This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

HTS ContinuingDisclosureServices

PRELIMINARY OFFICIAL STATEMENT

(See "Continuing Disclosure of Information" herein)

Dated June 13, 2025

Ratings:
S&P: "AA-"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates (defined herein) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

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

Kaufman

$5,000,000*
CITY OF KAUFMAN, TEXAS
(Kaufman County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: June 15, 2025
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

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

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council (the "Ordinance") and constitute direct obligations of the City of Kaufman, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge (not to exceed $1,000) of the surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) legal fiscal, and engineering fees in connection with such projects, including costs of issuance of the Certificates.

BOND INSURANCE . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the Initial Purchaser may elect to purchase, at its sole expense, municipal bond insurance to insure the Certificates. (See "Bond Insurance" and "Bond Insurance - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE - Certificates

See page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued by the City and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see "Appendix C, - Form of Bond Counsel's Opinion").

Delivery . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about July 23, 2025.

SEALED BIDS DUE JUNE 23, 2025, AT 10:00 AM, CDT

* Preliminary, subject to change. See "The Certificates – Adjustment of Principal Amounts" in the Notice of Sale and Bidding Instructions.

CITY OF KAUFMAN, TEXAS
(Kaufman County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE* **CUSIP Prefix [1]: 486206**

Amount	2-15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]	Amount	2-15 Maturity	Interest Rate	Initial Yield [2]	CUSIP Suffix [1]
$ 135,000	2026				$ 245,000	2036			
160,000	2027				260,000	2037			
165,000	2028				275,000	2038			
175,000	2029				285,000	2039			
185,000	2030				300,000	2040			
195,000	2031				315,000	2041			
200,000	2032				330,000	2042			
215,000	2033				350,000	2043			
225,000	2034				365,000	2044			
235,000	2035				385,000	2045			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Initial Purchaser or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

* Preliminary, subject to change.

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

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

For purposes of compliance with Rule 15c2-12 promulgate by the United States Securities and Exchange Commission (the "Rule"), this document constitutes an "Official Statement" of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

None of the City, the Initial Purchaser or the Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its book-entry-only system, as such information has been provided by DTC.

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

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including all schedules and appendices hereto, to obtain information essential to making an informed investment decision.

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

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, and achievements to be different from future results, performance, and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified or exempted should not be regarded as a recommendation thereof.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY ..... The City of Kaufman, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Kaufman County, Texas. The City covers approximately 9.2 square miles (see "Introduction - Description of the City").

THE CERTIFICATES ..... The $5,000,000* Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2025 are to mature on February 15 in the years 2026 through 2045 (see "The Certificates - Description of The Certificates").

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

AUTHORITY FOR ISSUANCE ..... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") passed by the City Council of the City (see "The Certificates - Authority for Issuance").

SECURITY FOR THE CERTIFICATES ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "The Certificates - Security and Source of Payment").

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

TAX EXEMPTION ..... In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations

USE OF PROCEEDS ..... Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) legal fiscal, and engineering fees in connection with such projects, including costs of issuance of the Certificates.

RATINGS ..... The Certificates and presently outstanding tax supported debt of the City are rated "AA-" by S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") (see "Other Information - Ratings"). The City also has outstanding tax supported debt rated by Moody's Investors Service, Inc. ("Moody's").

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

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

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	8,101 (1)	$ 497,916,914	$ 61,464	$ 35,555,000	$ 4,389	7.14%	98.36%
2022	8,414 (1)	545,943,248	64,885	37,775,000	4,490	6.92%	98.33%
2023	8,432 (1)	674,335,275	79,973	45,110,000	5,350	6.69%	99.08%
2024	8,576 (2)	774,835,358	90,349	43,045,000	5,019	5.56%	97.35%
2025	9,201 (2)	840,989,228	91,402	45,905,000 (3)	4,989	5.46%	95.08% (4)

(1) Source: U.S. Census.
(2) Source: City Officials.
(3) Projected; includes the Certificates. Preliminary, subject to change.
(4) As of April 30, 2025. Preliminary information provided by City Staff.

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jeff Jordan Mayor	13 Years	May, 2027	Client Relations
Matt Phillips Mayor Pro Tem	8 Years	May, 2027	HR Director
Jason Nelson Councilmember	2 Years	May, 2027	Web Developer
Ashlea Longnecker Councilmember	2 Years	May, 2027	Realtor
Charles Gillenwater Councilmember	16 Years	May, 2026	Risk Manager - City of Mesquite, Texas
Lisa Parker Councilmember	5 Years	May, 2026	Teacher
Quattro Borders Councilmember	2 Years	May, 2026	Small Business Owner

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with City	Total Governmental Service
Mike Holder	City Manager	8 Years	37 Years
Mary Wennerstrom	Director of Finance	10 Years	12 Years

CONSULTANTS AND ADVISORS

Auditors ..... Yeldell, Wilson, Wood and Reeve PC
Ennis, Texas

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

Financial Advisors ..... Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Mike Holder City Manager City of Kaufman 209 South Washington Kaufman, Texas 75142 (972) 932-2216	or	Mary Wennerstrom Director of Finance City of Kaufman 209 South Washington Kaufman, Texas 75142 (972) 932-2216	or	Nick Bulaich Robert Spears Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710

OFFICIAL STATEMENT

RELATING TO

$5,000,000*

CITY OF KAUFMAN, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $5,000,000* City of Kaufman, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1853, and first adopted its Home Rule Charter on November 3, 1987. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. The 2020 Census population for the City was 7,603, while the 2025 Census population is 9,201. The City covers approximately 9.2 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) legal fiscal, and engineering fees in connection with such projects, including costs of issuance of the Certificates.

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

	The Certificates
Sources of Funds	
Par Amount	$ -
Cash Premium from Initial Purchaser	-
Total Sources of Funds	$ -
Uses of Funds	
Deposit to Project Account	$ -
Cost of Issuance	-
Total Uses of Funds	$ -

* Preliminary, subject to change.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated June 15, 2025 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on pages 2 hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The definitive Obligations 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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. If the date for any payment on the Certificates shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates is payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City as provided in the Ordinance. Additionally, the Certificates are payable from a limited pledge (not to exceed $1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

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

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

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO

MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ALL OTHER CONDITIONS TO REDEMPTION SATISFIED, THE Certificates CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date, which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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

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

DTC, New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate for each maturity will be issued for The Certificates in the aggregate principal amount thereof 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"). Direct Participants and Indirect Participants are referred to collectively as the "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.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

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

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisors or the Initial Purchaser of the Certificates.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. the Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "The Certificates - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any 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 an Obligation.

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

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Obligation to be paid on the Special Payment Date that appears 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.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make sure other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the holders. The Ordinance further provides that the holders of the Certificates, as applicable, aggregating in principal amount 51% of the outstanding Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on any of the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring

the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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

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

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the 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, including holders of the Certificates, of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Certificates will be Cede & Co., the nominee of DTC. See "The Certificates - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Certificates.

BOND INSURANCE

GENERAL . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to the S&P as a result of said insurance will be paid by the City. It will be the responsibility of the City to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Certificates. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

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

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “The Certificates – Remedies”). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the sources of funds pledged to the payment of the Certificates (see "The Certificates – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

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

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Kaufman Central Appraisal District (collectively 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 (the "10% Homestead Cap"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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 General Obligation Debt" 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 City, in establishing their tax rolls and tax rates. See "Tax Information – City and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction, if any, attributable to state mandated homestead exemptions.

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

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

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

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a

taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

See "Table 1 – Valuation, Exemptions and General Obligation Debt" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "Tax Information – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

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

For a discussion of how the various exemptions described above are applied by the City, See "Tax Information – City Application of Property Tax Code" herein.

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for the prior three years, which may be used to increase a city's current voter-approval rate

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

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

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

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

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

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

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

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGE 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. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2025, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "Tax Information – 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.

The foregoing sections represents the City's current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property

become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $5,000.

The City has not granted any part of the optional, additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

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

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

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

The City does tax freeport property.

The City does not tax goods-in-transit.

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

The City has adopted a tax abatement policy.

The city has created Tax Increment Reinvestment Zone No. 1 and Tax Increment Reinvestment Zone No. 1A. The incremental value for the 2024/2025 year is $104,531,515 and $22,086,044, respectively. The City has entered into development agreements to reimburse from tax increment revenues for various public improvements with the Tax Increment Revenue Zones. For a description of these agreements, see Exhibit B-Excerpts from the City of Kaufman, Texas Annual Financial Report for year ended September 30, 2024, Note I.

PUBLIC IMPROVEMENT DISTRICT . . . The City has established various Public Improvement Districts ("PID") as follows. The following is a summary of the currently outstanding debt for the PIDs.

	Currently Outstanding Debt
Kaufman Public Improvement District No. 1 - Phase 1A-1B Project	$ 3,022,000
Kaufman Public Improvement District No. 1 - Phase 2A-2B Project	5,549,000
Kaufman Public Improvement District No. 3	2,898,000

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development.

The City Council adopted guidelines and criteria for granting abatements in reinvestment zones created within the City. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The tax abatement incentive is based on the following formula:

$3 million +	400%
$2 million - $2,999,999	300%
$500,000 - $1,999,999	200%

The above chart reflects the maximum tax incentive to be eligible for over a period not to exceed five (5) years. No applicant may take a percentage greater than 100% in any given year. The qualified applicant my choose to take the 200% abatement over a two (2) year period at 100% each year, or may extend it to 50% each year for four (4) years. The same method would apply to the 300% and 400% abatement. Abatements may be granted for terms from two to five (2-5) years but may be extended to the limits as specified by state law. Since 1992, the City has abated taxes for two (2) companies and these abatements have expired.

As of September 30, 2024, the City has two abatement agreements as follow:

On August 9, 2016, the City entered into a performance agreement to make annual grant payments equal to eighty percent of the ad valorem property tax paid by KLLM Transport Services, LLC., for a period of ten years to relocate their transportation business to the City. The incentive period began for the tax year 2018. The abatement amount totaled $159,763 for the fiscal year ended September 30, 2024.

On December 20, 2021, the City entered into a performance agreement with Bloomfield Homes, L.P., for the purposes of stimulating business and commercial activity. The City will make semi [1] annual grant payments equal to eighty percent of the use tax paid by Bloomfield Homes, L.P., for a period of ten years. The grant payments totaled $6,065 for the fiscal year ended September 30, 2024.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by Kaufman County Appraisal District		$ 972,176,472
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemption Over 65	$ 6,339,893	
Disabled Persons/Veterans Exemptions	6,148,143	
Agricultural Land Use Reductions	33,371,897	
Homestead Cap Loss	65,493,674	
Circuit Breaker Limitation	18,194,101	
Solar	82,740	
Pollution Control	5,410	
Low Income Housing	1,551,386	131,187,244
2024/25 Taxable Assessed Valuation		$ 840,989,228
City Funded Debt Payable from Ad Valorem Taxes (as of 4-30-25)		
General Obligation Debt	$ 41,270,000	
The Certificates	5,000,000 (1)	
Funded Debt Payable from Ad Valorem Taxes		$ 46,270,000
Less Self-Supporting Debt: (2)		
Waterworks and Sewer System General Obligation Debt		12,025,000 (3)
Pass-Through Toll General Obligation Debt (4)		5,232,756
Stormwater System General Obligation Debt		4,950,000
General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 24,062,244 (5)
Interest and Sinking Fund as of 4-30-25		$ 1,723,218
Ratio Total Funded Debt to Taxable Assessed Valuation		5.50%
Ratio Net Funded Debt to Taxable Assessed Valuation		2.86%

2025 Estimated Population - 9,201
Per Capita Taxable Assessed Valuation - $91,402
Per Capita Total Funded Debt - $5,029
Per Capita Net Funded Debt - $2,615

(1) Preliminary, subject to change.
(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
(3) Includes the Certificates. Preliminary subject to change.
(4) In connection with the issuance of the City's Pass-Through Toll Revenue and Limited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), the City entered into a "Pass-Through Agreement for Payment of Pass-Through Tolls by the Department" (the "Agreement") with the Texas Department of Transportation (the "Department"), pursuant to which the Department will make, subject to certain conditions, "Pass-Through Payments". Such payments are pledged to the payment of the Series 2014 Bonds. The Agreement does not obligate the Department to pay amounts sufficient to pay debt service on the Series 2014 Bonds. The amount of payments made by the Department will be determined by the terms of the Agreement without regard to the actual debt service payable on the Series 2014 Bonds. If Pass-Through Payments are insufficient to pay the debt service on the Series 2014 Bonds, the City is obligated to levy ad valorem taxes, or provide other funds, to the pay the Series 2014 Bonds. See Table 8 - "Pro-Forma General Obligation Debt Service Requirements", footnote 3.
(5) The City obtained a loan from the State Infrastructure Bank ("SIB") in the amount of $4,000,000 for improvements to State Highway 34. See Table 8 – "General Obligation Debt Service Requirements".

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$508,069,477	52.26%	$481,204,247	53.03%	$437,291,836	54.11%
Real, Residential, Multi-Family	50,849,141	5.23%	47,449,061	5.23%	39,461,556	4.88%
Real, Vacant Lots Tracts	42,783,690	4.40%	40,268,031	4.44%	28,419,339	3.52%
Real, Acreage (Land Only)	33,842,907	3.48%	31,880,486	3.51%	29,258,258	3.62%
Real, Farm and Ranch Improvements	25,632,289	2.64%	13,505,754	1.49%	16,814,545	2.08%
Real, Commercial and Industrial	197,405,096	20.31%	189,031,390	20.83%	163,284,855	20.20%
Real, Inventory	9,199,322	0.95%	-	0.00%	4,668,687	0.58%
Real and Intangible Personal, Utilities	9,809,185	1.01%	8,413,450	0.93%	8,207,884	1.02%
Tangible Personal, Business	84,628,273	8.71%	86,046,018	9.48%	76,446,396	9.46%
Tangible Personal, Other	1,944,033	0.20%	1,086,006	0.12%	949,756	0.12%
Special Inventory	3,415,896	0.35%	8,479,208	0.93%	3,361,367	0.42%
Prorated	4,597,163	0.47%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$972,176,472	100.00%	$907,363,651	100.00%	$808,164,479	100.00%
Adjustments	-		-		-	
Less: Total Exemption/Reductions	(131,187,244)		(132,528,293)		(133,829,204)	
Taxable Assessed Value	$840,989,228		$774,835,358		$674,335,275	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$322,739,771	51.69%	$284,634,034	50.38%
Real, Residential, Multi-Family	25,919,638	4.15%	21,921,885	3.88%
Real, Vacant Lots Tracts	24,493,708	3.92%	27,278,908	4.83%
Real, Acreage (Land Only)	20,999,562	3.36%	13,261,690	2.35%
Real, Farm and Ranch Improvements	10,800,293	1.73%	8,689,370	1.54%
Real, Commercial and Industrial	139,345,197	22.32%	128,892,517	22.81%
Real, Inventory	1,391,149	0.22%	1,176,777	0.21%
Real and Tangible Personal, Utilities	7,420,305	1.19%	7,059,880	1.25%
Tangible Personal, Business	67,426,106	10.80%	68,216,880	12.07%
Tangible Personal, Other	434,495	0.07%	566,600	0.10%
Special Inventory	3,398,442	0.54%	3,295,330	0.58%
Total Appraised Value Before Exemptions	$624,368,666	100.00%	$564,993,871	100.00%
Adjustments	-		-	
Less: Total Exemption/Reductions	(78,425,418)		(67,076,957)	
Taxable Assessed Value	$545,943,248		$497,916,914	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [4]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	8,101 [1]	$497,916,914	$61,464	$35,555,000	7.14%	$ 4,389
2022	8,414 [1]	545,943,248	64,885	37,775,000	6.92%	4,490
2023	8,432 [1]	674,335,275	79,973	45,110,000	6.69%	5,350
2024	8,576 [2]	774,835,358	90,349	43,045,000	5.56%	5,019
2025	9,201 [2]	840,989,228	91,402	45,905,000 [3]	5.46%	4,989

(1) Information provided by North Texas Council of Governments and City Officials.
(2) Estimate provided by City staff.
(3) Projected, includes the Certificates. Preliminary, subject to change.
(4) Includes self-supporting debt.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$0.821676	$0.501090	$0.320586	$4,021,739	97.86%	98.36%
2022	0.799976	0.493172	0.306804	4,299,604	96.20%	98.33%
2023	0.767976	0.480002	0.287974	5,178,733	97.80%	99.08%
2024	0.760000	0.498015	0.261985	5,801,349	96.43%	97.35%
2025	0.759500	0.520474	0.239026	6,387,313	95.08% [1]	95.08% [1]

(1) Collections for part year only, through April 30, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
ITS Equipment Leasing & Maintenance LLC	Equipment Leasing	$15,822,184	1.88%
Plum Tree Apartments LP	Apartments	15,362,000	1.83%
JWS Land Ltd.	Real Estate	11,693,249	1.39%
Wal-Mart Real Estate Business Trust	Real Estate	10,121,264	1.20%
Mica Steelworks, Inc.	Industrial Manufacturing	9,604,946	1.14%
Mack Kaufman LLC	Apartments	9,540,000	1.13%
Brookshire Grocery Company	Grocery	7,197,294	0.86%
Tables Manufacturing Inc.	Aluminum Products Manufacturing	6,172,300	0.73%
L3 Patriot Center Kaufman LLC	Commercial Building	5,600,000	0.67%
Bloomfield Homes LP	Home Builder	5,588,464	0.66%
		$96,701,701	11.50%

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

TABLE 6 - TAX ADEQUACY (1)

2025 Net Principal and Interest Requirements	$ 2,140,000
$0.2597 Tax Rate at 98% Collection Produces	$ 2,140,368
Average Annual Principal and Interest Requirements, 2025 - 2057	$ 1,096,817
$0.1331 Tax Rate at 98% Collection Produces	$ 1,096,970
Maximum Principal and Interest Requirements, 2030	$ 2,079,303
$0.2523 Tax Rate at 98% Collection Produces	$ 2,079,380

(1) Does not include the Certificates, and other self-supporting debt. The City's policy to pay such self-supporting debt from other revenues is subject to changes in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 – Computation of Self-Supporting Debt"). Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/25 Taxable Assessed Value	2024/25 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt 4/30/2025	Authorized But Unissued Debt As of 4/30/2025
City of Kaufman	$ 840,989,228	$0.75950	$ 24,062,244 (1)	100.00%	$ 24,062,244 (1)	$ -
Crandall Independent School District	2,717,827,846	0.00000	238,300,000	4.00%	9,532,000	275,000,000
Kaufman County	25,918,220,919	0.41500	169,615,000	3.84%	6,513,216	-
Kaufman Independent School District	1,613,843,684	1.25500	159,650,000	43.98%	70,214,070	70,000,000
Total Direct and Overlapping Funded Debt					$ 110,321,530	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					13.12%	
Per Capita Direct and Overlapping Funded Debt					$ 11,990.17	

(1) Does not include of the Certificates, and does not include self-supporting debt. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.

TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt [1] Principal	Outstanding Debt [1] Interest	The Certificates [2] Principal	The Certificates [2] Interest	Total Debt Service Requirements	Plus: State Infrastructure Bank (SIB) Loan Requirements	Less: Water and Sewer Self-Supporting Requirements [3]	Less: Tx-Dot Self-Supporting Debt Requirements	Less: Storm Water Self-Supporting Debt Requirements	Total Outstanding Debt Service	% of Principal Retired
2025	2,140,000	1,451,034	-	-	3,591,034	364,763	847,706	683,344	365,881	2,058,866	
2026	2,130,000	1,376,069	135,000	259,369	3,900,438	364,763	1,145,566	683,344	371,669	2,064,623	9.17%
2027	2,240,000	1,299,030	160,000	236,863	3,935,893	364,763	1,166,344	683,344	387,306	2,063,662	
2028	2,205,000	1,219,449	165,000	228,738	3,818,186	364,763	1,031,814	683,344	392,531	2,075,260	
2029	2,265,000	1,139,449	175,000	220,238	3,799,686	364,763	1,023,289	683,344	387,419	2,070,398	
2030	2,370,000	1,059,154	185,000	211,238	3,825,392	364,763	1,033,664	683,344	393,844	2,079,303	
2031	2,430,000	977,120	195,000	201,738	3,803,857	364,763	1,027,864	683,344	386,894	2,070,519	34.96%
2032	2,440,000	890,019	200,000	191,863	3,721,882	364,763	1,040,859	683,344	390,456	1,971,985	
2033	2,660,000	799,884	215,000	181,488	3,856,371	233,464	1,047,250	683,344	389,406	1,969,835	
2034	2,895,000	700,276	225,000	170,488	3,990,763	-	1,047,141	683,344	392,450	1,867,828	
2035	2,945,000	601,945	235,000	158,988	3,940,933	-	1,040,785	683,344	389,616	1,827,188	
2036	3,095,000	495,239	245,000	146,988	3,982,226	-	1,048,773	596,940	391,550	1,944,963	66.50%
2037	2,225,000	384,398	260,000	134,363	3,003,761	-	711,213	-	393,163	1,899,386	
2038	1,740,000	317,179	275,000	120,988	2,453,166	-	712,600	-	389,538	1,351,029	
2039	1,670,000	261,888	285,000	106,988	2,323,875	-	594,988	-	386,450	1,342,438	
2040	1,495,000	210,727	300,000	92,738	2,098,465	-	593,838	-	388,850	1,115,777	
2041	1,065,000	165,770	315,000	78,131	1,623,901	-	592,131	-	-	1,031,770	86.54%
2042	1,105,000	124,899	330,000	62,606	1,622,505	-	594,206	-	-	1,028,299	
2043	845,000	88,684	350,000	46,031	1,329,715	-	594,931	-	-	734,784	
2044	190,000	71,219	365,000	28,375	654,594	-	393,375	-	-	261,219	
2045	195,000	66,460	385,000	9,625	656,085	-	394,625	-	-	261,460	
2046	195,000	61,828	-	-	256,828	-	-	-	-	256,828	94.79%
2047	200,000	57,138	-	-	257,138	-	-	-	-	257,138	
2048	205,000	52,466	-	-	257,466	-	-	-	-	257,466	
2049	210,000	47,402	-	-	257,402	-	-	-	-	257,402	
2050	215,000	42,355	-	-	257,355	-	-	-	-	257,355	
2051	220,000	37,190	-	-	257,190	-	-	-	-	257,190	96.97%
2052	230,000	31,927	-	-	261,927	-	-	-	-	261,927	
2053	235,000	26,326	-	-	261,326	-	-	-	-	261,326	
2054	240,000	20,686	-	-	260,686	-	-	-	-	260,686	
2055	245,000	14,927	-	-	259,927	-	-	-	-	259,927	
2056	250,000	9,066	-	-	259,066	-	-	-	-	259,066	99.47%
2057	255,000	3,053	-	-	258,053	-	-	-	-	258,053	100.00%
	$ 43,045,000	$ 14,104,257	$ 5,000,000	$ 2,887,838	$ 65,037,095	$ 3,151,568	$ 17,682,960	$ 8,113,724	$ 6,197,022	$ 36,194,957	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt.
(2) Average life of the Certificates is 11.595 Years. Interest on the Certificates has been calculated at the rate of 4.59% for purposes of illustration. Preliminary, subject to change.
(3) Includes the Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-25		$ 2,058,866 [1]
Interest and Sinking Fund Balance, 9-30-24	$ 1,075,826	
Budgeted Interest and Sinking Fund Tax Levy	1,969,975	
Budgeted Transfers	1,097,820	4,143,621
Estimated Balance, 9-30-25		$ 2,084,755

(1) Excludes self-supporting debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Water and Sewer System Revenue Supported Debt	
Net Revenue from Waterworks and Sewer System, Fiscal Year Ended 9-30-24	$ 2,225,840
Less: Revenue Bond Requirements, 2025 Fiscal Year	-
Balance Available for Other Purposes	$ 2,225,840
System General Obligation Bond Requirements, 2025 Fiscal Year	847,706
Balance	$ 1,378,134
Percentage of System General Obligation Bonds Self Supporting	100.00%
Tx-Dot Pass Through Toll Supported Debt	
Pass-Through Revenues Received from Tx-Dot, Fiscal Year Ended 9-30-24	$ 919,285
Less: Revenue Bond Requirements, 2025 Fiscal Year	-
Balance Available for Other Purposes	$ 919,285
Pass-Through General Obligation Bond Requirements, 2025 Fiscal Year	683,344
Balance	$ 235,941
Percentage of System General Obligation Bonds Self Supporting	100.00%
Stormwater Supported Debt	
Net Revenue from Stormwater, Fiscal Year Ended 9-30-24	$ 409,837
Less: Revenue Bond Requirements, 2025 Fiscal Year	-
Balance Available for Other Purposes	$ 409,837
System General Obligation Bond Requirements, 2025 Fiscal Year	365,881
Balance	$ 43,956
Percentage of System General Obligation Bonds Self Supporting	100.00%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds as of April 30, 2025.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional tax-supported debt within the next 12 months.

TABLE 12 – OTHER OBLIGATIONS

Notes Payable

Notes payable currently outstanding and reported as a liability of the City's governmental activities are:

The City received a loan from State Infrastructure Bank for $4,500,000 to fund the City's portion of the State Highway 34 re-alignment project in July 2014. The loan will be repaid in 17 annual installments, with the first principal payment due in July 2018. Interest payments are to be made annually beginning July 2015 at an interest rate of 3%. The balance due at September 30, 2024 was $2,739,452.

The City entered into an agreement with Kaufman County ("County") to help pay for the State Highway 34 re-alignment project. The City is to be reimbursed by the Texas Department of Transportation ("TxDOT") for 80% of the cost of the project and has agreed to reimburse the County 39.99% of the amount received from TxDOT. The balance due at September 30, 2024 was $1,966,045.

The payment of this note will not begin until the project is completed and traffic flows on the roadway. The monies from TxDOT will be based on the number of vehicles that use the roadway; therefore, the payment amount to the County will be calculated on the monies received. At this time, there is not a timeline of payments to be expected to be made by TxDOT or the City.

Note payable currently outstanding and reported as a liability of the City's business-type activities is as follows:

The City received a loan from Government Capital Corporation for $2,631,000 to fund the City's Advanced Metering Infrastructure project. The loan will be repaid in 20 annual installments, with the first principal and interest payment due in September 2022. Interest payments are to be made annually at an interest rate of 2.45%. The balance due at September 30, 2024 was $2,312,783.

The debt service requirements for the City's notes payable are as follows:

	Notes Payable [1]			
Year Ending	Governmental Activities		Business-Type Activities	
September 30	Principal	Interest	Principal	Interest
2025	$ 282,579	$ 82,184	$ 111,312	$ 56,663
2026	291,056	73,706	114,039	53,936
2027	299,788	64,975	116,833	51,142
2028	308,782	55,981	119,695	48,280
2029	318,045	46,717	122,628	45,347
2030-2034	1,239,202	88,550	659,705	180,171
2034-2039	-		744,576	95,299
2040-2041	-	-	323,995	11,955
	$2,739,452	$ 412,113	$ 2,312,783	$ 542,793

(1) Does not include note payable in the amount of $1,966,044 that does not have a repayment schedule.

Right-to-Use Lease Liabilities

For 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

Lease agreements are summarized as follows:

Governmental Activities	Total Lease Liabilities	Term	Interest Rate	Year-End Balance
Vehicles	$ 1,856,613	5-7 Years	2.28% - 14.45%	$ 936,140

Business-type Activities	Total Lease Liabilities	Term	Interest Rate	Year-End Balance
Vehicles	$ 272,894	5 Years	5.92 - 16.20%	$ 185,138
	$ 272,894			$ 185,138

The vehicles are leased for terms ranging from 5 to 7 years with interest rates ranging from 2.28% to 16.20%. These leases are not renewable and the City expects to exercise its purchase options at the end of the terms.

Annual requirements to amortize this lease liability and related interest are as follows:

	Lease Liabilities			
	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2025	$ 268,159	$ 64,663	$ 41,382	$ 21,710
2026	253,523	50,803	40,459	17,312
2027	167,499	32,813	32,646	12,476
2028	163,806	18,808	47,529	7,126
2029	83,153	6,163	23,122	1,574
Total	$ 936,140	$ 173,250	$ 185,138	$ 60,198

PENSION FUND . . . The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMR's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

A more thorough discussion of the City's plan can be found in the audit under Note 4.

OTHER POST EMPLOYMENT BENEFITS . . . The City participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retirement employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. For more information see Exhibit B-Excerpts from the City of Kaufman, Texas Annual Financial Report for year ended September 30, 2024, Note 5.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2024	2023	2022	2021	2020
Program Revenues					
Charges for Services	$ 1,811,076	$ 1,427,001	$ 1,093,175	$ 997,360	$ 768,182
Operating Grants and Contributions	377,068	315,404	1,214,647	1,040,503	734,245
Capital Grants and Contributions	1,798,304	1,455,357	1,949,660	1,978,313	847,033
General Revenues					
Ad Valorem Taxes	5,888,414	5,113,297	4,339,370	3,949,549	3,631,892
Sales Taxes	4,428,258	4,153,904	3,919,349	3,404,619	3,079,254
Other Taxes and Fees	637,194	618,960	599,969	516,021	475,222
Investment Earnings	139,294	17,097	7,367	5,119	10,667
Gain (Loss) Disposal of Capital Assets	6,000	121,306	850,697	1,148,754	21,025
Miscellaneous	615,321	322,495	366,493	277,807	400,248
Total Revenues	$ 15,700,929	$ 13,544,821	$ 14,340,727	$ 13,318,045	$ 9,967,768
Expenses:					
General Government	$ 2,635,920	$ 2,254,744	$ 2,211,572	$ 1,920,745	$ 1,608,805
Public Safety	3,690,902	3,511,560	3,142,270	2,962,254	2,881,999
Streets	919,273	839,985	758,695	786,677	484,396
Cultural and Recreational	1,339,929	1,261,769	1,015,594	971,142	532,166
Public Works	2,250,896	2,970,165	2,171,894	2,152,773	1,583,450
Interest on Long-term Debt	1,135,737	1,034,259	982,487	883,309	859,089
Total Expenses	$ 11,972,657	$ 11,872,482	$ 10,282,512	$ 9,676,900	$ 7,949,905
Increase in Net Assets Before Transfers	$ 3,728,272	$ 1,672,339	$ 4,058,215	$ 3,641,145	$ 2,017,863
Transfers	(225,522)	(1,959,708)	(14,853)	1,433,991	(76,465)
Increase in Net Assets	$ 3,502,750	$ (287,369)	$ 4,043,362	$ 5,075,136	$ 1,941,398
Net Assets - October 1	26,702,099	26,989,468	22,946,106	17,870,970	15,929,572
Net Assets - September 30	$ 30,204,849	$ 26,702,099	$ 26,989,468	$ 22,946,106	$ 17,870,970 [1]

(1) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues	2024	2023	2022	2021	2020
Taxes	$ 7,998,691	$ 7,177,845	$ 6,433,718	$ 5,709,588	$ 5,370,247
Licenses and Permits	1,057,807	706,957	463,010	478,459	325,461
Fines and Forfeitures	149,366	160,194	105,419	91,062	84,157
Charges for Services	591,981	549,989	517,850	422,165	354,110
Intergovernmental	278,033	293,780	219,824	1,067,278	519,025
Other	295,197	311,987	172,543	74,528	94,121
Total Revenues	$10,371,075	$ 9,200,752	$ 7,912,364	$ 7,843,080	$ 6,747,121
Expenditures					
General Government	$ 2,007,699	$ 1,907,640	$ 1,928,906	$ 2,770,468	$ 1,369,830
Public Safety - Fire and Police	3,594,100	3,152,225	3,121,226	3,610,124	2,919,336
Public Works	1,202,773	1,075,681	928,963	1,035,348	715,660
Cultural and Recreation Park	1,143,760	1,309,381	848,008	994,862	439,875
Public Services and Operations	714,624	747,321	596,062	759,184	444,329
Debt Service	323,115	262,521	263,009	353,659	189,047
Total Expenditures	$ 8,986,071	$ 8,454,769	$ 7,686,174	$ 9,523,645	$ 6,078,077
Excess (Deficiency) of Revenues Over Expenditures	$ 1,385,004	$ 745,983	$ 226,190	$ (1,680,565)	$ 669,044
Other Financing Sources (Uses)					
Budgeted Transfers In	$ 388,711	$ 231,183	$ 256,548	$ 1,400,610	$ 459,335
Budgeted Transfers Out	(1,313,889)	(3,197,698)	(320,075)	(891,573)	(196,146)
Loan Proceeds	-	-	-	1,130,000	-
Sale of Capital Assets	6,000	70,340	842,528	1,343,245	21,025
Total Other Financing Sources (Uses)	$ (919,178)	$ (2,896,175)	$ 779,001	$ 2,982,282	$ 284,214
Net Change in Fund Balances	$ 465,826	$ (2,150,192)	$ 1,005,191	$ 1,301,717	$ 953,258
Beginning Fund Balance	3,998,558 (1)	5,280,604	4,275,413 (1)	3,204,946	2,251,688
Ending Fund Balance	$ 4,464,384	$ 3,130,412	$ 5,280,604	$ 4,506,663	$ 3,204,946

(1) Restated.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

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

Fiscal Year Ended 9/30	City's 2% Sales Tax	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	$ 3,890,993	96.75%	$ 0.7815	$ 480
2022	4,479,246	104.18%	0.8205	532
2023	4,747,330	91.67%	0.7040	563
2024	5,014,244	86.43%	0.6471	585
2025	2,947,641 (1)	46.15%	0.3505	320

(1) Collections through April 30, 2025.

In 1995 the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4% of 1%) for economic development. The sales tax for economic development is collected solely for the benefit of Kaufman Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. In 2019 the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4% of 1%) for street maintenance purposes. In May 1993 the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. Collection for the additional tax went into effect on July 1, 1993.

The sales tax breakdown for the City is as follows:

Street Maintenance	0.25¢
Property Tax Relief	0.50¢
Economic and Community Development	0.25¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . It is the City's policy regarding the General Fund and Enterprise Funds that working capital resources should be maintained at a minimum of 10% of the Fund's operating expenditure budget. The City maintains its various debt service funds in accordance with the covenants of the respective ordinances that authorized the issuance of such debt.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year between May and July, the City Manager analyzes, and then after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with applicable law. The City Council will adopt a budget prior to September 30. If the Council fails to adopt a budget then the budget presented to the Council by the City Manager becomes the adopted budget.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

INVESTMENTS

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

LEGAL INVESTMENTS . . .Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) Certificates of deposit and share Certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in Certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the Certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the Certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

TABLE 15 - CURRENT INVESTMENTS

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

Description	Percent	Amount
Checking	93.31%	$ 24,371,278
Certificates of Deposit	4.96%	1,294,201
Investment Pools	1.73%	452,169
	100.00%	$ 26,117,648

No funds of the City 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

TAX EXEMPTION

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount . . . The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

Collateral Federal Income Tax Consequences . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance the City has made the following undertakings for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the undertakings while it remains obligated to advance funds to pay such Certificates. Under the undertakings the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC'), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 6 and 8 through 15 by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 except that on September 10, 2021, the City incurred a financial obligation, and due to an administrative oversight, a notice of event filing was not timely filed. The City has since filed a material event disclosing the financial obligation, and the City has incorporated a process to evaluate possible incurrences of future financial obligations.

OTHER INFORMATION

RATINGS

The Certificates and the outstanding tax supported debt of the City are rated "AA-" by S&P. The City also has tax-supported debt that is rated by Moody's. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates (see "Bond Insurance - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers" and "- Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers).

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending or, to its knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City, its operations or its financial statements.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish the Initial Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the initial Certificate is a valid and legally binding obligation of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Initial Purchaser. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notices of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

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

FUTURE LEGISLATION

The 89th Texas Legislature convened on January 14, 2025, and such regular session adjourned on June 2, 2025 (the "89th Regular Session"). When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During the legislative session, the Legislature will consider a general appropriations act and may enact laws that materially change the Property Tax Code and other current law as it relates to ad valorem taxation. The City can make no representations or predictions regarding any actions the Legislature has taken or may take during the 89th Regular Session, or any special session, or concerning the substance or effect of any legislation that may be passed during the 89th Regular Session or a future session of the Legislature.

CYBERSECURITY

Computer networks and date transmission and collection are vital to the operation of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems, and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for City staff and administration.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by a proper officer, acting in their official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par, plus a (net) reoffering premium of $_____, less an underwriting discount of $_____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

MISCELLANEOUS

The Ordinance authorizing the issuance of the Certificates will 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 Certificates by the Initial Purchaser.

_____
JEFF JORDAN
Mayor
City of Kaufman, Texas

ATTEST:

_____
JESSIE HANKS
City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND POPULATION . . . The City of Kaufman is the county seat of Kaufman County and a close residential and economic center to the DFW are, located 28 miles southeast of Dallas on U.S. Highway 175.

COUNTY CHARACTERISTICS . . . Kaufman County is a northeast Texas county traversed by Interstate Highway 20, U.S. Highways 80 and 175 and State Highways 34, 243, and 274. The economy is based on manufacturing, public service, medical and agriculture. The Texas Almanac designates cattle, crops and horses as principal sources of agricultural income. Minerals produced in the county include oil and stone. Cedar Creek Lake offers excellent recreational opportunities including golf, camping and boating facilities. Lake Ray Hubbard and the surrounding area include marinas and leisure homes.

EDUCATION . . . Kaufman Independent School District is rated class 4A. The City has one early childhood center, three elementary schools, one junior high school, one alternative learning center, and one high school. Kaufman High School provides strong academic programs, vocational training, business information training, culinary arts, agricultural science and technology, agribusiness, and agricultural mechanics. There are two private schools and Trinity Valley Community College with campuses in Kaufman (Health-Science Center), Terrell, Athens, and Palestine.

	March	Average Annual				
	2025	2024	2023	2022	2021	2020
Kaufman County						
Civilian Labor Force	99,362	98,262	95,953	75,098	71,942	68,859
Employed	95,359	94,351	92,302	72,291	68,423	64,465
Unemployed	4,003	3,911	3,651	2,807	3,519	4,394
Percent Unemployed	4.03%	3.98%	3.80%	3.74%	4.89%	6.38%
State of Texas						
Civilian Labor Force	15,778,515	15,608,932	15,217,552	14,662,558	14,220,446	13,870,874
Employed	15,137,506	14,971,373	14,608,665	14,092,833	13,413,036	12,808,616
Unemployed	641,009	637,559	608,887	569,725	807,410	1,062,258
Percent Unemployed	4.06%	4.08%	4.00%	3.89%	5.68%	7.66%

Source: Texas Employment Commission.

INDUSTRY AND BUSINESS . . . The largest employers are as follows:

Company	Product	Estimated Number of Employees
Kaufman County	Government	730
Kaufman ISD	School district	586
Walmart	Retail	323
Numo Manufacturing	Food Service	175
Texas Health Presbyterian Hospital	Hospital	173
Advanced Tabco	Stanless Steel Fabrication	168
Trinity Valley Electric Co-Op	Utility	145
Mica Steelworks, Inc.	Manufacturing	104
Brookshires Grocery Co.	Grocery	98
City of Kaufman	Government	83

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APPENDIX B

EXCERPTS FROM THE

CITY OF KAUFMAN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

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

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YWRD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of
City of Kaufman, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Kaufman Texas' 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kaufman, 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 City of Kaufman, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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.

611 S. Clay St. | P.O. Box 1087 | Ennis, Texas 75120
405 Sycamore St. | Waxahachie, Texas 75165
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kaufman, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 City of Kaufman, Texas' internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory 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 28, 2025, on our consideration of the City of Kaufman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kaufman, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kaufman, Texas' internal control over financial reporting and compliance.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, Texas
March 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Kaufman, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-8 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $51,779,995 (*net position*).

- The City's total net position increased by $7,465,973.

- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of $15,747,140, an increase of $1,727,653 in comparison with the prior year. Approximately 21.7% of this amount ($3,418,457) is available for spending at the City's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unassigned fund balance for the general fund was $4,396,248, or approximately 48.9% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the component unit are available from the City's Finance Director upon request.

The government-wide financial statements can be found on pages 28-29 of this report.

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

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance, Debt Service, Grants, and Capital Improvements, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30-33 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise funds to account for its utility and drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund and Drainage fund which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-81 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - General Fund, Street Maintenance and Grants, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios. Required supplementary information can be found on pages 83-88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 90-104 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $51,779,995, at the close of the most recent fiscal year.

CITY OF KAUFMAN, TEXAS'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 23,124,572	$ 22,405,755	$ 10,366,032	$ 10,272,935	$ 33,490,604	$ 32,678,690
Capital assets	43,534,408	42,760,056	29,961,451	27,095,630	73,495,859	69,855,686
Total assets	66,658,980	65,165,811	40,327,483	37,368,565	106,986,463	102,534,376
Total deferred outflows of resources	816,914	1,294,748	297,257	451,157	1,114,171	1,745,905
Long term liabilities	36,245,902	38,624,299	18,532,079	19,695,151	54,777,981	58,319,450
Other liabilities	909,013	1,045,522	480,315	483,417	1,389,328	1,528,939
Total liabilities	37,154,915	39,669,821	19,012,394	20,178,568	56,167,309	59,848,389
Total deferred inflows of resources	116,130	88,639	37,200	29,231	153,330	117,870
Net position:						
Net investment in capital assets	23,021,038	21,144,782	16,566,933	13,204,214	39,587,971	34,348,996
Restricted	8,245,105	7,354,300	814,176	718,390	9,059,281	8,072,690
Unrestricted (deficit)	(1,061,294)	(1,796,983)	4,194,037	3,689,319	3,132,743	1,892,336
Total net position	$ 30,204,849	$ 26,702,099	$ 21,575,146	$ 17,611,923	$ 51,779,995	$ 44,314,022

By far, the largest portion of the City's net position (76.5%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City’s total net investment in capital assets increased as capital additions less accumulated depreciation exceeded debt additions less payments.

An additional portion of the City's net position (17.5%) represents resources that are subject to external restrictions on how they may be used.

The City's overall net position increased $7,465,973 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF KAUFMAN, TEXAS'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	$ 1,811,076	$ 1,427,001	$ 6,977,888	$ 6,202,323	$ 8,788,964	$ 7,629,324
Operating grants and contributions	377,068	315,404	-	-	377,068	315,404
Capital grants and contributions	1,798,304	1,455,357	3,385,395	2,056,172	5,183,699	3,511,529
General revenues:						
Property taxes	5,888,414	5,113,297	-	-	5,888,414	5,113,297
Sales taxes	4,428,258	4,153,904	-	-	4,428,258	4,153,904
Franchise taxes	559,625	557,470	-	-	559,625	557,470
Hotel occupancy taxes	39,218	43,731	-	-	39,218	43,731
Alcoholic beverage taxes	38,351	17,759	-	-	38,351	17,759
Investment earnings	139,293	17,097	126,957	13,414	266,250	30,511
Gain (loss) on sale of capital assets	6,000	121,306	-	(253,316)	6,000	(132,010)
Miscellaneous	615,322	322,495	-	-	615,322	322,495
Total revenues	15,700,929	13,544,821	10,490,240	8,018,593	26,191,169	21,563,414
Expenses:						
General government	2,637,169	2,254,744	-	-	2,637,169	2,254,744
Public safety	3,689,184	3,511,560	-	-	3,689,184	3,511,560
Public works	2,251,365	2,970,165	-	-	2,251,365	2,970,165
Public services and operations	919,273	839,985	-	-	919,273	839,985
Parks and recreation	1,339,929	1,261,769	-	-	1,339,929	1,261,769
Interest on long-term debt	1,135,737	1,034,259	-	-	1,135,737	1,034,259
Utility	-	-	6,400,138	5,692,191	6,400,138	5,692,191
Drainage	-	-	352,401	201,339	352,401	201,339
Total expenses	11,972,657	11,872,482	6,752,539	5,893,530	18,725,196	17,766,012
Increase in net position before transfers	3,728,272	1,672,339	3,737,701	2,125,063	7,465,973	3,797,402
Transfers	(225,522)	(1,959,708)	225,522	1,959,708	-	-
Change in net position	3,502,750	(287,369)	3,963,223	4,084,771	7,465,973	3,797,402
Net position - beginning	26,702,099	26,989,468	17,611,923	13,527,152	44,314,022	40,516,620
Net position - ending	$ 30,204,849	$ 26,702,099	$ 21,575,146	$ 17,611,923	$ 51,779,995	$ 44,314,022

Governmental Activities. During the current fiscal year, net position for governmental activities increased $3,502,750 from the prior fiscal year for an ending balance of $30,204,849. Revenues increased $2,156,108. Charges for services, capital grants and contributions, property tax, and sales tax contributed to the majority of the increase. Property taxes revenues benefitted from an increase in taxable values and an increase in the property tax rate. Sales tax benefited from increased economic activity within the City and grants and contributions saw increases due to the receipt contributed infrastructure. Expenses increased $100,175 with increases in personnel expenses being offset by decreases in repairs in maintenance.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net increase in net position to an ending balance of $21,575,146. The total increase in net position for business-type activities (water, sewer, and drainage operations) was $3,963,223 or 22.5% of prior fiscal year. This increase was driven by increased capital contributions received in the current year and increased charges for services due to increased rates and water consumption by customer. Total expenses before transfers increased by 15.5%.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2024, the City's governmental funds reported combined fund balances of $15,747,140, an increase of $1,727,653 in comparison with the prior year. Approximately 21.7% of this amount ($3,418,457) constitutes *unassigned fund balance,* which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form ($68,136) or 2) restricted for particular purposes ($12,260,547).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $4,396,248, while total fund balance increased to $4,464,384. 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 general fund expenditures. Unassigned fund balance represents approximately 48.9 percent of total general fund expenditures, while total fund balance represents approximately 49.7 percent of that same amount.

The fund balance of the City's general fund increased by $465,826 during the current fiscal year. Property tax increased approximately 18.5% as a result of an increase in taxable values and an increase in the property tax rate. Sales tax increased approximately 6.6% from increased economic activity within the City. Total expenditures increased 6% from 2023 with the public safety and public works departments increasing 14% and 12%, respectively. This increase was primarily driven by an increase in personnel and professional service costs.

The street maintenance fund, a major fund, had an increase in fund balance during the current year of $283,754 to bring the year end fund balance to $5,118,747. This increase is primarily the result of a decrease in repair and maintenance costs.

The grant fund, a major fund, had a $15,889 decrease in fund balance during the current fiscal year which decreased total fund balance to ($873,535). This decrease is primarily the result of the transfer of funds to the Utility fund for waterline repairs.

The debt service fund, a major fund, had an increase in fund balance during the current year of $167,014 to bring the year end fund balance to $1,075,826. This increase is the result of increased property tax revenues in the current fiscal year.

The capital improvements fund, a major fund, had a $432,779 increase in fund balance during the current fiscal year which increased total fund balance to $4,015,442. This increase is primarily the result of transfers in for capital projects.

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

Unrestricted net position of the Utility fund at the end of the year was $3,697,248. The total increase in net position was $2,867,367. Operating revenues increased in 2024 by $769,213 (13.19%). Operating expenses increased by 11.40% while capital contributions increased $1,310,586.
.
Unrestricted net position of the Drainage fund at the end of the year was $474,645. The total increase in net position was $1,095,856. Operating revenues increased in 2024 by $6,352 (1.71%). Operating expenses increased by 75.03% while capital contributions increased $18,637.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City increased total estimated revenues and transfers in by $685,675. Sales taxes and intergovernmental revenues increased by $115,865 and $262,515, respectively. Licenses and permits decreased by $250,950. Total expenditures were decreased by $360,604 with decreases to general government and public works comprising $307,930 and 210,035 of this decrease, respectively.

Final budget compared to actual results. General budgeted revenues of $11,273,930 exceeded actual revenues of $11,243,645 by $30,285.

Budgeted general fund expenditures of $9,397,481 exceeded actual expenditures of $9,005,632. Following are the main components that experienced a decrease of actual expenditures compared to actual expenditures:

- General government budgeted expenditures exceeded actual by $205,226 primarily due to unspent budgetary reserves.
- Public works budgeted expenditures exceeded actual by $114,888 primarily due to less than expected professional services expenditures.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to $73,495,859 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 5.21%.

City of Kaufman, Texas's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	$ 2,909,350	$ 2,909,350	$ 328,395	$ 328,395	$ 3,237,745	$ 3,237,745
Construction in progress	601,790	719,474	1,579,188	570,780	2,180,978	1,290,254
Buildings	12,166,729	12,128,461	4,016,635	3,951,909	16,183,364	16,080,370
Improvements	-	-	23,310,277	21,668,777	23,310,277	21,668,777
Machinery and equipment	707,890	658,720	538,777	416,415	1,246,667	1,075,135
Infrastructure	25,987,524	25,263,909	-	-	25,987,524	25,263,909
Leased machinery and equipment	1,161,125	1,080,142	188,179	146,815	1,349,304	1,226,957
Leased building	-	-	-	12,539	-	12,539
Total	$ 43,534,408	$ 42,760,056	$ 29,961,451	$ 27,095,630	$ 73,495,859	$ 69,855,686

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

- Construction in progress additions of approximately $1,692,000 consisting of street improvements, water and sewer improvements, and drainage improvements.
- Approximately $801,000 of construction in progress was completed during the year.
- Building additions of approximately $877,000.
- Improvements of approximately $2,890,000 for water and sewer lines and drainage improvements.
- Machinery and equipment additions of approximately $438,000.
- Infrastructure additions of approximately $1,842,000.
- Leased machinery and equipment additions of approximately $387,000.

Additional information on the City's capital assets can be found in Note 3.G on pages 52-53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of $51,229,558.

City of Kaufman, Texas's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	$ 12,115,000	$ 12,630,000	$ 14,640,000	$ 15,365,000	$ 26,755,000	$ 27,995,000
General obligations bonds	10,450,000	10,785,000	215,000	345,000	10,665,000	11,130,000
Pass through bonds	5,625,000	5,985,000	-	-	5,625,000	5,985,000
Notes payable	4,705,497	5,347,468	2,312,783	2,421,433	7,018,280	7,768,901
Development agreements payable	-	-	45,000	60,000	45,000	60,000
Leases	936,140	880,000	185,138	152,703	1,121,278	1,032,703
Total	$ 33,831,637	$ 35,627,468	$ 17,397,921	$ 18,344,136	$ 51,229,558	$ 53,971,604

The City's total debt decreased by $2,742,046 (5.1 percent) during the current fiscal year. The reason for the decrease is primarily the result of scheduled debt payments exceeding new debt issues.

The City's General Obligation and Combination Tax and Revenue Certificates of Obligation ratings are listed below.

	Moody's	Standard's & Poor's
General Obligation Bonds	A1	A+/AA
Certificates of Obligation	A1	A+/AA

Several of the City's Bonds are insured thus holding an AAA (insured) credit rating from both Moody’s Investors Service and Standard & Poor’s.

Additional information on the City's long term-debt can be found in Note 3.M on pages 60-67 of this report.

Economic Factors and Next Year’s Budgets and Rates

In the fiscal year 2025 budget, the General Fund revenues are budgeted to increase by $638,615 or 5.7% from the fiscal year 2024 budget. General property taxes, currently the largest revenue source for the General Fund, make up about $4,289,590 or 36.2% of anticipated general fund revenues. Property values show an increase of $78,054,265 or 10.23% over the prior year primarily as a result of the overall improvement in the local economy, home values, and an increase in the number of new homes and businesses, including Georgetown at Kingsfort Development, Kingsfort business corridor expansion, Jiffy Lube, Burger King, Starbucks, Panda Express, Schlotzsky's, HTeaO, Konny's Car Wash, Wings, T-Mobile, and Verizon Wireless. This increase is part of a trend the City has experienced over the last five years, strengthening what the City identifies as a turn-around in appraised values locally. The City Council adopted the tax rate of $0.7595000 per $100 assessed valuation which is a decrease to the prior year's rate. The debt service portion of the tax rate decreased by $0.0229590, from $0.2619847 to $0.2390258 per $100 of net assessed valuation. The maintenance and operations portion of the tax rate increased by $0.0224590, from $0.4980153 to $0.5204742 per $100 assessed valuation.

Sales tax, currently the second largest revenue source for the General Fund, is budgeted at $3,840,370, or 32.4% of anticipated General Fund revenue. Wal-Mart, along with continued construction and opening of several new retail outlets along the Kingsfort business corridor continues to positively impact sales tax revenue.

Other major revenue sources include $3,565,000 from water sales, $2,481,755 from sewer services, and $694,355 from franchise agreements. In fiscal year 2025, several capital improvement projects were needed to maintain healthy, safe water and wastewater services, including a Northeast Utility Infrastructure Project and several waste water treatment plant improvements. The City also incurred a 4.3% increase in the wholesale water rate, which substantiated the need to increase retail utility rates. Water utility rates were increased 5%, increasing the volumetric rate $0.50 from $10.00 to $10.50, increasing the base/fixed rate $1.13 from $22.53 to $23.66, and senior rates were increased 5%. Sewer rates were increased by 5%, increasing the volumetric rate $0.37 from $7.32 to $7.69 increasing the base/fixed rate $1.11 from $22.13 to $23.24, and senior rates were increased 5%. Storm Drainage fees were increased $1.00 per ERU, from $5.00 per ERU to $6.00 per ERU per month.

The fiscal year 2025 budget adopted by the City Council includes an increase of $574,155 or 5.1% in the expenditures in the General Fund operating budget and an increase of $480,345 or 7.9% in the business-type fund operating budget when compared to previous year's budget. The 2025 budget includes continuing of the structured, modified step pay plan with imbedded retention payments occurring at 5 and 10 year increments, to include one additional step on 10/1/2024 and one step on each employee's anniversary date. In addition, the city added one new full-time firefighter position to be hired mid-year. Fiscal year 2025, also continued to fund chapter 380 agreement commitments, including KLLM and South Pointe Development, funded the Texas Municipal Retirement System Consumer Price Index participation at 50% Repeating, and funded a 5-year lease of 3 public works' vehicles and one police department vehicle. In addition the city funded additional park maintenance funds to affect significant improvements within our park system, $137,000 in Street Maintenance/Rehab (primarily dedicated to curb and sidewalk repair and sign replacement), $640,000 from the Street Maintenance Fund (from the sales tax reallocation of 1/4 penny Sales Tax to street rehabilitation). The city also continued to fund significant street reconstruction, storm drainage improvements, water and sewer infrastructure improvements, and park project improvements within Kings Fort Park, Sports Complex, and City Lakes Park.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 209 S. Washington, Kaufman, Texas 75142.

BASIC FINANCIAL STATEMENTS

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kaufman Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 17,095,719	$ 3,415,868	$ 20,511,587	$ 1,419,166
Receivables (net of allowance for uncollectibles)	1,320,496	1,063,072	2,383,568	70,000
Intergovernmental receivables	5,731,263	61,500	5,792,763	-
Due from component unit	600,000	-	600,000	-
Due from primary government	-	-	-	94,638
Internal balances	(1,691,042)	1,691,042	-	-
Inventories	-	158,243	158,243	-
Prepaid items	68,136	13,057	81,193	159
Restricted cash and cash equivalents	-	3,963,250	3,963,250	-
Capital assets:				
Non-depreciable	3,511,140	1,907,583	5,418,723	3,295,412
Depreciable (net of accumulated depreciation)	40,023,268	28,053,868	68,077,136	1,089
Total Assets	66,658,980	40,327,483	106,986,463	4,880,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	34,355	34,355	-
Deferred outflows of resources related to pension	806,939	259,736	1,066,675	-
Deferred outflows of resources related to OPEB	9,975	3,166	13,141	-
Total Deferred Outflows of Resources	816,914	297,257	1,114,171	-
LIABILITIES				
Accounts payable	388,828	186,446	575,274	32,579
Accrued payroll payable	117,940	30,924	148,864	-
Accrued interest payable	138,836	64,186	203,022	173,646
Customer deposits payable	12,522	136,984	149,506	-
Due to component unit	94,638	-	94,638	-
Unearned revenue	156,249	-	156,249	1,500
Liabilities payable from restricted assets	-	61,775	61,775	-
Noncurrent liabilities:				
Due within one year	1,957,134	1,097,883	3,055,017	103,374
Due in more than one year	34,288,768	17,434,196	51,722,964	3,248,946
Total Liabilities	37,154,915	19,012,394	56,167,309	3,560,045
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	76,795	24,141	100,936	-
Deferred inflows of resources related to OPEB	39,335	13,059	52,394	-
Total Deferred Inflows of Resources	116,130	37,200	153,330	-
NET POSITION				
Net investment in capital assets	23,021,038	16,566,933	39,587,971	544,181
Restricted for:				
General government	301,850	-	301,850	-
Infrastructure improvements	-	605,455	605,455	-
Public safety	87,172	-	87,172	-
Public works	6,751,069	-	6,751,069	-
Parks and recreation	29,188	-	29,188	-
Debt service	1,075,826	208,721	1,284,547	275,000
Economic development	-	-	-	501,238
Unrestricted	(1,061,294)	4,194,037	3,132,743	-
Total Net Positior	$ 30,204,849	$ 21,575,146	$ 51,779,995	$ 1,320,419

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Kaufman Economic Development Corporation
Function/Programs:								
Primary government:								
Governmental activities:								
General government	$ 2,637,169	$ 1,057,807	$ 319,228	$ -	$ (1,260,134)	$ -	$ (1,260,134)	$ -
Public safety	3,689,184	161,288	57,840	-	(3,470,056)	-	(3,470,056)	-
Public works	2,251,365	498,526	-	1,741,362	(11,477)	-	(11,477)	-
Public services and operations	919,273	-	-	-	(919,273)	-	(919,273)	-
Parks and recreation	1,339,929	93,455	-	56,942	(1,189,532)	-	(1,189,532)	-
Interest on long-term debt	1,135,737	-	-	-	(1,135,737)	-	(1,135,737)	-
Total governmental activities	11,972,657	1,811,076	377,068	1,798,304	(7,986,209)	-	(7,986,209)	-
Business-type activities:								
Utility	6,400,138	6,599,986	-	2,314,222	-	2,514,070	2,514,070	-
Drainage	352,401	377,902	-	1,071,173	-	1,096,674	1,096,674	-
Total business-type activities	6,752,539	6,977,888	-	3,385,395	-	3,610,744	3,610,744	-
Total primary government	$ 18,725,196	$ 8,788,964	$ 377,068	$ 5,183,699	(7,986,209)	3,610,744	(4,375,465)	-
Component unit:								
Kaufman Economic Development Corporation	$ 484,829	$ -	$ 80	$ -				(484,749)
Interest on long-term debt	225,967	-	-	-				(225,967)
Total component unit	$ 710,796	$ -	$ 80	$ -				(710,716)
General revenues:								
Property taxes					5,888,414	-	5,888,414	-
Sales taxes					4,428,258	-	4,428,258	632,608
Franchise taxes					559,625	-	559,625	-
Hotel occupancy taxes					39,218	-	39,218	-
Alcoholic beverage taxes					38,351	-	38,351	-
Investment earnings					139,293	126,957	266,250	43,851
Gain (loss) on sale of capital asset					6,000	-	6,000	-
Miscellaneous					615,322	-	615,322	3,686
Transfers					(225,522)	225,522	-	-
Total general revenues and transfers					11,488,959	352,479	11,841,438	680,145
Change in net position					3,502,750	3,963,223	7,465,973	(30,571)
Net position - beginning					26,702,099	17,611,923	44,314,022	1,350,990
Net position - ending					$ 30,204,849	$ 21,575,146	$ 51,779,995	$ 1,320,419

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

CITY OF KAUFMAN, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Street Maintenance	Grants	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 5,420,142	$ 5,109,777	$ 36	$ 1,061,310	$ 3,467,897	$ 2,036,557	$ 17,095,719
Receivables (net of allowance for uncollectibles)	1,187,866	-	-	113,614	-	19,016	1,320,496
Intergovernmental receivables	-	-	814,787	4,916,476	-	-	5,731,263
Due from component unit	600,000	-	-	-	-	-	600,000
Due from other funds	877,470	109,270	-	-	553,435	-	1,540,175
Prepaid items	68,136	-	-	-	-	-	68,136
Total assets	$ 8,153,614	$ 5,219,047	$ 814,823	$ 6,091,400	$ 4,021,332	$ 2,055,573	$ 26,355,789
LIABILITIES							
Accounts payable	$ 277,409	$ 100,300	$ -	$ 400	$ 5,890	$ 4,829	$ 388,828
Accrued payroll payable	117,728	-	-	-	-	212	117,940
Due to other funds	2,253,390	-	873,571	-	-	104,256	3,231,217
Due to component unit	94,638	-	-	-	-	-	94,638
Customer deposits payable	12,522	-	-	-	-	-	12,522
Unearned revenue	156,249	-	-	-	-	-	156,249
Total liabilities	2,911,936	100,300	873,571	400	5,890	109,297	4,001,394
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-property taxes	177,294	-	-	98,698	-	-	275,992
Unavailable revenue-grants	-	-	814,787	-	-	-	814,787
Unavailable revenue-other	600,000	-	-	4,916,476	-	-	5,516,476
Total deferred inflows of resources	777,294	-	814,787	5,015,174	-	-	6,607,255
FUND BALANCES							
Nonspendable:							
Prepaid items	68,136	-	-	-	-	-	68,136
Restricted:							
Capital projects	-	-	-	-	4,015,442	-	4,015,442
General government	-	-	-	-	-	301,850	301,850
Public safety	-	-	-	-	-	87,172	87,172
Public works	-	5,118,747	-	-	-	1,632,322	6,751,069
Public service and operations	-	-	-	-	-	29,188	29,188
Debt service	-	-	-	1,075,826	-	-	1,075,826
Unassigned	4,396,248	-	(873,535)	-	-	(104,256)	3,418,457
Total fund balances	4,464,384	5,118,747	(873,535)	1,075,826	4,015,442	1,946,276	15,747,140
Total liabilities, deferred inflows of resources, and fund balances	$ 8,153,614	$ 5,219,047	$ 814,823	$ 6,091,400	$ 4,021,332	$ 2,055,573	$ 26,355,789

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

CITY OF KAUFMAN, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2024

Amounts reported for governmental activities in the statement of net position (page 28) are different because:

Total fund balances - governmental funds (page 30)		$ 15,747,140
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Non-depreciable	$ 3,511,140	
Depreciable (net of accumulated depreciation)	40,023,268	43,534,408
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Unavailable revenue-property taxes	275,992	
Unavailable revenue-grants	814,787	
Unavailable revenue-other	5,516,476	6,607,255
Deferred outflows of resources are not reported in the governmental funds:		
Deferred outflows of resources related to pension	806,939	
Deferred outflows of resources related to OPEB	9,975	816,914
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(138,836)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(1,957,134)	
Due in more than one year	(34,288,768)	(36,245,902)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred inflows of resources related to pension	(76,795)	
Deferred inflows of resources related to OPEB	(39,335)	(116,130)
Net position of governmental activities (page 28)		$ 30,204,849

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

CITY OF KAUFMAN, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2024

	General	Street Maintenance	Grants	Debt Service	Capital Improvements	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 3,605,064	$ -	$ -	$ 1,983,923	$ -	$ -	$ 5,588,987
Sales taxes	3,795,651	632,607	-	-	-	-	4,428,258
Franchise taxes	559,625	-	-	-	-	-	559,625
Hotel occupancy taxes	-	-	-	-	-	39,218	39,218
Alcoholic beverage taxes	38,351	-	-	-	-	-	38,351
Licenses and permits	1,057,807	-	-	-	-	-	1,057,807
Fines and forfeitures	149,366	-	-	-	-	11,922	161,288
Charges for services	591,981	-	-	-	-	-	591,981
Investment earnings	53,703	66,041	-	-	8,974	10,575	139,293
Miscellaneous	184,552	2,416	-	-	-	428,354	615,322
Intergovernmental	278,033	-	57,840	919,285	-	141,227	1,396,385
Contributions and donations	56,942	-	-	-	-	-	56,942
Total revenues	10,371,075	701,064	57,840	2,903,208	8,974	631,296	14,673,457
EXPENDITURES							
Current:							
General government	2,007,699	-	-	-	-	535,329	2,543,028
Public safety	3,593,631	-	3,372	-	-	29,031	3,626,034
Public works	1,203,242	100,300	-	-	-	-	1,303,542
Public services and operations	714,624	-	-	-	-	46,989	761,613
Parks and recreation	1,143,760	-	-	-	-	-	1,143,760
Debt service:							
Principal retirement	268,257	-	-	1,851,971	-	-	2,120,228
Interest and fiscal charges	54,858	-	-	1,114,753	-	-	1,169,611
Capital outlay:							
Public works	-	-	-	-	382,863	-	382,863
Total expenditures	8,986,071	100,300	3,372	2,966,724	382,863	611,349	13,050,679
Excess (deficiency) of revenues over (under) expenditures	1,385,004	600,764	54,468	(63,516)	(373,889)	19,947	1,622,778
OTHER FINANCING SOURCES (USES)							
Transfers in	388,712	-	30,000	417,010	806,668	377,222	2,019,612
Transfers out	(1,313,890)	(317,010)	(100,357)	(510,877)	-	(3,000)	(2,245,134)
Financed purchases issued	-	-	-	324,397	-	-	324,397
Sale of capital assets	6,000	-	-	-	-	-	6,000
Total other financing sources (uses)	(919,178)	(317,010)	(70,357)	230,530	806,668	374,222	104,875
Net change in fund balances	465,826	283,754	(15,889)	167,014	432,779	394,169	1,727,653
Fund balances-beginning, as restated	3,998,558	4,834,993	(857,646)	908,812	3,582,663	1,552,107	14,019,487
Fund balances-ending	$ 4,464,384	$ 5,118,747	$ (873,535)	$ 1,075,826	$ 4,015,442	$ 1,946,276	$ 15,747,140

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

CITY OF KAUFMAN, TEXAS

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

For the Fiscal Year Ended September 30, 2024

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net Change in Fund Balances - total governmental funds (page 32)		$ 1,727,653
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		986,833
The net effect of various miscellaneous transactions involving capital assets (i.e., capital contributions) is to increase net position.		
Capital contributions		1,741,362
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(1,953,843)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Certificates of obligation retirement	$ 515,000	
General obligation bonds retirement	335,000	
Pass through bond retirement	360,000	
Amortization of bond premiums/discounts	26,583	
Note payable retirement	641,971	
Lease liabilities issued	(324,397)	
Lease liabilities retirement	268,257	1,822,414
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		7,294
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(879,621)
Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual pension and OPEB amounts.		
Deferred outflows/inflows of resources related to pension	(519,274)	
Deferred outflows/inflows of resources related to pension OPEB	13,949	(505,325)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(4,435)	
Net pension liability	573,246	
OPEB liability	(12,828)	555,983
Change in net position of governmental activities (page 29)		$ 3,502,750

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-type Activities - Enterprise		
	Utility	Drainage	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,133,576	$ 282,292	$ 3,415,868
Restricted cash and cash equivalents	61,775	-	61,775
Receivables (net of allowance for uncollectibles)	1,031,894	31,178	1,063,072
Intergovernmental receivables	61,500	-	61,500
Due from other funds	100,357	1,590,685	1,691,042
Inventories	158,243	-	158,243
Prepaid items	13,057	-	13,057
Total current assets	4,560,402	1,904,155	6,464,557
Noncurrent Assets:			
Restricted cash and cash equivalents	3,901,475	-	3,901,475
Capital assets (net, where applicable of accumulated depreciation)	19,544,978	10,416,473	29,961,451
Total noncurrent assets	23,446,453	10,416,473	33,862,926
Total assets	28,006,855	12,320,628	40,327,483
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	34,355	-	34,355
Deferred outflows of resources related to pension	259,736	-	259,736
Deferred outflows of resources related to OPEB	3,166	-	3,166
Total deferred outflows of resources	297,257	-	297,257
LIABILITIES			
Current Liabilities:			
Accounts payable	186,446	-	186,446
Accrued payroll payable	30,924	-	30,924
Compensated absences	28,859	-	28,859
Customer deposits payable	136,984	-	136,984
Bonds payable	590,000	310,000	900,000
Note payable	111,312	-	111,312
Lease liabilities	41,382	-	41,382
Development agreement payable	15,000	-	15,000
Accrued interest payable	36,412	27,774	64,186
OPEB liability	1,330	-	1,330
Current liabilities payable from restricted assets:			
Accounts payable	61,775	-	61,775
Total current liabilities	1,240,424	337,774	1,578,198
Noncurrent Liabilities:			
Bonds payable	7,244,807	7,254,193	14,499,000
Note payable	2,201,471	-	2,201,471
Lease liabilities	143,756	-	143,756
Development agreement payable	30,000	-	30,000
Net pension liability	511,189	-	511,189
OPEB liability	48,780	-	48,780
Total noncurrent liabilities	10,180,003	7,254,193	17,434,196
Total liabilities	11,420,427	7,591,967	19,012,394
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	24,141	-	24,141
Deferred inflows of resources related to OPEB	13,059	-	13,059
Total deferred inflows of resources	37,200	-	37,200
NET POSITION			
Net investment in capital assets	12,288,904	4,278,029	16,566,933
Restricted for infrastructure improvements	605,455	-	605,455
Restricted for debt service	208,721	-	208,721
Unrestricted	3,743,405	450,632	4,194,037
Total net position	$ 16,846,485	$ 4,728,661	$ 21,575,146

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

CITY OF KAUFMAN, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 2024

	Business-type Activities - Enterprise		
	Utility	**Drainage**	**Total Enterprise Funds**
Operating revenues:			
Water revenue	$ 4,050,535	$ -	$ 4,050,535
Sewer revenue	2,452,505	-	2,452,505
Drainage revenue	-	376,694	376,694
Rental	26,000	-	26,000
Miscellaneous	70,946	1,208	72,154
Total operating revenues	6,599,986	377,902	6,977,888
Operating expenses:			
Personnel services	1,568,602	-	1,568,602
Supplies and materials	139,435	-	139,435
Maintenance and repair	459,812	-	459,812
Contractual services	2,301,319	-	2,301,319
Depreciation and amortization	1,378,965	352,401	1,731,366
Total operating expenses	5,848,133	352,401	6,200,534
Operating income	751,853	25,501	777,354
Nonoperating revenue (expenses):			
Investment earnings	95,022	31,935	126,957
Interest expense	(344,877)	(207,128)	(552,005)
Total nonoperating revenue (expenses)	(249,855)	(175,193)	(425,048)
Income before contributions and transfers	501,998	(149,692)	352,306
Capital contributions	2,314,222	1,071,173	3,385,395
Transfer in	100,357	186,480	286,837
Transfer out	(49,210)	(12,105)	(61,315)
Change in net position	2,867,367	1,095,856	3,963,223
Net position-beginning	13,979,118	3,632,805	17,611,923
Net position-ending	$ 16,846,485	$ 4,728,661	$ 21,575,146

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

CITY OF KAUFMAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2024

	Business-type Activities - Enterprise		
	Utility	Drainage	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 6,445,208	$ 376,942	$ 6,822,150
Payments to suppliers and service providers	(2,935,053)	-	(2,935,053)
Payments to employees for salaries and benefits	(1,597,057)	-	(1,597,057)
Net cash provided by (used for) operating activities	1,913,098	376,942	2,290,040
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	100,357	186,480	286,837
Transfers to other funds	(49,210)	(12,105)	(61,315)
Net cash provided by (used for) noncapital financing activities	51,147	174,375	225,522
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,478,001)	(267,535)	(1,745,536)
Capital contributions	446,405	-	446,405
Principal paid on bond maturities	(575,000)	(280,000)	(855,000)
Interest and fiscal charges paid on bonds	(275,625)	(227,049)	(502,674)
Principal paid on note payable	(108,650)	-	(108,650)
Interest paid on note payable	(59,325)	-	(59,325)
Principal paid on development agreement	(15,000)	-	(15,000)
Principal paid on leased assets	(49,727)	-	(49,727)
Interest paid on leased assets	(13,786)	-	(13,786)
Net cash provided by (used for) capital and related financing activities	(2,128,709)	(774,584)	(2,903,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	95,022	31,935	126,957
Net cash provided by investing activities	95,022	31,935	126,957
Net increase (decrease) in cash and cash equivalents	(69,442)	(191,332)	(260,774)
Cash and cash equivalents October 1 (including $4,201,782 reported in restricted accounts)	7,166,268	473,624	7,639,892
Cash and cash equivalents September 30 (including $3,963,250 reported in restricted accounts)	$ 7,096,826	$ 282,292	$ 7,379,118
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 751,853	$ 25,501	$ 777,354
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,378,965	352,401	1,731,366
(Increase) decrease in accounts receivable	(161,843)	(960)	(162,803)
(Increase) decrease in due from other funds	(100,357)	-	(100,357)
(Increase) decrease in inventory	(20,383)	-	(20,383)
(Increase) decrease in prepaid items	(8,829)	-	(8,829)
(Increase) decrease in pension related deferred outflows/inflows	152,981	-	152,981
(Increase) decrease in OPEB related deferred outflows/inflows	(3,995)	-	(3,995)
Increase (decrease) in accounts payable	95,082	-	95,082
Increase (decrease) in accrued payroll payable	4,785	-	4,785
Increase (decrease) in compensated absences	1,687	-	1,687
Increase (decrease) in customer deposits	7,065	-	7,065
Increase (decrease) in net pension liability	(187,534)	-	(187,534)
Increase (decrease) in net OPEB liability	3,621	-	3,621
Total adjustments	1,161,245	351,441	1,512,686
Net cash provided by (used for) operating activities	$ 1,913,098	$ 376,942	$ 2,290,040
Schedule of non-cash transactions:			
Capital assets purchased on account	$ 61,775	$ -	$ 61,775
Capital contributions	$ 1,806,317	$ 1,071,173	$ 2,877,490
Capital asset added with lease payable	$ 82,162	$ -	$ 82,162

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

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

B. Reporting entity

The City of Kaufman, Texas (the "City") was incorporated in 1853, and operates under a Council-Manager form of government. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

Discretely presented component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and they provides services to the citizens of Kaufman and the surrounding area as opposed to only the primary government. To emphasize that it is separate from the City, it is reported in a separate column in the financial statements.

The *Kaufman Economic Development Corporation* (the "Corporation") is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Separately issued financial reports are available for the Corporation. This report may be obtained by contacting the following office.

City of Kaufman
209 S. Washington
Kaufman, Texas 75142

C. Basis of presentation – government-wide financial statements

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

As discussed earlier, the City has a discretely presented component unit. The Economic Development Corporation is considered to be a major component unit and is shown in a separate column in the government-wide financial statements.

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

D. Basis of presentation – fund financial statements

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

The City reports the following major governmental funds:

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

The *street maintenance fund* accounts for the 1/4 cent Street Maintenance Tax revenues and expenditures devoted to street repair, mill and overlay, and reconstruction projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

The grants fund is used to account for grants received from the federal, state and local governments for the enhancement of public safety activities.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital improvements fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise fund:

The *utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

The *drainage fund* accounts for the drainage operations that are to be self-supporting through user charges.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting

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

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

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgetary information

1. *Budgetary basis of accounting*

Annual budgets are adopted on a budgetary basis for the general fund, debt service fund, special revenue funds and utility funds. Project-length budgets are adopted for capital project funds. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool , like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. *Restricted assets*

Certain proceeds of the City's enterprise funds general obligation bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "infrastructure improvements" account is used to segregate resources from impact fees for infrastructure improvements.

4. *Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	10-50
Improvements	7-30
Machinery and equipment	5-15
Infrastructure	30-50
Leased machinery and equipment	7
Leased buildings	3

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. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) deferred outflows of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) a deferred outflow of resources related to changes in actuarial experience of the City's defined benefit pension plan and OPEB plan, and (3) deferred charge on refunding. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 3.19 years and OPEB expense over a total of 1.00 year. 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. No deferred outflows of resources affect the governmental funds financial statements in the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources.* This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for (1) the difference between expected and actual experience data used by the actuary for the pension and OPEB plan, (2) deferred inflows of resources related to the changes in actuarial assumptions for the City's pension and OPEB plan, and (3) a deferred inflow of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit pension plan. Deferred inflows of resources for the difference between expected and actual experience data is attributed to pension expense over a total of 1.27 years and OPEB expense over a total of 4.35 years. Deferred inflows of resources for changes in actuarial assumptions is attributed to OPEB expense over a period of 5.44 years. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes and grants are reported in the governmental funds balance sheet.

7. *Leases*

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

8. *Long-term obligations*

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

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

9. *Net position flow assumption*

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Unrestricted net position —This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

10. *Fund balance flow assumption*

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance —amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance —amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance —amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

Assigned fund balance —amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City Council has delegated this authority to the City Manager.

Unassigned fund balance— amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

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

It is the long-term goal of the City to maintain a minimum unassigned fund balance in the General Fund equal to three months of the annually budgeted expenditures. The City will appropriate one percent (1%) of each year's General Fund budgeted expenditures until the identified goal is met.

11. *Deficit fund balance*

As of September 30, 2024, the Grants fund, a major governmental fund, has a deficit fund balance of $873,535. The deficit fund balance will be covered with the collections of intergovernmental revenues.

As of September 30, 2024, the Court Technology fund, a nonmajor governmental fund, has a deficit fund balance of $8,870. The deficit fund balance will be covered with the collections of fines and forfeitures.

As of September 30, 2024, the Tax Increment Reinvestment Zone fund, a nonmajor governmental fund, has a deficit fund balance of $95,386. The deficit fund balance will be covered with the collections of property tax.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses

1. *Program revenues*

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

2. *Property taxes*

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Kaufman County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Kaufman County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. *Compensated absences*

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

5. Pensions and Other Post Employment Benefits (OPEB)

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

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits . In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2024. At year end, the bank balance of the City's deposits was $24,426,852. Of the bank balance, $500,000 was covered by federal depository insurance and the remaining balance, $23,926,852, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately $31,181,000.

B. Investments

Public funds of the City may be invested in 1) obligations of the United States of America, its agencies and instrumentalities; 2) certificates of deposit; 3) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities; 4) money market mutual funds; and 5) local government investment pools.

The State Treasurer's Investment Pool (TexPool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.F.2, Investments, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

Investment Type	Fair Value
TexPool	$ 442,046

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2024, the City's investment in TexPool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Restricted assets

The balances of the restricted asset accounts in the Utility and Drainage funds are as follows:

	Utility	Total
Revenue bond current debt service account	$ 208,721	$ 208,721
Revenue bond construction	3,149,074	3,149,074
Infrastructure improvements	605,455	605,455
	$ 3,963,250	$ 3,963,250

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, nonmajor governmental, utility, and nonmajor enterprise funds, including the applicable allowances for uncollectible accounts:

Receivables:	General	Debt Service	Nonmajor Governmental	Utility	Drainage	Total
Taxes	$ 1,185,063	$ 138,734	$ -	$ -	$ -	$ 1,323,797
Accounts	56,342	-	-	1,056,286	32,848	1,145,476
Other	1,055	-	19,016	-	-	20,071
Gross receivables	1,242,460	138,734	19,016	1,056,286	32,848	2,489,344
Less: allowance for uncollectibles	(54,594)	(25,120)	-	(24,392)	(1,670)	(105,776)
Net total receivables	$ 1,187,866	$ 113,614	$ 19,016	$ 1,031,894	$ 31,178	$ 2,383,568

E. Intergovernmental receivables

The Texas Department of Transportation ("TxDOT") has entered into a contract with the City to reimburse the City for a portion of the costs associated with the State Highway 34 re-alignment project ("SH34"). The maximum amount to be reimbursed totals $11,047,887. The City issued debt in the amount of $8,250,000 to fund these highway improvements. After completion of the work, the State of Texas shall be responsible for the maintenance of the state highway system, therefore, the costs associated with the SH34 have been expensed rather than capitalized by the City. The balance due as of September 30, 2024 was $4,916,476.

F. Kaufman Economic Development Corporation receivables

On May 19, 2015, the City entered into an agreement with the Kaufman Economic Development Corporation (Corporation) to provide for the construction of the State Highway 34 re-alignment. Under the agreement the Corporation agrees to pay $100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2024 totaled $600,000.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Capital assets

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

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 2,909,350	$ -	$ -	$ 2,909,350
Construction in progress	719,474	283,576	(401,260)	601,790
Total capital assets not being depreciated	3,628,824	283,576	(401,260)	3,511,140
Capital assets being depreciated				
Buildings	15,075,882	477,016	-	15,552,898
Machinery and equipment	2,509,770	221,990	-	2,731,760
Infrastructure	32,520,350	1,841,662	-	34,362,012
Leased machinery and equipment	1,551,402	305,211	-	1,856,613
Totals capital assets being depreciated	51,657,404	2,845,879	-	54,503,283
Less accumulated depreciation and amortization				
Buildings	(2,947,421)	(438,748)	-	(3,386,169)
Machinery and equipment	(1,851,050)	(172,820)	-	(2,023,870)
Infrastructure	(7,256,441)	(1,118,047)	-	(8,374,488)
Leased machinery and equipment	(471,260)	(224,228)	-	(695,488)
Total accumulated depreciation and amortization	(12,526,172)	(1,953,843)	-	(14,480,015)
Total capital assets, being depreciated, net	39,131,232	892,036	-	40,023,268
Governmental activities capital assets, net	$ 42,760,056	$ 1,175,612	$ (401,260)	$ 43,534,408

Depreciation and amortization expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	$ 113,079
Public safety	299,137
Public works	1,185,663
Parks and recreational	355,964
Total depreciation expense - governmental activities	$ 1,953,843

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Capital assets (continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 328,395	$ -	$ -	$ 328,395
Construction in progress	570,780	1,408,515	(400,107)	1,579,188
Total capital assets not being depreciated	899,175	1,408,515	(400,107)	1,907,583
Capital assets being depreciated:				
Buildings	10,958,056	400,107	-	11,358,163
Improvements	33,195,861	2,890,308	-	36,086,169
Machinery and equipment	1,462,114	216,203	-	1,678,317
Leased machinery and equipment	190,733	82,161	-	272,894
Leased building	37,618	-	(37,618)	-
Total capital assets being depreciated	45,844,382	3,588,779	(37,618)	49,395,543
Less accumulated depreciation and amortization for:				
Buildings	(7,006,147)	(335,381)	-	(7,341,528)
Improvements	(11,527,084)	(1,248,808)	-	(12,775,892)
Machinery and equipment	(1,045,699)	(93,841)	-	(1,139,540)
Leased machinery and equipment	(43,918)	(40,797)	-	(84,715)
Leased building	(25,079)	(12,539)	37,618	-
Total accumulated depreciation and amortization	(19,647,927)	(1,731,366)	37,618	(21,341,675)
Total capital assets being depreciated, net	26,196,455	1,857,413	-	28,053,868
Business-type capital assets, net	$ 27,095,630	$ 3,265,928	$ (400,107)	$ 29,961,451

Depreciation and amortization expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:	
Utility	$ 1,378,965
Drainage	352,401
	$ 1,731,366

H. Construction commitments

The City has active construction projects as of September 30, 2024. The projects include street improvements, water and sewer improvements, and drainage improvements. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Street improvements	$ 415,927	$ 5,705,537
Water and sewer improvements	866,752	1,918,440
Drainage improvements	296,000	2,163,629
	$ 1,578,679	$ 9,787,606

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Construction commitments (continued)

The street improvements are commitments of the City's Capital Improvements fund. The projects are being funded by general obligation bonds, certificates of obligation, and grants.

The water and sewer improvements and drainage improvements are commitments of the City's Utility fund and Drainage fund. The projects are being funded by general obligation bonds, certificates of obligation, and a note payable.

I. Other significant commitments

The City entered into a contract with the North Texas Municipal Water District on July 24, 2014. The City agreed to take or pay for at least 459,989,000 gallons of water annually. The rate paid for the fiscal year ended September 30, 2024 was $3.74 cents per thousand gallons. The contract shall continue in force and effect for twenty years.

Actual payments for the year ended September 30, 2024 were $1,716,009.

The City has entered into a contract with the Greater Texoma Utility Authority (GTUA) to obtain wastewater treatment services, an additional supply of water to the City, and certain water supply facilities in order to store and transport water to the City. In the contract, the GTUA agreed to acquire and construct a wastewater treatment system to serve the City.

The City is responsible for the system's annual operation, maintenance and debt service costs for the term of the contract. A current schedule of estimated future contractual payments due to the Authority is shown below:

Year Ending September 30	Amount
2025	$ 93,895
2026	93,895
2027	93,895
2028	93,895
2029	93,895
2030-2034	469,472
2035-2039	468,509
2040-2044	463,802
2045-2049	465,807
	$2,337,065

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

Actual payments for the year ended September 30, 2024 were $112,587.

The payments to be received from the City of Kaufman, Texas are used as collateral for the bonds issued by GTUA to construct the facility.

The City created Tax Increment Reinvestment Zone No. 1 (the "Zone 1") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in Zone 1. On April 24, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (Public Improvements TIF Agreement) the Company is to design and construct public improvements in Zone 1. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed costs due the Company totaled $8,401,077.

On December 18, 2017, the City authorized the execution of a development agreement with JWS Land, Ltd. ("Company"). Under the agreement (TIF Purchase Agreement) the Company has agreed to sell to the City a 4.51 acre tract of real property located within Zone 1. Payments shall be made to the Company through the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed costs due the Company totaled $803,774.

On December 18, 2017, the City authorized the execution of a development agreement with Georgetown KF, Ltd. ("Company"). Under the agreement (Developer Reimbursement Agreement) the Company has agree to develop and construct a subdivision within Zone 1. Following completion of the subdivision the City shall reimburse the Developer for approved project costs through the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed costs due the Company totaled $5,368,898.

On November 13, 2018, the City authorized the execution of a development agreement with Georgetown KF, Ltd. ("Developer"). Under the agreement (Park Improvement Fee Reimbursement Agreement) the Developer has agree to pay a one-time Park Improvement Fee to the City in the amount of $1,470,750. The City shall reimburse the Developer for the fee through the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed amounts due the Company totaled $0.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

Under the terms of the agreements, disbursement of tax increment reinvestment zone funds shall be made for the following purposes and in the following priority: (1) to reimburse the City for administrative costs; (2) to reimburse the Developer under the Developer Reimbursement Agreement; (3) to reimburse the Developer under the Public Improvements TIF Agreement; (4) to pay the Developer under the TIF Purchase Agreement; and (5) to reimburse the Developer under the Park Improvement Fee Reimbursement Agreement.

On May 28, 2019, the City authorized the execution of a development agreement with Lions Den Self Storage, LLC-Highway 175 Series ("Developer"). Under the agreement the Developer has agree to construct public improvements within Zone 1. Following completion of the improvements the City shall reimburse the Developer for approved project costs through the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed costs due the Company totaled $263,144.

The City created Tax Increment Reinvestment Zone No. 2 (the "Zone 2") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in Zone 2. On July 27, 2020, the City authorized the execution of a development agreement with Cedar Crest Development Company, LLC. ("Company"). Under the agreement (Public Improvements TIF Agreement) the Company is to design and construct public improvements in Zone 2. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. In consideration of the Company's construction of the improvements, the City agreed to convey property valued at $2,401,027. If the Company fails to complete the specified improvements in accordance with the terms of the development agreement the title to the property will revert back to the City. As of September 30, 2024 the unreimbursed costs due the Company totaled $0. Subsequent to year end the property reverted back to the City.

The City created Tax Increment Reinvestment Zone No. 3 and 4 (the "Zones") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the Zones. The City authorized the execution of a development agreements with developers. Under the agreements the developers are to design and construct public improvements in the Zones. Following completion of the public improvements with funding provided by the developers, the City shall acquire the public improvements and reimburse the acquisition funding by the use of tax increment reinvestment zone funds. As of September 30, 2024 the unreimbursed costs due the developers totaled $0.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Other significant commitments (continued)

On December 20, 2021, the City authorized the creation of Kaufman Public Improvement District No.2 (the "District") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the District. On December 20, 2021, the City authorized the execution of a development agreement with SRP Development, LLC.. ("Developer"). Under the agreement the Developer is to design and construct public improvements in the District. Following completion of the public improvements with funding provided by the Developer, the City shall acquire the public improvements and reimburse the Developer for budgeted public improvement construction costs in the amount of $3,380,000 with the use of bond proceeds. As of September 30, 2024 the unreimbursed costs due the Company totaled $3,380,000.

The City authorized the creation of Kaufman Public Improvement District No.4, 5, and 6 (the "Districts") to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the Districts. The City authorized the execution of development agreements with the developers. Under the agreements the developers are to design and construct public improvements in the Districts. Following completion of the public improvements with funding provided by the developers, the City shall acquire the public improvements and reimburse the developers for budgeted public improvement construction costs in the amount of $69,000,000 with the use of bond proceeds. As of September 30, 2024 no reimbursements were due to the Developers.

The City entered into a contract with Kaufman County to operate and maintain a consolidated county-wide public health and safety communication facility. Population from census data is used to calculate the City's annual projected cost. The agreement shall continue in full force and effect, provided the City may withdraw on one year notice. Actual payments for the year ended September 30, 2024 were $110,000.

The Kaufman Chamber of Commerce (Chamber) entered into a lease agreement with the City for office space located in the Kaufman Civic Center. The Chamber made an initial payment of $250,000 for a term of 10 years. The Chamber will have the option to renew the terms of this lease for one or more additional 5 year terms at the then current market rate. The City recognized unearned revenues related to this agreement in the amount of $156,249 as of September 30, 2024.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Tax abatements

The City has two programs through which tax abatements are provided:

The City is authorized by Texas Tax Code Chapter 312 Property Redevelopment and Tax Abatement Act (Tax Abatement Act) to enter into property tax abatement agreements as an economic development tool available to cities to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. Tax abatements up to one-hundred percent of property tax on the value of the property improvement with a duration of up to ten years, may be established upon property within the City or the extra-territorial jurisdiction of the City. The threshold criteria used for the abatement include adding a minimum of ten full-time employees and adding at least $3,000,000 to the tax rolls. The City recaptures any and all property tax revenue lost as a result of the agreement if the owner of the property fails to complete, make, and maintain the threshold criteria. The City Council establishes the criteria and guidelines that govern all tax abatement agreements including the percentage amount and duration of the tax abatement, which is not to exceed ten years. The market value of the property is reduced by the exempted amount under the agreement to arrive at the taxable value used to bill the property owner. There were no amounts abated in 2024.

On August 9, 2016, the City entered into a performance agreement to make annual grant payments equal to eighty percent of the ad valorem property tax paid by KLLM Transport Services, LLC., for a period of ten years to relocate their transportation business to the City. The incentive period began for the tax year 2018. The abatement amount totaled $159,763 for the fiscal year ended September 30, 2024.

On December 20, 2021, the City entered into a performance agreement with Bloomfield Homes, L.P., for the purposes of stimulating business and commercial activity. The City will make semi-annual grant payments equal to eighty percent of the use tax paid by Bloomfield Homes, L.P., for a period of ten years. The grant payments totaled $6,065 for the fiscal year ended September 30, 2024.

K. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Lease activities

1. Lease liabilities (as lessee)

Lease agreements are summarized as follows:

Governmental Activities:

Description	Total Lease Liabilities	Term	Interest Rate	Year-end Balances
Vehicles	$ 1,856,613	5-7 years	2.28% - 14.45%	$ 936,140

Business-type Activities:

Description	Total Lease Liabilities	Term	Interest Rate	Year-end Balances
Vehicles	$ 272,894	5 years	5.92% - 16.20%	$ 185,138

The vehicles are leased for terms ranging from 5 to 7 years with interest rates ranging from 2.28% to 16.20%. These leases are not renewable and the City expects to exercise its purchase options at the end of the terms.

Annual requirements to amortize this lease liability and related interest are as follows:

Year Ending September 30	Lease Liabilities			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	$ 268,159	$ 64,663	$ 41,382	$ 21,710
2026	253,523	50,803	40,459	17,312
2027	167,499	32,813	32,646	12,476
2028	163,806	18,808	47,529	7,126
2029	83,153	6,163	23,122	1,574
	$ 936,140	$ 173,250	$ 185,138	$ 60,198

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2024 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2014	$ 1,045,000	2/15/2034	2.0-4.0	$ 605,000
2016B	1,250,000	2/15/2036	2.75-4.0	885,000
2019	3,455,000	2/15/2039	2.25-4.0	2,885,000
2022	3,885,000	2/15/2042	5.0	3,650,000
2023	4,225,000	2/15/2043	4.0-5.0	4,090,000
Total				$ 12,115,000

Business-type Activities

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011	$ 880,000	2/15/2027	2.0-3.0	$ 245,000
2016A	3,990,000	2/15/2036	2.0-3.0	2,670,000
2016B	880,000	2/15/2036	2.75-4.0	620,000
2018	1,430,000	2/15/2038	3.25-5.0	1,260,000
2018	1,240,000	2/15/2038	3.25-5.0	955,000
2020	4,785,000	2/15/2040	1.5-3.5	4,235,000
2023	2,690,000	2/15/2043	4.0-5.0	2,605,000
2023	2,115,000	2/15/2043	4.0-5.0	2,050,000
Total				$ 14,640,000

The debt service requirements for the City's certificates of obligation are as follows:

Year Ending	Certificates of Obligation			
	Governmental Activities		Business-Type Activities	
September 30	Principal	Interest	Principal	Interest
2025	$ 525,000	$ 468,177	$ 765,000	$ 470,468
2026	550,000	444,982	795,000	443,025
2027	570,000	420,549	860,000	414,183
2028	600,000	395,087	805,000	384,558
2029	635,000	369,593	820,000	355,295
2030-2034	3,565,000	1,442,691	4,610,000	1,348,516
2034-2039	3,670,000	715,385	4,270,000	600,912
2040-2043	2,000,000	124,731	1,715,000	112,650
	$ 12,115,000	$ 4,381,195	$ 14,640,000	$ 4,129,607

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2024 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2016	$ 1,000,000	2/15/2036	2.75	$ 730,000
2017	3,200,000	2/15/2037	3.7	2,775,000
2017A	6,630,000	2/15/2057	2.375	5,930,000
2022- Refunding	11,000,000	2/15/2040	5.0	1,015,000
Total				$ 10,450,000

Business-type Activities

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2016 - Refunding	$ 1,180,000	2/15/2027	1.5-2.15	$ 215,000

The debt service requirements for the City's general obligation bonds are as follows:

Year Ending September 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	$ 350,000	$ 299,040	$ 135,000	$ 3,070
2026	365,000	287,317	40,000	1,290
2027	380,000	275,563	40,000	430
2028	400,000	264,049	-	-
2029	395,000	251,555	-	-
2030-2034	2,625,000	1,043,698	-	-
2035-2039	2,055,000	616,529	-	-
2040-2044	985,000	400,618	-	-
2045-2049	1,005,000	285,294	-	-
2050-2054	1,140,000	158,485	-	-
2055-2057	750,000	27,046	-	-
	$ 10,450,000	$ 3,909,194	$ 215,000	$ 4,790

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Pass-Through Toll Revenue and Limited Tax Bonds

The City issues pass-through toll revenue and limited tax bonds to provide funds for the design, development, construction and relocation of SH 34. Pass-through toll revenue and limited tax bonds have been issued for the governmental activities. Pass-through toll revenue and limited tax bonds outstanding at September 30, 2024 are as follows:

Governmental Activities:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2014	$ 8,255,000	8/15/2036	2.0-4.0	$ 5,625,000

The debt service requirements for the City's pass through bonds are as follows:

Year Ending September 30	Pass Through Bonds Governmental Activities Principal	Interest
2025	$ 365,000	$ 206,906
2026	380,000	195,956
2027	390,000	184,556
2028	400,000	171,881
2029	415,000	158,881
2030-2034	1,995,000	567,675
2035-2036	1,680,000	102,200
	$ 5,625,000	$ 1,588,055

Notes Payable

Notes payable currently outstanding and reported as a liability of the City's governmental activities are as follows:

The City received a loan from State Infrastructure Bank for $4,500,000 to fund the City's portion of the State Highway 34 re-alignment project in July 2014. The loan will be repaid in 17 annual installments. Interest payments are to be made annually at an interest rate of 3%. The balance due at September 30, 2024 was $2,739,452.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

The City entered into an agreement with Kaufman County ("County") to help pay for the State Highway 34 re-alignment project. The City is to be reimbursed by the Texas Department of Transportation ("TxDOT") for 80% of the cost of the project and has agreed to reimburse the County 39.99% of the amount received from TxDOT. The balance due at September 30, 2024 was $1,966,045.

The payment of this note will not begin until the project is completed and traffic flows on the roadway. The monies from TxDOT will be based on the number of vehicles that use the roadway; therefore, the payment amount to the County will be calculated on the monies received. At this time, there is not a timeline of payments to be expected to be made by TxDOT or the City.

Note payable currently outstanding and reported as a liability of the City's business-type activities is as follows:

The City received a loan from Government Capital Corporation for $2,631,000 to fund the City's Advanced Metering Infrastructure project. The loan will be repaid in 20 annual installments. Interest payments are to be made annually at an interest rate of 2.45%. The balance due at September 30, 2024 was $2,312,783.

The debt service requirements for the City's notes payable are as follows:

	Notes Payable			
Year Ending	Governmental Activities**		Business-type Activities	
September 30	Principal	Interest	Principal	Interest
2025	$ 282,579	$ 82,184	$ 111,312	$ 56,663
2026	291,056	73,706	114,039	53,936
2027	299,788	64,975	116,833	51,142
2028	308,782	55,981	119,695	48,280
2029	318,045	46,717	122,628	45,347
2030-2034	1,239,202	88,550	659,705	180,171
2034-2039	-	-	744,576	95,299
2040-2041	-	-	323,995	11,955
	$ 2,739,452	$ 412,113	$ 2,312,783	$ 542,793

** Does not include note payable in the amount of $1,966,045 that does not have a repayment schedule.

Development Agreement Payable

Development agreement payable currently outstanding and reported as a liability of the City's business-type activities consist of:

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

A Chapter 380 Partnership Agreement with the First Baptist Church of Kaufman for the construction of public improvements to the City's water system. Under the agreement the City agreed to reimburse the Church $150,000 for construction of these improvements over ten years. Payments will commence on the first day of the first month following the first anniversary date of the issuance of the first certificate of occupancy and continue for a total of ten years.

The development agreement payable currently outstanding and reported as a liability of the City's business-type activities at September 30, 2024 totaled $45,000. The amount due within one year totals $15,000.

The debt service requirements for the City's development agreement payable are as follows:

Year Ending September 30	Development Agreement Payable Business-Type Activities Principal
2025	$ 15,000
2026	15,000
2027	15,000
	$ 45,000

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Fund and nonmajor enterprise fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Other Post-Employment Benefit Liability (OPEB)

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

Special Assessment Bond

On November 13, 2018, the City created the Kaufman Public Improvement District No. 1 ("PID") as authorized under Chapter 372 of the Texas Local Government Code. This PID was created for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated with the development and financing of these improvements.

A third party collects the special assessment for the debt issued and transfers money to the paying agent for the debt. The City of Kaufman, Texas does not have any direct or contingent liability or moral obligation for the payment of this debt. The outstanding balance for the special assessment bond at September 30, 2024 is:

Special Assessment Revenue Bonds, Series 2021	$3,022,000
Special Assessment Revenue Bonds, Series 2023	5,557,000
	$8,579,000

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

Changes in Long-term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2024 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	$ 12,630,000	$ -	$ (515,000)	$ 12,115,000	$ 525,000
General obligation bonds	10,785,000	-	(335,000)	10,450,000	350,000
Pass through bonds	5,985,000	-	(360,000)	5,625,000	365,000
Less deferred amounts:					
For issuance discounts	(22,268)	-	1,814	(20,454)	-
For issuance premium	523,088	-	(28,397)	494,691	-
Total bonds payable	29,900,820	-	(1,236,583)	28,664,237	1,240,000
Notes payable	5,347,468	-	(641,971)	4,705,497	282,579
Lease liabilities	880,000	324,397	(268,257)	936,140	268,159
Compensated absences	157,750	167,727	(163,292)	162,185	162,185
Net pension liability	2,192,408	-	(573,246)	1,619,162	-
OPEB liability	145,853	12,828	-	158,681	4,211
Governmental activity Long-term liabilities	$ 38,624,299	$ 504,952	$ (2,883,349)	$ 36,245,902	$ 1,957,134

Certificates of obligation, general obligation bonds, pass through bonds and notes payable issued for governmental activity purposes are liquidated by the debt service fund. Governmental lease liabilities, compensated absences, net pension liability and OPEB liability will be liquidated by the general fund. Vacation leave is expected to be taken during the year following its accumulation.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Certificates of obligation	$ 15,365,000	$ -	$ (725,000)	$ 14,640,000	$ 765,000
General obligation bonds	345,000	-	(130,000)	215,000	135,000
Less deferred amounts:					
For issuance premiums	578,631	-	(34,631)	544,000	-
Total bonds payable	16,288,631	-	(889,631)	15,399,000	900,000
Note payable	2,421,433	-	(108,650)	2,312,783	111,312
Development agreement payable	60,000	-	(15,000)	45,000	15,000
Lease liabilities	152,703	82,162	(49,727)	185,138	41,382
Compensated absences	27,172	43,258	(41,571)	28,859	28,859
Net pension liability	698,723	-	(187,534)	511,189	-
OPEB liability	46,489	3,621	-	50,110	1,330
Business-type activity Long-term liabilities	$ 19,695,151	$ 129,041	$ (1,292,113)	$ 18,532,079	$ 1,097,883

Certificate of obligation, general obligation bonds, note payable, development agreements payable, lease liabilities, compensated absences, net pension liability and OPEB liability issued for business-type activities are repaid from the utility and drainage funds.

N. Interfund receivables and payables

The composition of interfund balances as of September 30, 2024 is as follows:

Receivable Fund	Payable Fund	Amounts
General	Nonmajor governmental funds	$ 3,899
General	Grants	873,571
Street Maintenance	General	109,270
Capital Improvements	General	553,435
Utility	Nonmajor governmental funds	100,357
Drainage	General	1,590,685
		$ 3,231,217

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Interfund transfers

The composition of interfund transfers as of September 30, 2024 is as follows:

	Transfer In							
Transfer out:	**General**	**Debt Service**	**Grants**	**Capital Improvements**	**Nonmajor Governmental**	**Utility**	**Drainage**	**Total**
General	$ -	$ 100,000	$ 30,000	$ 806,668	$ 377,222	$ -	$ -	$ 1,313,890
Street Maintenance	-	317,010	-	-	-	-	-	317,010
Debt Service	324,397	-	-	-	-	-	186,480	510,877
Grants	-	-	-	-	-	100,357	-	100,357
Nonmajor Governmental	3,000	-	-	-	-	-	-	3,000
Utility	49,210	-	-	-	-	-	-	49,210
Drainage	12,105	-	-	-	-	-	-	12,105
Total	$ 388,712	$ 417,010	$ 30,000	$ 806,668	$ 377,222	$ 100,357	$ 186,480	$ 2,306,449

Transfers are primarily used to move debt proceeds from the Debt Service Fund to the General Fund. Repayments of a long-term receivable received by the General Fund were transferred to the Debt Service Fund. Transfers were made from the Street Maintenance Fund to the Debt Service fund for debt payment. Transfers were made from the General Fund to the Capital Improvements Fund and Nonmajor Governmental Funds capital project funding. Transfers were made from the Grants Funds to the Utility Fund for capital project funding. Transfers were made from the Debt Service Fund to the Drainage Fund for debt payment.

P. Discretely presented component units

1. Kaufman Economic Development Corporation (Corporation)

Cash deposits with financial institutions

At year-end, the Corporation's bank balance was $1,484,591. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance, $1,234,591 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately $3,684,000.

Loan Receivable

The Corporation has an outstanding loan receivable at zero percent interest totaling $70,000 at fiscal year end due from a Company as part of an economic development agreement. The loan shall be repaid by the Company by making $10,000 per year payments to the Corporation each year for fifteen years. Management feels that collectability of the loan is certain. Accordingly, no allowance for doubtful accounts has been recorded for the loan receivable.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

P. Discretely presented component units (continued)

Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 558,435	$ 2,762,266	$ (25,289)	$ 3,295,412
Total capital assets not being depreciated	558,435	2,762,266	(25,289)	3,295,412
Capital assets being depreciated:				
Infrastructure	25,453	-	-	25,453
Machinery and equipment	9,278	-	-	9,278
Totals capital assets being depreciated	34,731	-	-	34,731
Less accumulated depreciation				
Infrastructure	(22,863)	(1,501)	-	(24,364)
Machinery and equipment	(9,278)	-	-	(9,278)
Total accumulated depreciation	(32,141)	(1,501)	-	(33,642)
Total capital assets being depreciated, net	2,590	(1,501)	-	1,089
Corporation capital assets, net	$ 561,025	$ 2,760,765	$ (25,289)	$ 3,296,501

Long-term liabilities

Note payable

On October 10, 2023, the Corporation entered into a promissory note with in the amount of $2,791,250 for the purchase of property. The note will be repaid in 20 annual installments. Interest payments are to be made annually at an interest rate of 6.49%. The balance due at September 30,2024 was $2,752,320.

Economic Development agreements

On May 19, 2015, the Corporation entered into an agreement with the City of Kaufman, Texas to provide for the construction of the Highway 34 by-pass project. Under the agreement the Corporation agrees to pay $100,000 per year beginning in fiscal year 2015 for a total of sixteen payments towards the project. The funds to be repaid at September 30, 2024 totaled $600,000. The amount due within one year totals $100,000.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

P. Discretely presented component units (continued)

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Corporation					
Note payable	$ -	$ 2,791,250	$ (38,930)	$ 2,752,320	$ 3,374
Economic development agreements	700,000	-	(100,000)	600,000	100,000
Long-term liabilities	$ 700,000	$ 2,791,250	$ (138,930)	$ 3,352,320	$ 103,374

	Component Unit		
	Note Payable		Economic Development Agreement
Year Ending September 30	Principal	Interest	Principal
2025	$ 3,374	$ 178,626	$ 100,000
2026	8,594	178,407	100,000
2027	14,151	177,849	100,000
2028	20,070	176,930	100,000
2029	26,372	175,628	100,000
2030-2034	473,697	834,887	100,000
2035-2039	1,070,865	585,597	-
2040-2043	1,135,197	189,970	-
	$ 2,752,320	$ 2,497,894	$ 600,000

Related party transactions

The significant transactions between the component unit and primary government during the year ended September 30, 2024 consisted of financial services contract payments in the amount of $9,412 economic development agreement payments in the amount of $100,000 (see note 3.F), and on-behalf salary payments of $179,170.

Subsequent events

Subsequent to year end the Corporation:

- Approved an economic development agreement with a local businesses not to exceed $100,000 with the City to reimburse the Corporation $50,000.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Q. Contingencies

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

R. Related Party Transactions

In the ordinary course of business, the City has and expects to continue to have transactions with a business in which a Council Member is part owner. During the current fiscal year, the purchases totaled $147,490. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other businesses.

S. Subsequent events

Subsequent to year end the City:

- Approved purchase of property in an amount not to exceed $1,100,000.
- Approved professional services contracts of approximately $105,000.
- Approved construction contracts of approximately $224,000.

T. Prior period adjustment

Corrections have been made to the governmental funds activities' beginning fund balance in the fund financial statements due to errors in the recording of financial transactions in the prior period, resulting in an under/(over)statement of internal balances and an under/(over)statements of fund balance, and an under/(over)statement of revenues in the prior year. The changes to the beginning net position as of October 1, 2023 are summarized as follows:

	Fund Financial Statements	
	General	Grants
As previously reported, October 1, 2023	$ 3,130,412	$ 1,562,607
Correct under/(over)statement of internal balances	868,146	(868,146)
Restated, October 1, 2023	$ 3,998,558	$ 694,461
Effect of restatement on operations for the year ending September 30, 2023:	$ 868,146	$ (868,146)

NOTE 4 - DEFINED BENEFIT PENSION PLANS

A. Plan description

The City of Kaufman, Texas participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at tmrs.com.

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

B. Benefits provided

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

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

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age
Updated service credits	100% repeating, transfers
Annuity increases to retirees	70% of CPI, repeating
Supplemental death benefits:	
Employees	Yes
Retirees	Yes

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

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	66
Inactive employees entitled to but not yet receiving benefits	68
Active employees	80
	214

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Kaufman, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Kaufman, Texas were 13.17% and 13.46% in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2024, were $669,353 and were equal to the required contributions.

D. Net pension liability

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

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Actuarial assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at 12/31/2022	$ 18,581,058	$ 15,689,929	$ 2,891,129
Changes for the year:			
Service cost	786,884	-	786,884
Interest	1,252,666	-	1,252,666
Difference between expected and actual experience	74,110	-	74,110
Changes of assumptions	(137,638)	-	(137,638)
Contributions - employer	-	608,172	(608,172)
Contributions - employee	-	323,251	(323,251)
Net investment income	-	1,817,012	(1,817,012)
Benefit payments, including refunds of employee contributions	(832,966)	(832,966)	-
Administrative expense	-	(11,553)	11,553
Other changes	-	(82)	82
Net Changes	$ 1,143,056	$ 1,903,834	$ (760,778)
Balance at 12/31/2023	**$ 19,724,114**	**$ 17,593,763**	**$ 2,130,351**

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

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

	1.0% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1.0% Increase in Discount Rate (7.75%)**
City's net pension liability	$ 4,860,709	$ 2,130,351	$ (106,433)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at *tmrs.com.*

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled $53,456.

NOTE 4 - DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2024, the City recognized pension expense of $580,035.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	Governmental Activities	**Business-Type Activities**
Contributions subsequent to the measurement date	$ 394,386	$ 124,512
Difference between projected and actual investment earnings	319,777	105,241
Differences between expected and actual economic experience	92,776	29,983
Total	$ 806,939	$ 259,736

	Deferred Inflow of Resources	
	Governmental Activities	**Business-Type Activities**
Changes in actuarial assumptions	$ 71,817	$ 22,674
Differences between expected and actual economic experience	4,978	1,467
Total	$ 76,795	$ 24,141

$518,898 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2024	$ 151,236
2025	126,496
2026	320,701
2027	(151,592)
Total	$ 446,841

NOTE 5 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e. , no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at tmrs.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500.

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

C. 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	38
Inactive employees entitled to but not yet receiving benefits	7
Active employees	80
	125

D. Total OPEB liability

The City's total OPEB liability of $208,791 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85%, including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of TexasMortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	$ 192,343
Changes for the year:	
Service cost	8,774
Interest	7,855
Difference between expected and actual experience	(4,138)
Changes in assumptions or other inputs	9,498
Benefit payments**	(5,541)
Net Changes	16,448
Balance at 12/31/2023	**$ 208,791**

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB liability	$ 246,124	$ 208,791	$ 179,096

NOTE 5 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

E. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of $15,611. At September 30, 2024, the City reported deferred outflows of resources and related to OPEB from the following sources:

	Deferred Outflows of Resources	
	Governmental Activities	Business-Type Activities
City contributions subsequent to the measurement date	$ 9,941	$ 3,166
Differences between expected and actual economic experience	34	-
Total	$ 9,975	$ 3,166

	Deferred Inflow of Resources	
	Governmental Activities	Business-Type Activities
Changes of assumptions	$ 26,304	$ 8,766
Differences between expected and actual economic experience	13,031	4,293
Total	$ 39,335	$ 13,059

$13,107 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2024	$ (13,176)
2025	(16,668)
2026	(17,535)
2027	(5,416)
2028	435
Total	$ (52,360)

F. Payable to the OPEB plan

At September 30, 2024, the City reported a payable of $1,350 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KAUFMAN, TEXAS

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Fiscal Year Ended September 30, 2024

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Property taxes	$ 3,631,345	$ 3,626,580	$ 3,605,064	$ (17,411)	$ 3,587,653	$ (38,927)
Sales taxes	3,650,000	3,765,865	3,795,651	(29,786)	3,765,865	-
Franchise taxes	557,000	549,865	559,625	(5,987)	553,638	3,773
Alcoholic beverage taxes	17,000	37,000	38,351	(114)	38,237	1,237
Licenses and permits	1,317,350	1,066,400	1,057,807	-	1,057,807	(8,593)
Fines and forfeitures	113,260	143,195	149,366	-	149,366	6,171
Charges for services	517,000	582,435	591,981	(2,712)	589,269	6,834
Investment earnings	5,450	55,060	53,703	-	53,703	(1,357)
Miscellaneous	105,800	131,410	184,552	(47,412)	137,140	5,730
Intergovernmental	997,510	1,260,025	278,033	975,992	1,254,025	(6,000)
Contributions and donations	850	56,095	56,942	-	56,942	847
Total revenues	10,912,565	11,273,930	10,371,075	872,570	11,243,645	(30,285)
EXPENDITURES						
Current:						
General government	2,520,705	2,212,925	2,007,699	-	2,007,699	(205,226)
Public safety	3,621,280	3,630,401	3,593,631	-	3,593,631	(36,770)
Public works	1,528,145	1,318,130	1,203,242	-	1,203,242	(114,888)
Public services and operations	741,420	764,135	714,624	24,934	739,558	(24,577)
Parks and recreation	1,048,995	1,154,130	1,143,760	-	1,143,760	(10,370)
Debt service:						
Principal retirement	248,705	274,635	268,257	6,373	274,630	(5)
Interest and fiscal charges	48,835	43,125	54,858	(11,746)	43,112	(13)
Total expenditures	9,758,085	9,397,481	8,986,071	19,561	9,005,632	(391,849)
Excess of revenues over expenditures	1,154,480	1,876,449	1,385,004	872,570	2,238,013	361,564
OTHER FINANCING SOURCES (USES)						
Transfers in	64,315	388,625	388,712	-	388,712	87
Transfers out	(1,218,345)	(1,844,310)	(1,313,890)	(767,967)	(2,081,857)	(237,547)
Sale of capital assets	-	6,000	6,000	-	6,000	-
Total other financing sources (uses)	(1,154,030)	(1,449,685)	(919,178)	(767,967)	(1,687,145)	(237,460)
Net change in fund balances	$ 450	$ 426,764	$ 465,826	$ 104,603	$ 550,868	$ 124,104

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF KAUFMAN, TEXAS

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

MAJOR SPECIAL REVENUE FUND - STREET MAINTENANCE

For the Fiscal Year Ended September 30, 2024

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Sales taxes	$ 606,500	$ 627,645	$ 632,607	$ (4,962)	$ 627,645	$ -
Investment earnings	-	63,815	66,041	-	66,041	2,226
Miscellaneous	-	-	2,416	-	2,416	2,416
Total revenues	606,500	691,460	701,064	(4,962)	696,102	4,642
EXPENDITURES						
Current:						
Public works	289,490	289,490	100,300	-	100,300	(189,190)
Total expenditures	289,490	289,490	100,300	-	100,300	(189,190)
Excess (deficiency) of revenues over (under) expenditures	317,010	401,970	600,764	(4,962)	595,802	193,832
OTHER FINANCING SOURCES (USES)						
Transfers out	(317,010)	(317,010)	(317,010)	-	(317,010)	-
Total other financing sources (uses)	(317,010)	(317,010)	(317,010)	-	(317,010)	-
Net change in fund balances	$ -	$ 84,960	$ 283,754	$ (4,962)	$ 278,792	$ 193,832

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF KAUFMAN, TEXAS

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

MAJOR SPECIAL REVENUE FUND - GRANTS

For the Fiscal Year Ended September 30, 2024

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment earnings	$ 200	$ -	$ -	$ -	$ -	$ -
Intergovernmental	6,196,330	76,978	57,840	191,278	249,118	172,140
Total revenues	6,196,530	76,978	57,840	191,278	249,118	172,140
EXPENDITURES						
Current:						
Public safety	302,670	3,375	3,372	-	3,372	(3)
Total expenditures	302,670	3,375	3,372	-	3,372	(3)
Excess (deficiency) of revenues over (under) expenditures	5,893,860	73,603	54,468	191,278	245,746	172,143
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	30,000	-	30,000	30,000
Transfers out	(5,893,660)	(30,000)	(100,357)	(90,921)	(191,278)	(161,278)
Total other financing sources (uses)	(5,893,660)	(30,000)	(70,357)	(90,921)	(161,278)	(131,278)
Net change in fund balances	$ 200	$ 43,603	$ (15,889)	$ 100,357	$ 84,468	$ 40,865

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF KAUFMAN, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Calendar Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service Cost	$ 405,637	$ 491,919	$ 499,848	$ 466,908	$ 503,803	$ 547,402	$ 588,124	$ 735,072	$ 731,251	$ 786,884
Interest (on the Total Pension Liability)	777,889	732,140	730,703	919,527	938,944	989,119	1,051,698	1,106,718	1,168,261	1,252,666
Changes of benefit terms	-	(1,159,659)	(691,158)	1,959,761	(655,526)	-	-	-	-	-
Difference between expected and actual experience	(330,714)	(8,006)	96,318	177,714	(7,891)	(65,199)	(201,528)	(78,043)	197,989	74,110
Changes of assumptions	-	261,150	-	-	-	63,899	-	-	-	(137,638)
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)	(779,534)	(647,110)	(609,880)	(783,411)	(916,777)	(832,966)
Net Change in Total Pension Liability	474,750	(84,091)	189,496	3,024,616	(204)	888,111	828,414	980,336	1,180,724	1,143,056
Total Pension Liability - Beginning	11,098,906	11,573,656	11,573,656	11,679,061	14,703,677	14,703,473	15,591,584	16,419,998	17,400,334	18,581,058
Total Pension Liability - Ending (a)	$ 11,573,656	$ 11,489,565	$ 11,763,152	$ 14,703,677	$ 14,703,473	$ 15,591,584	$ 16,419,998	$ 17,400,334	$ 18,581,058	$ 19,724,114
Plan Fiduciary Net Position										
Contributions - Employer	$ 399,817	$ 431,985	$ 311,064	$ 277,314	$ 280,961	$ 450,345	$ 511,322	$ 641,784	$ 602,282	$ 608,172
Contributions - Employee	187,080	202,674	214,527	215,449	210,796	226,467	242,169	302,321	300,926	323,251
Net Investment Income	529,502	14,738	691,376	1,523,670	(374,531)	1,829,013	1,038,261	1,936,877	(1,237,023)	1,817,012
Benefit payments, including refunds of employee contributions	(378,062)	(401,635)	(446,215)	(499,294)	(779,534)	(647,110)	(609,880)	(783,411)	(916,777)	(832,966)
Administrative Expense	(5,527)	(8,976)	(7,805)	(7,892)	(7,235)	(10,331)	(6,717)	(8,957)	(10,699)	(11,553)
Other	(454)	(443)	(420)	(400)	(379)	(310)	(265)	64	12,768	(82)
Net Change in Plan Fiduciary Net Position	732,356	238,343	762,527	1,508,847	(669,922)	1,848,074	1,174,890	2,088,678	(1,248,523)	1,903,834
Plan Fiduciary Net Position - Beginning	9,254,659	9,987,015	9,987,015	10,987,885	12,496,732	11,826,810	13,674,884	14,849,774	16,938,452	15,689,929
Plan Fiduciary Net Position - Ending (b)	$ 9,987,015	$ 10,225,358	$ 10,749,542	$ 12,496,732	$ 11,826,810	$ 13,674,884	$ 14,849,774	$ 16,938,452	$ 15,689,929	$ 17,593,763
Net Pension Liability - Ending (a) - (b)	$ 1,586,641	$ 1,264,207	$ 1,013,610	$ 2,206,945	$ 2,876,663	$ 1,916,700	$ 1,570,224	$ 461,882	$ 2,891,129	$ 2,130,351
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.29%	89.00%	91.38%	84.99%	80.44%	87.71%	90.44%	97.35%	84.44%	89.20%
Covered Payroll	2,672,571	2,895,343	3,064,670	3,077,841	3,011,372	3,235,239	3,459,551	4,318,869	4,298,945	4,617,865
Net Pension Liability as a Percentage of Covered Payroll	59.37%	43.66%	33.07%	71.70%	95.53%	59.24%	45.39%	10.69%	67.25%	46.13%

Notes to Schedule:

N/A

CITY OF KAUFMAN, TEXAS

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 387,392	$ 347,168	$ 285,723	$ 279,762	$ 392,490	$ 523,170	$ 599,204	$ 626,712	$ 602,859	$ 669,353
Contributions in relation to the actuarially determined contribution	387,392	347,168	285,723	279,762	392,490	523,170	599,204	626,712	602,859	669,353
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	2,558,729	3,029,037	3,061,302	3,028,970	3,106,585	3,597,839	4,036,960	4,404,003	4,511,348	4,997,517
Contributions as a percentage of covered payroll	15.14%	11.46%	9.33%	9.24%	12.63%	14.54%	14.84%	14.23%	13.36%	13.39%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and femaile rates are multiplied by 105%. The rates are projected on a fully generation basis by the most recent Scale MP-2021 (with immediate convergence).
	Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employe table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes — There were no benefit changes during the year.

CITY OF KAUFMAN, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Calendar Years (will ultimately be displayed)

	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service Cost	$ 8,310	$ 9,335	$ 10,029	$ 12,108	$ 19,435	$ 17,196	$ 8,774
Interest (on the Total OPEB Liability)	5,709	5,908	7,497	6,098	5,302	5,143	7,855
Difference between expected and actual experience	-	21,748	(31,504)	(7,692)	(11,866)	(9,330)	(4,138)
Changes of assumptions and other inputs	13,828	(12,655)	34,102	32,644	8,295	(88,591)	9,498
Benefit payments	(923)	(903)	(1,294)	(1,730)	(5,184)	(6,019)	(5,541)
Net Change in Total OPEB Liability	26,924	23,433	18,830	41,428	15,982	(81,601)	16,448
Total OPEB Liability - Beginning	147,347	174,271	197,704	216,534	257,962	273,944	192,343
Total OPEB Liability - Ending	$ 174,271	$ 197,704	$ 216,534	$ 257,962	$ 273,944	$ 192,343	$ 208,791
Covered-Employee Payroll	3,077,841	3,011,372	3,235,239	3,459,551	4,318,869	4,298,945	4,617,865
OPEB Liability as a Percentage of Covered-Employee Payroll	5.66%	6.57%	6.69%	7.46%	6.34%	4.47%	4.52%

Notes to Schedule:

Note 1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note 2 - The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in note 5.D to the financial statements.

Note 3 - Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

CITY OF KAUFMAN, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

AS BOND COUNSEL FOR THE CITY OF KAUFMAN, TEXAS (the "Issuer") in connection with the issuance of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including the executed Certificates.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are

determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials

of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

Municipal Advisory Services
Provided By