<u>-</u>	<u>(28,977,196)</u>	<u>558,667,503</u>	<u>27,968,926</u>
Right-to-use subscription liability	7,047,150	882,869	(1,388,037)	6,541,982	1,338,295
Right-to-use lease liability	2,863,313	4,778,160	(1,431,175)	6,210,298	1,726,368
Compensated absences	4,321,970	1,300,428	(959,683)	4,662,715	1,165,679
Post employment benefits	40,819,996	-	(3,110,543)	37,709,453	9,427,363
Pension plan benefits	30,102,393	-	(10,747,525)	19,354,868	-
	<u>85,154,822</u>	<u>6,961,457</u>	<u>(17,636,963)</u>	<u>74,479,316</u>	<u>13,657,705</u>
Total governmental activities	\$ <u>672,799,521</u>	\$ <u>6,961,457</u>	\$ <u>(46,614,159)</u>	\$ <u>633,146,819</u>	\$ <u>41,626,631</u>

The General Fund and the Road and Bridge Fund have primarily liquidated the compensated absences in the past. The postemployment benefits will be liquidated primarily by the General Fund. The pension plan benefits will be liquidated primarily by the General Fund. The private placement debt will be liquidated primarily by the General Fund.

Long-term debt of the County consists of various issues of General Obligation Bonds and Certificates of Obligation. General Obligation Bonds require voter approval at a public election before issuance, while Certificates of Obligation are issued upon the vote of the Commissioners Court. Both types are backed by the full faith and credit of the County. Debt service is primarily paid from ad valorem taxes with the exception of the Pass Through Toll Revenue and Limited Tax Bonds which are also paid from pass-through toll revenue from TXDOT. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Issue Date	Description	Maturity	Original Amount	Interest Rate / Coupon Date	Sept. 30, 2024 Ending Balance	Due Within One Year
9/15/2014	Limited Tax Refunding Bonds Series 2014 - Refunded portion of Series COB 2005, PTR and Limited Tax Bonds 2009	2/15/2030	9,105,000	2.63% 02/15, 08/15	6,755,000	3,345,000
3/15/2015	Limited Tax Refunding Bonds Series 2015 - Refunded portion of Series 2008, 2009, 2009, 2010	2/25/2029	42,595,000	2.86% 02/15, 08/15	23,150,000	3,665,000
4/1/2015	Pass-Through Toll Revenue & Limited Tax Bonds Series 2015 - Road Improvements Texas Highway System	2/15/2035	27,410,000	3.26% 02/15, 08/15	9,640,000	1,445,000
3/24/2016	Limited Tax Refunding Bonds Series 2016 - Refunded portion of Series Tax Bonds 2007, 2008, and 2009, PTR 2009, COB 2009 and 2010	2/15/2035	63,030,000	3.87% 02/15, 08/15	42,035,000	1,900,000
9/30/2016	Pass-Through Toll Revenue & Limited Tax Bonds Series 2016 - Road Improvements Texas Highway System	2/15/2036	35,065,000	3.40% 02/15, 08/15	25,025,000	1,655,000
8/16/2017	Limited Tax Refunding Bonds, Series 2017 Refunded portions of Series Tax Bonds 2011, Road Bonds 2011, and PTR 2011	2/15/2036	64,465,000	4.76% 2/15, 8/15	49,280,000	4,390,000
8/16/2017	Limited Tax Bonds, Series 2017 Public Safety Buildings	2/15/2042	96,190,000	2% 2/15, 8/15	89,260,000	3,260,000
8/16/2017	Unlimited Tax Road Bonds, Series 2017 Road Improvements and Texas Highway Improvements	2/15/2042	21,545,000	4.87% 2/15, 8/15	18,690,000	660,000
8/14/2019	Unlimited Tax Road Bonds, Series 2019 Road Improvements and Texas Highway Improvements	2/15/2044	97,035,000	3.8% 2/15, 8/15	95,020,000	2,080,000

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Issue Date	Description	Maturity	Original Amount	Interest Rate / Coupon Date	Sept. 30, 2024 Ending Balance	Due Within One Year
9/21/2021	Limited Tax Bonds, Taxable Series 2021 Park Bonds	2/15/2046	43,825,000	3.35% 2/15, 8/15	42,250,000	935,000
9/21/2021	Limited Tax Refunding Bonds Taxable Series 2021 - Refunded portion of Limited Tax Refunding Series Tax Bonds 2012, 2013, 2014, and PTR 2013, 2015	2/15/2038	52,090,000	1.88% 2/15, 8/15	47,715,000	2,665,000
12/7/2022	Limited Tax Bonds, Taxable Series 2022 Park Bonds	2/15/2042	24,060,000	4.45% 2/15, 8/15	23,270,000	830,000
	<b>TOTAL TAX SUPPORTED DEBT</b>				<b>472,090,000</b>	<b>26,830,000</b>
8/5/2015	Special Assessment Revenue Bonds, Series 2015 La Cima Public Improvement District Major Public Improvement Project	9/15/2045	19,200,000	6.94% 03/15, 09/15	13,965,000	300,000
11/12/2020	Special Assessment Revenue Bonds, Series 2020 La Cima Public Improvement District Neighborhood Improvement Areas 1-2 Project	9/15/2048	9,345,000	3.90% 03/15, 09/15	8,390,000	170,000
12/22/2022	Special Assessment Revenue Bonds, Series 2022 La Cima Public Improvement District Neighborhood Improvement Area 3 Project	9/15/2052	20,800,000	5.65% 03/15, 09/15	19,629,000	306,000
3/2/2017	Qualified Energy Conservation Bonds, 2017- Energy Efficiency Program	12/15/2031	1,499,083	1.347% 12/15	1,215,095	144,870
3/2/2017	Public Property Finance Act Contract, 2017- Energy Efficiency Program	12/15/2032	3,863,000	2.57% 12/15	2,176,824	218,056
	<b>TOTAL</b>				<b>517,465,919</b>	<b>27,968,926</b>

**Refunding Bonds (from table)**

In May 2013, Limited Tax Refunding Bonds, Series 2013 in the amount of \$26,225,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$26,105,000 of Refunding and Improvement Bonds, Series



**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

2003, Unlimited Tax Bonds, Series 2004, Certificates of Obligation, Series 2005, Unlimited Tax Road Bonds, Series 2006, Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009. On September 30, 2024, \$16,220,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$3,240,927 and a Net Present Value savings of \$2,334,943.

In September 2014, Limited Tax Refunding Bonds, Series 2014 in the amount of \$9,105,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$8,715,000 of Certificates of Obligation, Series 2005 and Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009. On September 30, 2024, \$7,715,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$931,444 and a Net Present Value savings of \$773,843.

In March 2015, Limited Tax Refunding Bonds, Series 2015 in the amount of \$42,595,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$3,240,000 of Limited Tax Bonds, Series 2008, \$1,365,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009, \$22,670,000 of Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009, and \$14,470,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010. On September 30, 2024, \$23,195,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$3,089,097 and a Net Present Value savings of \$2,486,082.

In March 2016, Limited Tax Refunding Bonds, Series 2016 in the amount of \$63,030,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$6,155,000 of Limited Tax Bonds, Series 2007, \$3,595,000 of Limited Tax Bonds, Series 2008, \$3,555,000 of Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009, \$6,565,000 of Unlimited Tax Road Bonds, Series 2009, \$3,925,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009, and \$39,275,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010. On September 30, 2024, \$42,560,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$7,146,864 and a Net Present Value savings of \$5,927,443.

In August 2017, Limited Tax Refunding Bonds, Series 2017 in the amount of \$64,465,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$6,395,000 of Limited Tax Bonds, Series 2011, \$29,900,000 of Unlimited Tax Road Bonds, Series 2011, and \$33,940,000 of Pass-Through Toll Revenue & Unlimited Tax Bonds, Series 2011. On September 30, 2024, \$53,855,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$9,874,662 and a Net Present Value savings of \$7,511,584.

In September 2021, Limited Tax Refunding Bonds, Taxable Series 2021 in the amount of \$52,090,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$2,295,000 of Limited Tax Refunding Bonds, Series 2012, \$15,780,000 of Limited Tax Refunding Bonds, Series 2013, \$18,665,000 of Pass-Through Toll Revenue and Unlimited Tax Bonds, Series 2013, \$915,000 of Limited Tax Refunding Bonds, Series 2014, and \$10,070,000 of Pass-Through Toll Revenue & Unlimited Tax Bonds, Series 2015. On September 30, 2024, \$45,430,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$7,514,511 and a Net Present Value savings of \$6,522,188.

**Special Assessment Revenue Bonds (from table)**

Hays County issued special assessment debt in FY 2015 to provide funds for portions of the costs of the La Cima Public Improvement District Major Public Improvement Project. Bond proceeds will be used to pay the costs of certain water, wastewater and road improvements that will benefit the entire La Cima Public Improvement District (PID). Hays County entered into an Indenture of Trust with BOKF, NA, dba Bank of Texas as Trustee. The bonds will be secured by the Trust Estate and will be repaid from amounts levied against the property owners benefiting from this construction. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds. In the event that a deficiency exists because of unpaid or delinquent

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

special assessments at the time a debt service payment is due, a reserve fund has been established to maintain an amount equal to the maximum annual debt service on the bonds as of their date of issuance. Additionally, pursuant to the Indenture and the Service and Assessment plan, the Trustee will transfer funds from the Pledged Revenue Fund first to a principal and interest account in an amount sufficient to pay debt service coming due, then to a Prepayment Reserve Account on an annual basis until the amount on deposit therein is equal to the prepayment reserve requirement, which is an amount equal to 1.5% of the outstanding bonds. The Trustee will then transfer funds to a Delinquency Reserve Account in an amount necessary to cover the delinquency reserve requirement, which is an amount equal to 5.0% of the principal amount of the outstanding bonds. If the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer from the Prepayment Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency. The La Cima PID bonds have a stated rate of interest of 6.93% and are payable over 30 years.

During FY2021, the County issued Special Assessment Revenue Bonds, Series 2020 for the La Cima Public Improvement District Neighborhood Improvement Areas #1-2 Project with principal amount of \$9,345,000. Bond proceeds were used to pay the costs of certain improvements that benefited neighborhoods in the La Cima Public Improvement District (PID). The Bonds were issued pursuant to an order adopted by the Commissioners Court on October 20, 2020 and an Indenture of Trust, dated November 1, 2020 between the County and Trustee, BOKF, NA. The bonds were secured by the Trust Estate and will be repaid from amounts levied against the property owners benefiting from this construction. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds. The La Cima PID bonds have a stated rate of interest of 3.90% and are payable over 30 years.

During FY2023, the County issued Special Assessment Revenue Bonds, Series 2022 for the La Cima Public Improvement District Neighborhood Improvement Area #3 Project with principal amount of \$20,800,000. Bond proceeds were used to pay the costs of certain improvements that benefited neighborhoods in the La Cima Public Improvement District (PID). The Bonds were issued pursuant to an order adopted by the Commissioners Court on December 6, 2022 and an Indenture of Trust, dated December 1, 2022 between the County and Trustee, BOKF, NA. The bonds were secured by the Trust Estate and will be repaid from amounts levied against the property owners benefiting from this construction. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds. The La Cima PID bonds have a stated rate of interest of 5.65% and are payable over 30 years.

**Direct Placement Debt**

The County's outstanding debt at September 30, 2024 from direct placements related to governmental activities consists of \$1,215,095 in Qualified Energy Conservation Bonds and a \$2,176,824 note payable issued for the County's Energy Efficiency Capital Project.

**Right-to-use Lease Liability**

At September 30, 2024, the County was obligated under right to use leases for vehicles (\$5,934,386), copiers (\$237,420), and miscellaneous equipment (\$38,492). The vehicles were leased for terms of 2 to 5 years at interest rates between 0.25% and 3.51%. The monthly payments range between \$89.29 to \$1,416.36. The copiers were leased for various County departments and offices for a term of 4 to 5 years at fixed interest rates between 0.248% and 6.52%. The monthly payments range between \$61.22 to \$424.53. The County leased equipment for two departments. The Juvenile Probation department leased radios for a term of 5 years at a fixed interest rate of 0.632%. The monthly payments are \$1,491. These leases are not renewable and the County will not acquire the assets at the end of the lease term.

**Right-to-use Subscription Liability**

At September 30, 2024, the County had right-to-use subscription liabilities for software (\$6,541,982). The software was leased for terms of 2 to 10 years at interest rates between 2.326% and 3.591%. The annual payments range

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

between \$1,640 to \$965,938. These right-to-use subscription asset leases are not renewable and the County will not acquire the intangible assets at the end of the term.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2024, are as follows:

Year Ending September 30,	Governmental Activities								
	Bonds Payable		Direct Placement Debt		Right-to-use Lease liability		Right-to-use asset subscription liability		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2025	27,606,000	19,948,845	362,926	72,312	1,726,368	140,601	1,338,295	156,142	51,351,489
2026	29,786,000	18,715,912	370,481	64,756	1,508,163	99,313	1,131,619	126,938	51,803,182
2027	31,058,000	17,444,212	378,207	57,031	1,355,453	61,900	1,102,889	98,189	51,555,881
2028	32,345,000	16,159,918	386,106	49,130	1,154,481	27,894	987,332	70,550	51,180,411
2029	30,038,000	14,940,708	394,186	41,052	465,833	3,940	948,673	47,086	46,879,478
2030-2034	147,152,000	57,099,033	1,500,013	79,742	-	-	1,033,174	27,195	206,891,157
2035-2039	110,191,000	31,927,931	-	-	-	-	-	-	142,118,931
2040-2044	86,658,000	12,390,232	-	-	-	-	-	-	99,048,232
2045-2049	14,890,000	2,763,585	-	-	-	-	-	-	17,653,585
2050-2053	4,350,000	476,278	-	-	-	-	-	-	4,826,278
	<u>\$ 514,074,000</u>	<u>\$ 191,866,654</u>	<u>\$ 3,391,919</u>	<u>\$ 364,023</u>	<u>\$ 6,210,298</u>	<u>\$ 333,648</u>	<u>\$ 6,541,982</u>	<u>\$ 526,100</u>	<u>\$ 723,308,624</u>

Interest rates on long-term debt ranges from 2% to 7%.

3. Continuing Disclosure

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the County.

**G. Accumulated Unpaid Compensated Absences**

On retirement or death of certain employees, the County pays any annual leave and compensating time in a lump sum payment to such employee or his/her estate. A summary of changes in the accumulated leave liability follows:

		Compensated Absences
Balance, September 30, 2023	\$	4,321,970
Additions - new entrants and salary increments		1,300,428
Payments		(959,683)
Balance, September 30, 2024	\$	<u>4,662,715</u>

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**NOTE 4. Other Information**

**A. Health Care Coverage**

Effective 10/1/1988 the County established a self-funded health insurance plan, which is recorded as an Internal Service Fund. This fund accounts for the health insurance risk financing activities of the County but does not constitute a transfer of risk from the County. The County pays most of the employee premium per month to the fund. Employees pay either \$47.22, \$25.00, or \$0.00 per month depending on the plan chosen and, at their option, may also authorize payroll withholdings to pay premiums for dependents. During the year ended September 30, 2024, the County contributed \$944/month for medical and \$34/month for dental per employee to the Plan. All contributions were paid to a third-party administrator, United Healthcare, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third-party administrator is renewable January 1, 2024, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through United Healthcare, a commercial insurer licensed and eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$200,000 and for aggregate loss of \$18,823,256.

Following is a reconciliation of changes in the aggregate liabilities for health claims for the current fiscal year:

	<u>FY 2024</u>	<u>FY 2023</u>
Claims payable, October 1	\$ 2,014,036	\$ 1,876,238
Claims incurred	16,211,388	15,324,521
Claims paid	<u>(17,373,906)</u>	<u>(15,186,723)</u>
Claims payable, September 30	<u>\$ 851,518</u>	<u>\$ 2,014,036</u>

There were no significant changes in coverage, retention, or limits during the fiscal year.

**B. Employee Pension Plan**

**Plan Description**

Hays County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in aggregate issues an annual comprehensive financial report on a calendar year basis. The annual comprehensive financial report is available upon written request from the board of trustees at Post Office Box 2034, Austin, Texas 78768-2034.

**Benefits Provided**

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 (seventy-five) or more. Members are vested after 8 (eight) years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the restricting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability the benefit is calculated by

# HAYS COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

### September 30, 2024

converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

#### Employees Covered by Benefit Terms:

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

Inactive Employees or Beneficiaries currently Receiving Benefits	563
Inactive Employees entitled to but Not Yet Receiving Benefits	1,279
Active Employees	<u>1,155</u>
Total	2,997

#### Contributions

The contributions rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employees gross earnings, as adopted by the employer's governing body. The contribution rate is determined annually by the actuary, using the Entry Age Normal actuarial cost method. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available to the TCDRS Act.

Hays County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Hays County contributed using the actuarially determined rate of 13.59% from October 2023 through December 2023 and 13.76% from January 2024 to September 2024 of annual covered payroll. The County's contributions to the TCDRS for the years ending September 30, 2024, 2023, and 2022 were \$10,332,148, \$8,646,147, and \$7,860,548, respectively, and were equal to the required contributions for each year. The Commissioners' Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate. The deposit rate payable by all employee members for the 2024 fiscal year was the rate of 7% of their annual covered payroll.

#### Net Pension Liability (Asset)

Hays County's Net Pension Liability (Asset) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. The December 31, 2023 actuarial valuation is the most recent valuation.

#### Actuarial Valuation Information:

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

Actuarial Valuation Date	12/31/2023
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Working Life
Amortization Period	18.1 years
Asset Valuation Method	5 Year Smoothed Fair Value
Actuarial Assumptions	
Investment Rate of Return	7.50%
Overall Payroll Growth	3.00%
Inflation	2.50%
Cost-of-Living Adjustments	0.00%

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee. Mortality rates for active members were based on gender-distinct Pub-2010 General Employee Amount-Weighted Mortality Table at 135% for males and 120% for females, projected with 100% of the MP-2021 Ultimate scale after 2010. Mortality rates for retirees, beneficiaries, and non-active members were based on 135% of the Pub-210 General Retirees Amount-Weighted Mortality Tables for males and 120% for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. For disabled annuitants, mortality rates were based on 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Tables for males and 125% for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultants and are based on January 2024 information for a 10-year time horizon.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return (Expected Minus Inflation)</b>
U. S. Equities	11.50%	4.75%
Private Equity	25.00%	7.75%
Global Equities	2.50%	4.75%
International Equities - Developed	5.00%	4.75%
International Equities - Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	3.25%
Cash Equivalents	<u>2.00%</u>	0.60%
<b>TOTAL</b>	100.00%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.60%. 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.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		Net Pension
	Total Pension Liability	Fiduciary Net Position	Liability / (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2022	\$ 304,140,723	\$ 274,038,330	\$ 30,102,393
Changes for the year:			
Service cost	8,924,030	-	8,924,030
Interest on total pension liability <sup>(1)</sup>	23,312,602	-	23,312,602
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	2,271,632	-	2,271,632
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(745,335)	(745,335)	-
Benefit payments	(12,130,392)	(12,130,392)	-
Administrative expenses	-	(160,001)	160,001
Member contributions	-	4,976,991	(4,976,991)
Net investment income	-	30,138,696	(30,138,696)
Employer contributions	-	10,091,730	(10,091,730)
Other <sup>(3)</sup>	-	208,373	(208,373)
Net changes	21,632,537	32,380,062	(10,747,525)
Balances as of December 31, 2023	\$ 325,773,260	\$ 306,418,392	\$ 19,354,868

<sup>(1)</sup> Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of Hays County, calculated using the discount rate of 7.60%, as well as what Hays County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 374,142,133	\$ 325,773,260	\$ 285,884,474
Fiduciary net position	306,418,392	306,418,392	306,418,392
Net pension liability / (asset)	\$ 67,723,741	\$ 19,354,868	\$ (20,533,918)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

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

For the year ended September 30, 2024, Hays County recognized pension expense of \$6,232,807. At September 30, 2024, Hays County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 2,018,909
Changes in actuarial assumptions	-	193,008
Difference between projected and actual investment earnings	-	1,540,346
Contributions subsequent to the measurement date	-	7,548,054
Total	<u>\$ -</u>	<u>\$ 11,300,317</u>

Hays County reported \$7,548,054 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2024	\$	(833,370)
2025		(121,331)
2026		6,552,599
2027		(1,845,635)
2028		-
Therafter		-
Total	<u>\$</u>	<u>3,752,263</u>

Each qualified employee is included in the retirement plan in which the County participates. The County participates in the Texas County and District Retirement System (TCDRS). The County does not maintain the accounting records, hold the investments, or administer the retirement plan. The total of the County's net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2024 and the pension expense for the year ended is as follows:

Net pension liability (asset)	\$	19,354,868
Deferred outflows of resources		11,300,317
Deferred inflows of resources		-
Pension expense		6,232,807

**C. Postemployment Health Care Coverage**

Plan Description and Benefits Provided

The County established a medical insurance benefit plan for retirees. The County administers this single-employer defined benefit medical plan. Eligible Hays County retirees may remain on the standard medical plan, an in-network medical plan, a dental PPO plan, a dental HMO plan and a vision plan. Subsidized medical coverage is available to the



**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

retiree but not the retiree's spouse. Effective November 1, 2017 retirees with less than 20 years of continuous service with the County will pay the full cost of retiree coverage. Retirees with 20 or more years of continuous service with the County will continue to pay 15% of the cost of retiree coverage until the employer's monthly cost reaches \$1,000. At that point, the retiree is responsible for the balance of the premium in excess of \$1,000 per month. Retirees with 20 or more years of continuous service with Hays County that are Medicare eligible, have the option of going to the Medicare advantage plan at no cost to the retiree. Pre 11/1/2017, full-time retired employees that have already retired under the rule of 75 with 15-19 continuous years prior to the retirement date pay 25% of the monthly premium. If the full-time pre 11/1/2017 retiree has 20 or more continuous years of service the retiree pays 15% of the monthly premium. Part-time pre 11/1/2017 employees with 15-19 years of service pay 50% of the monthly premium, those with 20 or more years pay 25% of the monthly premium. Hays County subsidizes the remaining premium cost.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At the October 1, 2023 valuation date and September 30, 2024 measurement date the following employees were covered by the benefit terms:

Active members	953
Retired members	136
Beneficiaries	-
Covered spouses of retirees	<u>28</u>
Total	1,117

Expenses for postemployment benefits were recognized on a pay-as-you-go basis in the past. Premiums paid by retirees during the fiscal year ended September 30, 2024, were \$522,397.

Total OPEB Liability

The County's total OPEB liability of \$37,709,453 was measured as of September 30, 2024 and was determined by an actuarial valuation as of October 1, 2023.

Actuarial Valuation Information:

Actuarial assumptions and other inputs - The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Actuarial Cost Method	Entry Age Normal
Inflation	2.30%
Salary increases	3.25%
Discount rate	October 1, 2023: 3.81% October 1, 2022: 4.09%
Healthcare Cost Trend Rates	For 2024 short-term rates were 6.1% for pre-65, and 6.9% for post-65 and "Coordination of Benefits" for Post-65 Medicare eligible, decreasing to 3.7% for 2072 and beyond.
Retiree premium increases	Same as Health Cost Trend above.
Mortality	Pre-retirement: PUB-2010 General Retirees Amount-Weighted Table with IRS 2024 Adjusted Mortality Improvement Scale MP-2021 on a generational basis with healthy annuitant rates after benefit commencement. Post-retirement: PUB-2010 General Retirees Amount-Weighted Table with IRS 2024 Adjusted Mortality Improvement Scale MP-2021 on a generational basis with healthy annuitant rates after benefit commencement.
Participation Rates	40% of members with 20 or more years of service at retirement are assumed to elect retiree medical coverage. Those with less than 20 years of service are expected to obtain coverage elsewhere. Active participants electing coverage at retirement will also elect spouse coverage at a 32% rate.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
<u>Changes in Total OPEB Liability</u>	
Balance at September 30, 2023	\$ 40,819,996
Changes for the year	
Service cost	1,372,616
Interest on total OPEB liability	1,699,044
Effect of plan changes	-
Effect of economic/demographic gains or losses	4,041,123
Effect of assumptions changes or inputs	(8,907,758)
Benefit payments	(1,315,568)
Balance at September 30, 2024	<u>\$ 37,709,453</u>

Changes in assumptions:

Changes of assumption and other inputs reflect the effects of changes in the discount rate for each period in fiscal year 2024; amounts reflect a decrease in the discount rate from the beginning of the year from 4.09% to 3.81%.

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates:

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.81%, as well as what the Hays County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.81%) or 1 percentage point higher (4.81%) than the current rate.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
Total OPEB Liability	\$43,002,757	\$37,709,453	\$33,358,646

The following presents the total OPEB liability of the County, calculated using the current healthcare cost trend rates as well as what the County's total OPEB liability would be if it were calculated using the trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$33,077,615	\$37,709,453	\$43,456,259

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

OPEB Expense	October 1, 2023 to September 30, 2024
Service cost	\$ 1,372,616
Interest on total OPEB liability	1,699,044
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	1,401,755
Recognition of assumptions changes or inputs	(1,594,860)
OPEB Expense	<u>\$ 2,878,555</u>

As of September 30, 2024, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (1,293,535)	\$ 9,635,835
Changes of assumptions	(15,388,744)	1,784,556
	<u>\$ (16,682,279)</u>	<u>\$ 11,420,391</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ended September 30:	
2025	\$ (193,105)
2026	(627,744)
2027	(1,077,974)
2028	(943,483)
2029	(704,796)
Thereafter	(1,714,786)
Total	<u>(5,261,888)</u>

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County by permitting covered employees to purchase continued health benefits coverage in retirement. Since Texas law does not require counties to fund all or any portion of such coverage, Hays County is under no legal obligation to supplement, directly, or indirectly, the retiree health coverage, and the decision to rescind these benefits may be made by an action of the Commissioners' Court at any time. The County's authority to establish and amend benefit provisions comes from Texas Local Government Code Section 157.101 and the requirement to provide retiring employees the right to purchase continued health insurance coverage comes from Texas Local Government Code, Chapter 175.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Hays County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current "pay-as-you-go" basis for a single fiscal year through annual appropriations authorized by the Commissioners Court during the County's annual budget adoption process. GASB Statement No. 75 (GASB 75) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* required governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

**D. Group Term Life Insurance**

The County provides a \$25,000 group term life insurance policy to all non-temporary employees working over 30 hours per week. The life insurance coverage reduces at age 65 to 65% and at age 70 to 50% of the original amount. Hays County's group term life insurance premiums paid for the years ended September 30, 2024, 2023, and 2022 were \$61,155, \$54,811, and \$53,733, respectively.

**E. Risk Management**

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which established standard accounting and financial reporting practices for public entity risk pools and governmental entities. In accordance with GASB Statement No. 10, we make the following disclosures regarding the County's risk management program.

**1. Types of Risk**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2024 the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties Intergovernmental Risk Pool ("TAC"). TAC is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss.

The County established a self-funded health insurance plan in 1988, which is recorded as an internal service fund, but this does not constitute a transfer of risk from the County. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through United Healthcare, a commercial carrier licensed and eligible to do business in Texas in accordance with the Texas Insurance Code.

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

2. Insurance Coverage

Insurance is purchased from the Texas Association of Counties' County Government Risk Managements Pool and the commercial markets for exposures which are difficult to self-insure, or where analysis suggests the cost/benefit approach.

There were no significant changes in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**F. Tax Incentives**

The County negotiates tax rebate agreements pursuant to Chapter 381 of the Texas Local Government Code in order to provide economic development incentives to companies that desire to relocate or expand within the County. The County negotiates incentive packages that provide job creation, job retention, private capital improvement, and positive impacts on the local economy. All Chapter 381 Agreements executed by the County contain a "Budget Out" clause that conditions the County's participation upon annual appropriation of funds by the Hays County Commissioners Court.

The County also provides current, appropriated funds to municipalities by participating in "Tax Increment Investment Zones." As an alternative to co-creating tax increment financing zones, the County participates in Tax Increment Reinvestment Zones by way of Interlocal Cooperation Agreements with municipalities. All Tax Increment Reinvestment Zone Interlocal Cooperation Agreements executed by the County contain a "Budget Out" clause that conditions the County's participation upon annual appropriation of funds by the Hays County Commissioners Court.

The County has established Transportation Reinvestment Zone One pursuant to Section 222.107 of the Transportation Code for the purpose of promoting transportation projects within the zone which will promote public safety, facilitate the improvement, development, or redevelopment of property, and facilitate the movement of traffic. Pursuant to Section 222.107 of the Transportation Code, the County has established Transportation Reinvestment Zone Number One, County of Hays ("TRZ No. 1") for the purpose of promoting transportation projects within TRZ No. 1. The County has dedicated 50% of the general property taxes related to the tax increment on the property within TRZ No. 1 to the reimbursement of TxDOT for the costs of improvements to, and extension and expansion of FM 110 (the "Project") under the terms of an advance funding agreement (the "AFA"). TRZ No. 1 remains in effect through December 31 of the year in which the County completes the repayment of money owed under the AFA, and any other agreement for the development, redevelopment, or improvement of the Project or projects for which TRZ No. 1 is designated. In Opinion No. KP-0004 dated February 26, 2015, the Attorney General of Texas has questioned the constitutional authority of a county to establish a transportation reinvestment zone and utilize captured tax increments to fund the county created tax reinvestment zone. On November 2, 2021, Proposition 2 for a Texas Constitutional Amendment passed that gives counties the same constitutional authority to engage in tax increment financing that cities currently have, subject to certain limitations that restrict counties to using a maximum of 65% of a tax increment to secure county-issued bonds, and does not allow any county-issued bond proceeds to be used for toll roads. However, those restrictions are limited to county-issued bonds and bond proceeds; they do not restrict the ability to use up to 100% of an increment to support a project or to assign the entire increment to another entity to use in connection with project funding needs.

The individual Tax Incentive programs that exceeded \$5,000 during the reporting period are disclosed in the following schedule:

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

Purpose	Tax Type	Authority	Percentage of Taxes Rebated during the Fiscal Year	Commitment Criteria	Amount of Taxes Rebated during the Fiscal Year	Budget Out Clause Included in Agreement
Economic Development Incentive	Sales Tax	Texas Local Government Code Chapter (TLGC) 381	33%	Construction of public infrastructure for an approximately 126 acre area	\$ 98,541	Yes
Development Incentive	Sales Tax	TLGC Chapter 381	35%	Construction of a hospital and medical office complex	196,477	Yes
Development Incentive	Property Taxes	TLGC Chapter 381	75%	Construction of new building and improvements	25,135	Yes
Economic Development Incentive	Real Property, Personal Property, and Sales Tax	TLGC Chapter 381	40% Real Property, 85% Personal, 15% to 85% Sales Tax Based on Annual Thresholds	Construction of fulfillment center with warehouse and personal and inventory property in San Marcos, Texas	501,679	Yes
Economic Development Incentive	Sales and Personal Property Tax	TLGC Chapter 381	100% increment Property Taxes and 90% Sales Tax, declining rates to 20% in year 10	Redevelop a shopping center located within the corporate limits of the City of San Marcos, Texas	124,968	Yes
Economic Development Incentive	Real Property Taxes	TLGC Chapter 381	75%	Real Property improvements, employ at least 77 jobs with average wage \$60,000	16,951	Yes
Economic Development Incentive	Property Taxes	TLGC Chapter 381	Year 1 - 75%, Year 2 - 65%, Year 3 - 55%, Year 4 - 45%, Year 5 - 35%	Initial phase 70,000 sq ft facility, Up to 13 new jobs	67,136	Yes
Economic Development Incentive	Sales Tax	TLGC Chapter 381	50%	Develop, construct, open, and maintain a wholesale and retail general merchandise facility containing at least 150,000 sq. ft.	93,744	Yes
Economic Development Incentive	Property Taxes	TLGC Chapter 381	75%	Develop 5 spec buildings totaling 1,392,379 square feet of industrial use and other uses allowed per zoning rules.	160,109	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Buda, TLGC Chpt 311	100% of increment	Investment within approximately 126 acres in Buda Zone	581,999	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Kyle, TLGC Chpt 311	100% of increment	Investment within the approximately 475 acre Kyle Zone Number One	965,061	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Kyle, TLGC Chpt 311	50% of increment	Investment within the Kyle Zone Number Two	782,416	Yes
Tax Increment Investment Zone	General Maintenance Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	100% of increment	Investment attributed to the captured appraised value within the approximately 15 acre Reinvestment Zone Number Three	79,195	Yes
Tax Increment Investment Zone	General Maintenance Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	100% of increment	Investment attributed to the captured appraised value within the approximately 15 acre Reinvestment Zone Number Four	600,961	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	70% of increment	Investment within the approximately 244 acre Reinvestment Zone Number Five	686,935	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of Dripping Springs, TLGC Chpt 311	50% of increment	Investment within the Dripping Springs Zone Number One	270,315	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of Dripping Springs, TLGC Chpt 311	50% of increment	Investment within the Dripping Springs Zone Number Two	617,715	Yes
Transportation Reinvestment Zone	General Property Taxes	Texas Transportation Code 221.107	50% of increment	Improvements to, extension, and expansion of FM 110 for promoting transportation projects within TRZ No. 1	2,908,311	No
				<b>TOTAL</b>	<b>\$ 8,777,648</b>	

**HAYS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2024**

**G. Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.





**APPENDIX C**

**FORMS OF BOND COUNSEL'S OPINIONS**

**THIS PAGE LEFT BLANK INTENTIONALLY**



**Orrick, Herrington & Sutcliffe LLP**  
200 W. 6<sup>th</sup> Street  
Suite 2250  
Austin, TX 78701  
+1 512 582 6950  
**orrick.com**

## FORM OF OPINION

\_\_\_\_\_, 2026

### Hays County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026

We have acted as bond counsel to Hays County, Texas (the “Issuer”) in connection with the issuance of its Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”), dated February 17, 2026, in the aggregate principal amount of \$94,615,000. The Certificates are issued pursuant to an order adopted by the Commissioners Court of Hays County, Texas, on January 20, 2026 (the “Certificate Order”) and an approval certificate executed pursuant to the Certificate Order (the “Approval Certificate” and together with the Certificate Order, the “Order”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Certificates, including the Order, the tax certificate of the Issuer dated the date hereof (the “Tax Certificate”), certificates of the Issuer, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have also examined the executed initial Certificate numbered I-1. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Certificates on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Certificates on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with its issuance, and we disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of each party thereto other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted, or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Certificates to be included in the gross income for federal income tax purposes. We call attention to the fact that the rights and obligations



under the Certificates, the Order and the Tax Certificate, and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Certificates and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions thereof; and the Certificates have been authorized and delivered in accordance with law.
2. The Certificates are payable, both as to principal and interest, from and secured by, the receipts of a continuing annual ad valorem tax, levied within the limitations prescribed by law, upon all taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates, and a pledge of the Pledged Revenues of the Issuer's Solid Waste Management System.
3. Interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP



**Orrick, Herrington & Sutcliffe LLP**

200 W. 6<sup>th</sup> Street

Suite 2250

Austin, TX 78701

+1 512 582 6950

**orrick.com**

## FORM OF OPINION

\_\_\_\_\_, 2026

Hays County, Texas  
Limited Tax Refunding Bonds, Series 2026

We have acted as bond counsel to Hays County, Texas (the “Issuer”) in connection with the issuance of its Limited Tax Refunding Bonds, Series 2026 (the “Bonds”), dated February 17, 2026, in the aggregate principal amount of \$38,300,000. The Bonds are issued pursuant to an order adopted by the Commissioners Court of Hays County, Texas, on January 20, 2026 (the “Bond Order”) and an approval certificate executed pursuant to the Bond Order (the “Approval Certificate” and together with the Bond Order, the “Order”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, and the obligations that are being refunded (the “Refunded Obligations”) with the proceeds of the Bonds, as described in the Order. We have also examined the executed initial Certificate numbered I-1. The transcript contains certified copies of certain proceedings of the Issuer; the Order, an escrow agreement (the “Escrow Agreement”) between the County and The Bank of New York Mellon Trust Company, National Association, (the “Escrow Agent”); the report (the “Verification Report”) of Public Finance Partners LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations; the tax certificate of the Issuer dated the date hereof (the “Tax Certificate”); certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed that each documents and each signature thereon provided to us is genuine and that each



such document has been duly and legally executed by, and constitutes a valid and binding agreement of each party thereto other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Issuer in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions thereof; and the Bonds have been authorized and delivered in accordance with law.
2. The Bonds are payable, both as to principal and interest, from and secured by, the receipts of a continuing annual ad valorem tax, levied within the limitations prescribed by law, upon all taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
3. The deposit with the Escrow Agent for the payment of the Refunded Obligations pursuant to the orders authorizing the issuance of the Refunded Obligations (the "Refunded Obligations Orders") constitutes the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Verification Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the Refunded Obligations Orders will be appropriately and legally defeased; and



therefore the Refunded Obligations are deemed to be paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

**THIS PAGE LEFT BLANK INTENTIONALLY**







**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES