

OFFICIAL STATEMENT
JUNE 4, 2024

NEW ISSUES - Book-Entry-Only

RATINGS:
Moody's: "Aa1"/stable outlook
S&P: "AA+"/stable outlook
(See "OTHER INFORMATION – Ratings")

*In the opinion of Bond Counsel, under existing law, interest on the Series 2024A Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. Interest on the Series 2024B Certificates is **not** excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein for more information, including information regarding potential alternative minimum tax consequences for corporations with respect to the Series 2024A Certificates.*

CITY OF WACO, TEXAS
(McLennan County, Texas)

\$202,670,000
COMBINATION TAX AND REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2024A

\$43,585,000
COMBINATION TAX AND REVENUE CERTIFICATES
OF OBLIGATION, TAXABLE SERIES 2024B

Dated: June 15, 2024

Due: February 1 as shown on page ii

Interest Accrual Date: Delivery Date

The City of Waco, Texas (the "City") is issuing its \$202,670,000 City of Waco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024A (the "Series 2024A Certificates") and the \$43,585,000 City of Waco, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2024B (the "Series 2024B Certificates" or the "Taxable Obligations"), pursuant to the terms of an ordinance adopted by the City Council of the City (the "City Council") and the Pricing Certificate (as defined below). The Series 2024A Certificates and the Series 2024B Certificates are referred to collectively herein as the "Certificates."

Interest on the Certificates will accrue from the Delivery Date (as defined below), and will be payable February 1 and August 1 of each year commencing February 1, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS – BOOK ENTRY-ONLY SYSTEM"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE OBLIGATIONS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, an ordinance (the "Certificate Parameters Ordinance") adopted by the City Council and a "Pricing Certificate" executed by an Authorized Officer of the City (the Certificate Parameters Ordinance and the Pricing Certificate together are referred to herein as the "Certificate Ordinance"). The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Certificate Ordinance, and from a limited pledge, not to exceed \$1,000, of the surplus revenues of the City's water and sewer system. See "THE OBLIGATIONS - SECURITY AND SOURCE OF PAYMENT."

PURPOSE OF THE 2024A CERTIFICATES . . . Proceeds from the sale of the Series 2024A Certificates will be used to pay for the cost of various City projects, as more specifically described herein, and to pay the costs incurred in connection with the issuance of the Series 2024A Certificates (see "PLAN OF FINANCING – PURPOSE OF THE 2024A CERTIFICATES" and "SOURCES AND USES OF PROCEEDS").

PURPOSE OF THE 2024B CERTIFICATES . . . Proceeds from the sale of the Series 2024B Certificates will be used to pay for the cost of various City projects, as more specifically described herein, and to pay the costs incurred in connection with the issuance of the Series 2024B Certificates (see "PLAN OF FINANCING – PURPOSE OF THE 2024B CERTIFICATES" and "SOURCES AND USES OF PROCEEDS").

MATURITY SCHEDULES ON PAGE ii

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the City of Waco, Texas General Obligation Refunding Bonds, Series 2024 (the "Bonds" and, collectively with the series 2024A Certificates, the "Tax-Exempt Obligations"). The Series 2024A Certificates, the Series 2024B Certificates, and the Bonds (collectively, the "Obligations") are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Series 2024A Certificates, the Series 2024B Certificates, and the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features. However, the Tax-Exempt Obligations will be treated as one issue of obligations for federal tax purposes.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and accepted by the Underwriters identified herein (the "Underwriters") subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Austin, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). Certain matters will be passed upon for the City by Bracewell LLP, Austin, Texas as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their Counsel, West & Associates, L.L.P., Dallas, Texas.

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

SIEBERT WILLIAMS SHANK & Co., LLC

CABRERA CAPITAL MARKETS LLC

SAMCO CAPITAL

JEFFERIES

STEPHENS INC.

MATURITY SCHEDULES

THE SERIES 2024A CERTIFICATES

\$113,740,000 Serial Certificates

| Maturity | Principal Amount | Interest Rates | Initial Yield/Price | CUSIP ⁽¹⁾ | Maturity | Principal Amount | Interest Rates | Initial Yield/Price | CUSIP ⁽¹⁾ |
|----------|------------------|----------------|---------------------|----------------------|----------|------------------|----------------|---------------------|----------------------|
| 2/1/2025 | \$ 2,855,000 | 5.000% | 3.620% | 929831YB5 | 2/1/2035 | \$ 5,505,000 | 5.000% | 3.430% | 929831YM1 |
| 2/1/2026 | 4,115,000 | 5.000% | 3.440% | 929831YC3 | 2/1/2036 | 5,790,000 | 5.000% | 3.450% | 929831YN9 |
| 2/1/2027 | 4,325,000 | 5.000% | 3.360% | 929831YD1 | 2/1/2037 | 6,080,000 | 5.000% | 3.510% | 929831YP4 |
| 2/1/2028 | 4,545,000 | 5.000% | 3.340% | 929831YE9 | 2/1/2038 | 6,385,000 | 5.000% | 3.550% | 929831YQ2 |
| 2/1/2029 | 4,785,000 | 5.000% | 3.310% | 929831YF6 | 2/1/2039 | 6,725,000 | 5.000% | 3.620% | 929831YR0 |
| 2/1/2030 | 4,280,000 | 5.000% | 3.310% | 929831YG4 | 2/1/2040 | 7,020,000 | 5.000% | 3.720% | 929831YS8 |
| 2/1/2031 | 4,510,000 | 5.000% | 3.350% | 929831YH2 | 2/1/2041 | 7,385,000 | 5.000% | 3.830% | 929831YT6 |
| 2/1/2032 | 4,735,000 | 5.000% | 3.350% | 929831YJ8 | 2/1/2042 | 7,755,000 | 5.000% | 3.880% | 929831YU3 |
| 2/1/2033 | 4,970,000 | 5.000% | 3.370% | 929831YK5 | 2/1/2043 | 8,155,000 | 5.000% | 3.930% | 929831YV1 |
| 2/1/2034 | 5,240,000 | 5.000% | 3.380% | 929831YL3 | 2/1/2044 | 8,580,000 | 5.000% | 3.980% | 929831YW9 |

\$88,930,000 Term Certificates

\$38,815,000 5.000% Term Certificate Due February 1, 2049, Priced to Yield 4.110% CUSIP: 929831YX7
 \$50,115,000 5.250% Term Certificate Due February 1, 2054, Priced to Yield 4.140% CUSIP: 929831YY5

THE SERIES 2024B CERTIFICATES

\$14,885,000 Serial Certificates

| Maturity | Principal Amount | Interest Rates | Initial Yield/Price | CUSIP ⁽¹⁾ |
|----------|------------------|----------------|---------------------|----------------------|
| 2/1/2025 | \$ 705,000 | 6.000% | 5.209% | 929831YZ2 |
| 2/1/2026 | 895,000 | 6.000% | 5.039% | 929831ZA6 |
| 2/1/2027 | 945,000 | 6.000% | 4.929% | 929831ZB4 |
| 2/1/2028 | 1,005,000 | 6.000% | 4.823% | 929831ZC2 |
| 2/1/2029 | 1,070,000 | 6.000% | 4.873% | 929831ZD0 |
| 2/1/2030 | 795,000 | 6.000% | 4.910% | 929831ZE8 |
| 2/1/2031 | 845,000 | 6.000% | 4.940% | 929831ZF5 |
| 2/1/2032 | 900,000 | 6.000% | 4.955% | 929831ZG3 |
| 2/1/2033 | 955,000 | 6.000% | 5.005% | 929831ZH1 |
| 2/1/2034 | 1,010,000 | 5.055% | 5.055% | 929831ZJ7 |
| 2/1/2035 | 1,060,000 | 5.155% | 5.155% | 929831ZK4 |
| 2/1/2036 | 1,120,000 | 5.255% | 5.255% | 929831ZL2 |
| 2/1/2037 | 1,180,000 | 5.305% | 5.305% | 929831ZM0 |
| 2/1/2038 | 1,240,000 | 5.355% | 5.355% | 929831ZN8 |
| 2/1/2039 | 1,160,000 | 5.405% | 5.405% | 929831ZP3 |

\$28,700,000 Term Certificates

\$7,710,000 5.488% Term Certificate Due February 1, 2044, Priced to Yield 5.488% CUSIP Suffix: 929831ZQ1
 \$20,990,000 5.608% Term Certificate Due February 1, 2054, Priced to Yield 5.608% CUSIP Suffix: 929831ZR9

(Interest Accrues from the Delivery Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), 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 CGS. None of the City, the Co-Financial Advisors or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

MANDATORY SINKING FUND REDEMPTION . . . The Series 2024A Term Certificates and the Series 2024B Term Certificates are also subject to mandatory sinking fund redemption on the dates and in the amounts set forth herein under the heading “THE OBLIGATIONS – MANDATORY SINKING FUND REDEMPTION”.

OFFICIAL STATEMENT

JUNE 4, 2024

NEW ISSUES - Book-Entry-Only

RATINGS:

Moody's: "Aa1"/stable outlook

S&P: "AA+"/stable outlook

(See "OTHER INFORMATION – Ratings")

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein for more information, including information regarding potential alternative minimum tax consequences for corporations.

CITY OF WACO, TEXAS

(McLennan County, Texas)

\$28,890,000

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024

Dated: June 15, 2024

Due: February 1 as shown on page iv

Interest Accrual Date: Delivery Date

The City of Waco, Texas (the "City") is issuing its \$28,890,000 City of Waco, Texas General Obligation Refunding Bonds, Series 2024 (the "Bonds") pursuant to the terms of an ordinance adopted by the City Council of the City (the "City Council") and the Pricing Certificate (as defined below).

Interest on the Bonds will accrue from the Delivery Date (as defined below), and will be payable February 1 and August 1 of each year commencing August 1, 2024, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE CERTIFICATES – BOOK ENTRY-ONLY SYSTEM"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE OBLIGATIONS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Local Government Code, as amended, an ordinance (the "Bond Parameters Ordinance") adopted by the City Council and a "Pricing Certificate" executed by an Authorized Officer of the City (the Bond Parameters Ordinance and the Pricing Certificate together are referred to herein as the "Bond Ordinance"). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Bond Ordinance. See "THE OBLIGATIONS – security and source of payment."

PURPOSE OF THE BONDS . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding ad valorem tax debt obligations described on "SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS" (the "Refunded Obligations") in order to lower the overall annual debt service requirements of the City, and to pay the costs incurred in connection with the issuance of the Bonds (see "PLAN OF FINANCING – PURPOSE OF THE BONDS" and "SOURCES AND USES OF PROCEEDS").

MATURITY SCHEDULES ON PAGE iv

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the City of Waco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024A (the "Series 2024A Certificates" and collectively with the Bonds, the "Tax-Exempt Obligations") and the City of Waco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024B (the "Series 2024B Certificates" or "Taxable Obligations" and, collectively with the Tax-Exempt Obligations, the "Obligations"). The Bonds, the Series 2024A Certificates, and the Series 2024B Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Series 2024A Certificates, the Series 2024B Certificates, and the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features. However, the Tax-Exempt Obligations will be treated as one issue of obligations for federal tax purposes.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and accepted by the Underwriters identified herein (the "Underwriters") subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Austin, Texas (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). Certain matters will be passed upon for the City by Bracewell LLP, Austin, Texas as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their Counsel, West & Associates, L.L.P., Dallas, Texas.

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

SIEBERT WILLIAMS SHANK & Co., LLC

CABRERA CAPITAL MARKETS LLC

SAMCO CAPITAL

JEFFERIES

STEPHENS INC.

MATURITY SCHEDULE

THE BONDS

| <u>Maturity</u> | <u>Principal Amount</u> | <u>Interest Rates</u> | <u>Initial Yield/ Price</u> | <u>CUSIP ⁽¹⁾</u> |
|-----------------|-----------------------------|---------------------------|-------------------------------------|-----------------------------|
| 2/1/2026 | 8,130,000 | 5.000% | 3.440% | 929831ZS7 |
| 2/1/2027 | 5,880,000 | 5.000% | 3.360% | 929831ZT5 |
| 2/1/2028 | 1,505,000 | 5.000% | 3.370% | 929831ZU2 |
| 2/1/2029 | 540,000 | 5.000% | 3.360% | 929831ZV0 |
| 2/1/2030 | 560,000 | 5.000% | 3.360% | 929831ZW8 |
| 2/1/2031 | 1,495,000 | 5.000% | 3.380% | 929831ZX6 |
| 2/1/2032 | 4,890,000 | 5.000% | 3.370% | 929831ZY4 |
| 2/1/2033 | 1,660,000 | 5.000% | 3.420% | 929831ZZ1 |
| 2/1/2034 | 1,745,000 | 5.000% | 3.440% | 929831A21 |
| 2/1/2035 | 1,215,000 | 5.000% | 3.460% | 929831A39 |
| 2/1/2036 | 1,270,000 | 5.000% | 3.490% | 929831A47 |

(Interest Accrues from the Delivery Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), 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 CGS. None of the City, the Co-Financial Advisors or the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

[The remainder of this page intentionally left blank.]

This Official Statement, which includes the cover page, page iii, maturity schedules, Schedule I 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.

The information set forth herein has been obtained from the City and other sources considered 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 City, the Co-Financial Advisors or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

None of the City, nor its Co-Financial Advisors or the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS (SEE "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS").

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

THE OBLIGATIONS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not a part of, this Official Statement for any purposes.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.....The City of Waco, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in McLennan County, Texas. The City covers approximately 101 square miles (see “INTRODUCTION – DESCRIPTION OF THE CITY”).

THE SERIES 2024A

CERTIFICATESThe Series 2024A Certificates are issued as \$202,670,000 Combination Tax and Revenue Certificates of Obligation, Series 2024A (the “Series 2024A Certificates” and, together with the Bonds the “Tax-Exempt Obligations”). The Series 2024A Certificates are dated June 27, 2024, and are issued as serial certificates maturing February 1, 2025, through and including 2044, and as term certificates maturing in the years 2049 and 2054 (the “Series 2024A Term Certificates”). The Series 2024A Term Certificates are subject to mandatory sinking fund redemption as set forth herein (see “THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS” and “- MANDATORY SINKING FUND REDEMPTION”).

THE SERIES 2024B

CERTIFICATESThe Series 2024B Certificates are issued as \$43,585,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2024A (the “Series 2024B Certificates” or the “Tax Obligations and together with the Tax-Exempt Obligations, the “Obligations”). The Series 2024B Certificates are dated June 27, 2024, and are issued as serial certificates maturing February 1, 2025, through and including 2039, and as term certificates maturing in the years 2044 and 2054 (the “Series 2024B Term Certificates”). The Series 2024B Term Certificates are subject to mandatory sinking fund redemption as set forth herein (see “THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS” and “- MANDATORY SINKING FUND REDEMPTION”).

THE BONDSThe Bonds are issued as \$28,890,000 General Obligation Refunding Bonds, Series 2024 (the “Bonds”). The Bonds are dated June 27, 2024, and are issued as serial bonds maturing February 1, 2025 through and including 2036 (see “THE OBLIGATIONS - DESCRIPTION OF THE OBLIGATIONS” and “- MANDATORY SINKING FUND REDEMPTION”).

PAYMENT OF INTEREST.....Interest on the Series 2024A Certificates and the Series 2024B Certificates, collectively, the “Certificates”) accrues from the Delivery Date, and is payable February 1, 2025, and each August 1 and February 1 thereafter until maturity or prior redemption (see “THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS”).

Interest on the Bonds accrues from the Delivery Date, and is payable August 1, 2024, and each February and August 1 thereafter until maturity or prior redemption (see “THE OBLIGATIONS – DESCRIPTION OF THE OBLIGATIONS”).

AUTHORITY FOR ISSUANCE.....The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, and an ordinance (the “Certificate Parameters Ordinance”) passed by the City Council of the City. In the Certificate Parameters Ordinance, the City Council delegated to an Authorized Officer the authority to complete the sale of the Certificates. The terms of the sale will be included in a “Pricing Certificate,” which will complete the sale of the Certificates (the Certificate Parameters Ordinance and the Pricing Certificate together are referred to herein as the “Certificate Ordinance”) (see “THE OBLIGATIONS - AUTHORITY FOR ISSUANCE”).

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the “Bond Parameters Ordinance”) passed by the City Council of the City. In the Bond Parameters Ordinance, the City Council delegated to an Authorized Officer the authority to complete the sale of the Bonds. The terms of the sale will be included in a “Pricing Certificate,” which will complete the sale of the Bonds (the Bond Parameters Ordinance and the Pricing Certificate together are referred to herein as the “Bond Ordinance”) (see “THE OBLIGATIONS - AUTHORITY FOR ISSUANCE”).

SECURITY FOR THE

OBLIGATIONS.....The Certificates constitute direct obligations of the City, payable from a combination of (i) the collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus revenues of the City's water and sewer system, as provided in the Certificate Ordinance (see “THE OBLIGATIONS - SECURITY AND SOURCE OF PAYMENT OBLIGATIONS” and “- TAX RATE LIMITATION”).

The Bonds constitute direct obligations of the City, payable from the collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, (see “THE OBLIGATIONS - SECURITY AND SOURCE OF PAYMENT” and “- TAX RATE LIMITATION”).

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

MANDATORY REDEMPTION..... The Series 2024A Term Certificates and the Series 2024B Term Certificates are subject to mandatory sinking fund redemption as provided herein (see “THE OBLIGATIONS – MANDATORY SINKING FUND REDEMPTION”).

TAX STATUS..... In the opinion of Bond Counsel, under existing law, interest on the Tax-Exempt Obligations (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. Interest on the Taxable Obligations is **not** excludable from gross income for federal tax purposes under existing law. See “TAX MATTERS” herein for more information, including information regarding potential alternative minimum tax consequences for corporations with respect to the Tax-Exempt Obligations.

PURPOSE OF THE SERIES 2024A

CERTIFICATES..... Proceeds from the sale of the Series 2024A Certificates will be used to pay the cost of (1) construction, expansion, renovation, restoration and repair of and improvements to City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks, utility relocation and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction, acquisition, restoration, and improvement of parks and recreational facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (4) the acquisition of vehicles, fire-fighting equipment and other equipment for authorized City purposes; (5) improvements to the City’s sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (6) improvements to the City’s waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (7) construction, acquisition, and improvement of the City’s solid waste disposal system, facilities and equipment; (8) construction, acquisition, and improvement of City sidewalks, including in each case the acquisition of land and rights-of-way in connection therewith; (9) construction, acquisition, and improvement of City parking structures, including in each case the acquisition of land and rights-of-way in connection therewith; (10) renovation, improvement and equipment of existing animal shelter facilities; and (11) professional services incurred with items (1) through (10), and to pay the costs incurred in connection with the issuance of the Series 2024A Certificates (see “PLAN OF FINANCING – PURPOSE OF THE SERIES 2024A CERTIFICATES”).

PURPOSE OF THE SERIES 2024B

CERTIFICATES..... Proceeds from the sale of the Series 2024B Certificates will be used to pay the cost of (1) construction, acquisition, and improvement of the City’s solid waste disposal system, facilities and equipment; (2) construction, acquisition, and improvement of City parking structures, including in each case the acquisition of land and rights-of-way in connection therewith; and (3) professional services incurred with items (1) and (a)(2), and to pay the costs incurred in connection with the issuance of the Series 2024B Certificates (see “PLAN OF FINANCING – PURPOSE OF THE SERIES 2024B CERTIFICATES”).

PURPOSE OF THE BONDS.....Proceeds from the sale of the Bonds will be used to refund a portion of the City’s outstanding ad valorem tax debt obligations described on “SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS” (the “Refunded Obligations”) in order to lower the overall annual debt service requirements of the City, and to pay the costs incurred in connection with the issuance of the Bonds (see “PLAN OF FINANCING – PURPOSE OF THE BONDS”).

RATINGS.....The presently outstanding debt of the City is rated “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA+” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). The Obligations are rated “Aa1” by Moody’s and “AA+” by S&P (see “Other Information - RATINGS”).

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

PAYMENT RECORD..... The City has never defaulted on payment of its ad valorem tax-supported debt.

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated City Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Per Capita Taxable Assessed Valuation | Net General Obligation Tax Debt ⁽³⁾ | Per Capita Net General Obligation Tax Debt ⁽³⁾ | Ratio of Tax Debt to Taxable Assessed Valuation | Percent Total Collections |
|------------------------|--|---|---------------------------------------|--|---|---|---------------------------|
| 2019 | 139,236 | \$ 10,065,575,906 | \$72,291 | \$98,705,000 | \$ 709 | 0.98% | 100.08% |
| 2020 | 138,486 | 10,694,881,022 | 77,227 | 117,865,000 | 851 | 1.10% | 98.42% |
| 2021 | 139,594 | 11,199,908,301 | 80,232 | 138,245,000 | 990 | 1.23% | 103.29% |
| 2022 | 140,990 | 11,850,131,491 | 84,049 | 175,210,000 | 1,243 | 1.48% | 99.21% |
| 2023 | 142,400 | 13,510,196,539 | 94,875 | 224,180,000 | 1,574 | 1.66% | 98.98% |
| 2024 | 143,984 | 15,706,940,436 | 109,088 | 268,800,000 ⁽⁴⁾ | 1,867 ⁽⁴⁾ | 1.71% ⁽⁴⁾ | 95.30% ⁽⁵⁾ |

⁽¹⁾ Source: The City.

⁽²⁾ Source: McLennan Central Appraisal District and the City. Includes captured tax value included as part of existing tax increment reinvestment zones within the City. See "TAX INFORMATION – CITY TAX INCREMENT REINVESTMENT ZONES."

⁽³⁾ Payable from ad valorem taxes. Excludes self-supporting debt to be paid from water, sewer (wastewater), drainage, and solid waste revenues, as well as revenues from any tax increment fund. See "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and the accompanying footnotes and "DEBT INFORMATION - TABLE 10 – SELF-SUPPORTING DEBT."

⁽⁴⁾ Includes the Obligations and excludes the Refunding Obligations.

⁽⁵⁾ Total collections as of February 29, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

| | For the Fiscal Year Ended September 30, | | | | |
|-----------------------------|---|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Beginning Fund Balance | \$ 95,799,423 | \$ 92,805,979 | \$ 92,095,406 | \$ 87,323,818 | \$ 70,092,416 |
| Total Revenue | 191,965,857 | 178,774,526 | 163,822,233 | 159,585,995 | 150,734,333 |
| Total Expenditures | 184,857,830 | 175,781,082 | 163,111,660 | 154,814,407 | 133,502,931 |
| Ending General Fund Balance | <u>\$ 102,907,450</u> | <u>\$ 95,799,423</u> | <u>\$ 92,805,979</u> | <u>\$ 92,095,406</u> | <u>\$ 87,323,818</u> |

⁽¹⁾ Source: The City's Annual Comprehensive Financial Report.

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CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

| City Council | Title | On Council Since | Occupation |
|---------------------|---------------|-------------------------|---------------------------|
| Jim Holmes | Mayor | June 2016 | Business Executive |
| Darius Ewing | Mayor Pro-Tem | May 2023 | Franchise Business Coach |
| Andrea Barefield | Councilmember | May 2018 | Executive Director |
| Alice Rodriguez | Councilmember | November 2021 | Retired Education Liaison |
| Josh Borderud | Councilmember | November 2020 | Attorney |
| Vacant | Councilmember | N/A | N/A |

SELECTED ADMINISTRATIVE STAFF

| Name | Position | Year Employed | Municipal Experience |
|---------------------------------|-------------------------|----------------------|-----------------------------|
| Bradley Ford | City Manager | 2017 | 20 Years |
| Deidra Emerson | Deputy City Manager | 2015 | 28 Years |
| Paul Cain | Assistant City Manager | 2019 | 32 Years |
| D. Blu Kostelich ⁽¹⁾ | Chief Financial Officer | 2024 | 8 years |
| Ryan Holt | Assistant City Manager | 1996 | 28 Years |
| Lisa Blackmon | Assistant City Manager | 2021 | 13 Years |
| Jennifer Richie | City Attorney | 2012 | 24 Years |
| Michelle Hicks | City Secretary | 2022 | 19 Years |

⁽¹⁾ Mr. Kostelich was selected to serve as the City’s Chief Financial Officer on June 3, 2024. Mr. Kostelich has more than 18 years of service and experience in finance and operation roles, with seven of those in public sector finance.

CONSULTANTS, ADVISORS, AND INDEPENDENT AUDITORS

Independent AuditorsJaynes, Reitmeier, Boyd & Therrell, P.C.
Waco, Texas

Bond and Disclosure CounselBracewell LLP
Austin, Texas

Co-Financial AdvisorsPFM Financial Advisors, LLC
Austin, Texas

Tijerina Financial Consulting LLC
Dallas, Texas

For additional information regarding the City, please contact:

D. Blu Kostelich
Chief Financial Officer
City of Waco
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Waco, Texas 79701
254-750-5694

or Blake Roberts
Karlos Allen
PFM Financial Advisors, LLC
111 Congress Avenue,
Suite 2150
Austin, Texas 78701
512-614-5324

or Esther Young
Tijerina Financial Consulting LLC
6301 Gaston Ave – West Tower,
Suite 1238
Dallas, Texas 75214
214-974-8494

**OFFICIAL STATEMENT
RELATING TO**

**CITY OF WACO, TEXAS
(McLennan County, Texas)
\$28,890,000**

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024

**\$202,670,000
COMBINATION TAX AND REVENUE CERTIFICATES OF
OBLIGATION, SERIES 2024A**

**\$43,585,000
COMBINATION TAX AND REVENUE CERTIFICATES OF
OBLIGATION, TAXABLE SERIES 2024B**

INTRODUCTION

This Official Statement, which includes the cover page, page iii, maturity schedules, Schedule I and the Appendices hereto, provides certain information regarding the City of Waco, Texas (the “City”) and the issuance of its \$28,890,000 General Obligation Refunding Bonds, Series 2024 (the “Bonds”), \$202,670,000 Combination Tax and Revenue Certificates of Obligation, Series 2024A (the “Series 2024A Certificates” and, together with the Bonds, the “Tax-Exempt Obligations”), and \$43,585,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 2024B (the “Series 2024B Certificates” or the “Taxable Obligations” and, together with the Tax-Exempt Obligations, the “Obligations”). The Series 2024A Certificates and the Series 2024B Certificates are referred to collectively herein as the “Certificates.” Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance (as hereinafter defined), or the Certificate Ordinance (as hereinafter defined), as applicable.

There follows in this Official Statement descriptions of the City’s \$28,890,000 General Obligation Refunding Bonds, Series 2024 (the “Refunding Bonds”) 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 either of the City’s Co-Financial Advisors, PFM Financial Advisors, LLC (“PFM”), Austin, Texas or Tijerina Financial Consulting LLC (“TFC”), Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the “State”), located in McLennan County, duly organized and existing under the laws of the State, and the City’s Home Rule Charter. The City was incorporated in 1856, and first adopted its Home Rule Charter in 1913. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Council members who serve staggered two-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are public safety (police and fire protection), highways and streets, water, sewer (wastewater), drainage, solid waste, health and social services, culture-recreation, public transportation, planning and zoning, and general administrative services. The 2020 Census population for the City was 138,486, while the estimated 2024 population is 143,984. The City covers approximately 101 square miles. See “APPENDIX A - GENERAL INFORMATION REGARDING THE CITY.”

SEPARATE ISSUES . . . The Series 2024A Certificates, the Series 2024B Certificates, and the Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Series 2024A Certificates, the Series 2024B Certificates, and the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features. However, the Tax-Exempt Obligations will be treated as one issue of obligations for federal income tax purposes.

PLAN OF FINANCING

PURPOSE OF THE SERIES 2024A CERTIFICATES . . . Proceeds from the sale of the Series 2024A Certificates will be used to pay the cost of (1) construction, expansion, renovation, restoration and repair of and improvements to City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks, utility relocation and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction, acquisition, restoration, and improvement of parks and recreational facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (4) the acquisition of vehicles, fire-fighting equipment and other equipment for authorized City purposes; (5) improvements to the City’s sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (6) improvements to the City’s waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (7) construction, acquisition and improvement of the City’s solid waste disposal system, facilities and equipment; (8) construction, acquisition, and improvement of City sidewalks, including in each case the acquisition of land and rights-of-way in connection therewith; (9) construction, acquisition, and improvement of City parking structures, including in each case the acquisition of land and rights-of-way in connection therewith; (10) renovation, improvement and equipment of existing animal shelter facilities; and (11) professional services incurred with items (1) through (a)(10), and to pay the costs incurred in connection with the issuance of the Series 2024A Certificates (see “—SOURCES AND USES OF PROCEEDS”).

PURPOSE OF THE SERIES 2024B CERTIFICATES . . . Proceeds from the sale of the Series 2024B Certificates will be to pay the cost of (1) construction, acquisition, and improvement of the City’s solid waste disposal system, facilities and equipment; (2) construction, acquisition, and improvement of City parking structures, including in each case the acquisition of land and rights-of-way in connection therewith; and (3) professional services incurred with

items (1) and (2), and to pay the costs incurred in connection with the issuance of the Series 2024B Certificates (see “—SOURCES AND USES OF PROCEEDS”).

PURPOSE OF THE BONDS . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City’s outstanding ad valorem tax debt obligations described on “SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS” (the “Refunded Obligations”) in order to lower the overall annual debt service requirements of the City, and to pay the costs incurred in connection with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The Refunded Obligations shall be called for redemption on the redemption date shown on Schedule I (the “Redemption Date”). The principal and interest due on the Refunded Obligations are to be paid from funds to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the City and The Bank of New York Mellon Trust Company, N.A., the paying agent for the Refunded Obligations (the “Escrow Agent”). The Bond Ordinance (as hereinafter defined) provides that from the proceeds of the sale of the Bonds the City will deposit with the Escrow Agent an amount which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the Redemption Date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Account”) and used to purchase obligations authorized by Chapter 1207, Texas Government Code, as amended (collectively, the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Account is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. The funds on deposit in the Escrow Fund will not be available to pay debt service on the Bonds.

Robert Thomas, CPA, LLC (the “Verification Agent”) will issue its report (the “Report”) verifying at the time of delivery of the Bonds the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with the uninvested funds, if any, in the Escrow Account, will be sufficient to pay, on the Redemption Date, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on such Escrowed Securities will not be available to pay the Bonds (see “OTHER INFORMATION – VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS”).

By the deposit of the amounts with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with law. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the funds held in the Escrow Account by the Escrow Agent, and the Refunded Obligations will no longer be payable from or secured by the ad valorem taxes or other funds of tax City.

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

| | <u>The 2024A Certificates</u> | <u>The 2024B Certificates</u> | <u>The Bonds</u> |
|----------------------------|-------------------------------|-------------------------------|-------------------------|
| <u>Sources of Funds</u> | | | |
| Par Amount | \$ 202,670,000.00 | \$ 43,585,000.00 | \$ 28,890,000.00 |
| Premium/Discount | 17,720,645.35 | 344,323.40 | 1,991,989.10 |
| I&S Fund Transfer | | | 542,349.45 |
| Total Sources of Funds | <u>\$ 220,390,645.35</u> | <u>\$ 43,929,323.40</u> | <u>\$ 31,424,338.55</u> |
| <u>Uses of Funds</u> | | | |
| Deposit to Project Account | \$ 219,127,600.00 | \$ 43,626,400.00 | \$ - |
| Deposit to Escrow Account | - | - | 31,263,184.73 |
| Costs of Issuance | 592,613.50 | 152,773.34 | 84,475.29 |
| Underwriter's Discount | 669,471.80 | 146,010.31 | 74,965.39 |
| Contingency | 960.05 | 4,139.75 | 1,713.14 |
| Total Uses of Funds | <u>\$ 220,390,645.35</u> | <u>\$ 43,929,323.40</u> | <u>\$ 31,424,338.55</u> |

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated June 15, 2024, and mature on February 1 in each of the years and in the amounts shown on pages ii and iv hereof. Interest on the Certificates will accrue from the date of delivery (the “Delivery Date”), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2025, until maturity or prior redemption. Interest on the Bonds will accrue from the Delivery Date, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 1 and August 1, commencing August 1, 2024, 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 series and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See “—BOOK- ENTRY-ONLY SYSTEM.”

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, and the ordinance passed by the City Council of the City (the “Certificate Parameters Ordinance”). In the Certificate Parameters Ordinance, the City Council delegated to an Authorized Officer the authority to complete the sale of the Certificates. The terms of the sale are included in a “Pricing Certificate,” which completed the sale of the Certificates (the Certificate Parameters Ordinance and the Pricing Certificate together are referred to herein as the “Certificate Ordinance”).

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance (the “Bond Parameters Ordinance”) passed by the City Council of the City. In the Bond Parameters Ordinance, the City Council delegated to an Authorized Officer the authority to complete the sale of the Bonds. The terms of the sale are included in a “Pricing Certificate,” which completed the sale of the Bonds (the Bond Parameters Ordinance and the Pricing Certificate together are referred to herein as the “Bond Ordinance,” and the Bond Ordinance and the Certificate Ordinance together are referred to herein as the “Ordinances”).

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of surplus revenues of the City’s water and sewer system, as provided in the Ordinance.

The Bonds constitute direct obligations of the City, payable from a combination of the collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City.

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 limits its tax rate to \$1.85 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.23 of the \$1.85 maximum tax rate for all tax- supported debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the series and maturities of Obligations to be redeemed. If less than all the Obligations of any series and maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot or other customary random selection method the Obligations, or portions thereof, within such series and 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.

MANDATORY SINKING FUND REDEMPTION. . . The Series 2024A Certificates maturing on February 1 in the years 2049 and 2054 (the “Series 2024A Term Certificates”) are subject to mandatory redemption in part prior to scheduled maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

| Term Bonds Due February 1, 2049 | | Term Bonds Due February 1, 2054 | |
|------------------------------------|---------------------|------------------------------------|---------------------|
| Redemption Date | Principal Amount | Redemption Date | Principal Amount |
| 2/1/2045 | \$7,005,000 | 2/1/2050 | \$9,000,000 |
| 2/1/2046 | 7,375,000 | 2/1/2051 | 9,480,000 |
| 2/1/2047 | 7,745,000 | 2/1/2052 | 9,995,000 |
| 2/1/2048 | 8,140,000 | 2/1/2053 | 10,540,000 |
| 2/1/2049 (maturity) | 8,550,000 | 2/1/2054 (maturity) | 11,100,000 |

The Series 2024B Certificates maturing on February 1 in the years 2044 and 2054 (the “Series 2024B Term Certificates”) are subject to mandatory redemption in part prior to scheduled maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

| Term Bonds Due February 1, 2044 | | Term Bonds Due February 1, 2054 | |
|------------------------------------|---------------------|------------------------------------|---------------------|
| Redemption Date | Principal Amount | Redemption Date | Principal Amount |
| 2/1/2040 | \$ 1,375,000 | 2/1/2045 | \$ 1,815,000 |
| 2/1/2041 | 1,455,000 | 2/1/2046 | 1,915,000 |
| 2/1/2042 | 1,540,000 | 2/1/2047 | 2,025,000 |
| 2/1/2043 | 1,625,000 | 2/1/2048 | 2,145,000 |
| 2/1/2044 (maturity) | 1,715,000 | 2/1/2049 | 2,265,000 |
| | | 2/1/2050 | 2,395,000 |
| | | 2/1/2051 | 2,535,000 |
| | | 2/1/2052 | 2,680,000 |
| | | 2/1/2053 | 1,565,000 |
| | | 2/1/2054 (maturity) | 1,650,000 |

The principal amount of any such Term Certificates required to be redeemed pursuant to the operation of such mandatory sinking fund redemption provisions may be reduced, at the option of the City, by the principal amount of Term Certificates of the same series and maturity which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not previously credited against a mandatory sinking fund redemption requirement.

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

In the Ordinances, the City reserves the right in the case of an optional redemption to give notice of its election or direction to redeem Obligations conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected registered owners. Any Obligations subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment; (2) Governmental Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, or (3) a combination of money and Governmental Securities sufficient to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The District has additionally reserved the right in the Ordinances, subject to satisfying the requirements of (1), (2) or (3) above, to substitute other Governmental Securities for the Governmental Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance. The Ordinances provide that "Governmental Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (collectively, the "Federal Securities"), and (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 of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. In addition, to the extent then allowed by state law, the term Governmental Securities shall include noncallable obligations of an agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm with a rating that is not less than the rating assigned by such firm to the Federal Securities. There is no assurance that the ratings for U.S. Treasury securities acquired to defease and Bonds, or those for any other Governmental Obligations, will be maintained at any particular rating category.

Under current State law, upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter consider the source of such information to be reliable, but neither takes any responsibility for the accuracy or completeness thereof.*

The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee

(as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations 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 collectively referred to herein as "Participants". DTC has a "AA+" rating from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 nor its nominee, 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 principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, 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, Obligations 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 Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Obligations is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Obligations is discontinued by the City, printed securities certificates will be issued to the holders of the affected Obligations, and the applicable Obligations will be subject to transfer, exchange, and registration provisions as set forth in the Ordinances, summarized under "The OBLIGATIONS - 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 (the "Paying Agent/Registrar"). In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations 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 shall be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one series and maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" above for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation 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.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the 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 (5) 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.

OBLIGATION-HOLDERS' REMEDIES . . . Each of the following occurrences or events with respect to a series of the Obligations will be an Event of Default under the Ordinance authorizing such series of Obligations: (i) the failure to make payment of the principal of or interest on such Obligations when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement, or obligation of the City, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance authorizing such series of Obligations, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner of such Obligation to the City.

Upon the happening of any Event of Default with respect to a series of Obligations, any Owner of such Obligations or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the related Ordinance by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained therein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners thereunder or any combination of such remedies. All such proceedings shall be instituted and maintained for the equal benefit of all Owners of such Obligations then outstanding.

The Ordinances do not provide for the appointment of a trustee to represent the interest of the registered owners of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, Texas Government Code, which is being relied upon by the City in connection with the issuance of the Certificates, permits the waiver of sovereign immunity in the proceedings authorizing the issuance of the Certificates. Notwithstanding its reliance on Chapter 1371 in connection with the issuance of the Certificates, the City has not waived the defense of sovereign immunity from suite in connection with the Certificates. Because it is unclear whether the State Legislature has effectively waived the City’s governmental immunity from a suit for money damages outside of Chapter 1371, registered owners may not be able to bring such a suit against the City for breach of the obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. State jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of 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.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of an obligation issued by 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 with respect to the rights of the registered owners of the Obligations are subject to the applicable provisions of federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCES . . . In the Ordinances, the City has reserved the right, without the consent of or notice to the owners, from time to time and at any time to amend the Ordinances in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the owners of a majority in aggregate principal amount of the related Obligations then outstanding, amend, add to or rescind any of the provisions of the Ordinances; provided, that, without the consent of the owners of all related Obligations then outstanding, no such amendment, addition, or rescission shall:

- (a) affect the rights of the owners of less than all of the related Obligations then outstanding;
- (b) make any change in the maturities of the related Obligations;
- (c) reduce the rate of interest borne by any of the related Obligations;
- (d) reduce the amount of the principal payable on the related Obligations;
- (e) modify the terms of payment of principal of or interest on the related Obligations or impose any conditions with respect to such payment;
- or
- (f) change the minimum percentage of the principal amount of related Obligations necessary for consent to such amendment.

Obligations owned or held by or for the account of or for the benefit of the City shall not be deemed to be outstanding for the purpose of amending the Ordinances.

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 McLennan Central Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and

use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may challenge the granting of exemptions, exclusion of the property from the tax roll, determination that property qualifies for agriculture, open space or timber valuation and the failure to identify the taxing unit as one in which a property is taxable.

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – VALUATION, EXEMPTIONS AND 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 city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS... The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the 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.

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

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, in each case, located in an area declared by the Governor of Texas (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 a temporary 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. 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. In 2021, the Texas Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Texas Tax Code.

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

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

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 TAX ABATEMENT POLICY” for descriptions 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 TAX CODE” herein.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$59,562,331 for the 2024 tax year, and is adjusted annually by the Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX INFORMATION – PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

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

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

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

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

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

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

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

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

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the 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 or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

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

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

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

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

| <u>Month</u> | <u>Cumulative Penalty (%)</u> | <u>Cumulative Interest (%)</u> | <u>Total (%)</u> |
|--------------|-----------------------------------|------------------------------------|------------------|
| 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, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer who is 65 years of age or older or is disabled incur a penalty of 5% 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 allows for the collection of interest and reasonable (non-punitive) fees, costs or charges on the unpaid balance of delinquent taxes on estates 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 to the extent such fees, or charges, are provided for under the State statute under which such claim arose. The automatic stay prevents governmental units from foreclosing on property unless an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES... Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE... The City grants an exemption of \$50,000 to the market value of the residence homestead of persons 65 years of age or older. The City grants an exemption of \$50,000 to the market value of the residence homestead of the disabled. The City grants an additional exemption of 15% of the market value of residence homesteads. The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons. The City does not tax non-business personal property or "freeport property." The City does, however, tax "goods-in-transit." The City does not permit split payments, and discounts are not allowed. The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes. The City has adopted a tax abatement policy as described below. See "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT."

CITY TAX ABATEMENT POLICY... The City has established industrial and residential tax abatement programs to encourage economic development and single-family housing investment. To be considered for industrial tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Single-family housing projects resulting in property value enhancement via new construction or improvements to existing properties in designated areas may qualify for residential tax abatement. The value of property subject to abatement is shown in "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT."

CITY TAX INCREMENT REINVESTMENT ZONES... In 1982, 1983, and 1986, the City Council adopted separate ordinances which created tax increment reinvestment zones number 1 ("Zone No.1"), 2 ("Zone No.2") and 3 ("Zone No.3", and, together with Zone No. 1 and Zone No. 2, collectively referred to as the "Zones") pursuant to the Act, by designation of contiguous geographic areas in the jurisdiction of the boundaries of the Zones, created a board of directors for each of the Zones, established tax increment funds for each of the Zones, adopted bylaws for each of the Zones and found that public works and improvements to be undertaken in the Zones would significantly enhance the value of all taxable real property in the Zones and would

generally benefit the City. Ad valorem tax collections attributable to increases in the value of taxable property in the Zones are restricted to financing improvements in the Zones. The original projected lives of the Zones were 40 years from creation. During Fiscal Year 2013 the City adopted ordinances extending the termination dates for Zone No. 1 from December 31, 2022 to December 31, 2032 and for Zone No. 2 from December 31, 2023 to December 31, 2033. During Fiscal Year 2022 the City adopted ordinances extending the termination date for Zone No. 1 from December 31, 2032 to December 31, 2052, and terminating Zone No. 2 effective February 28, 2022.

The City established tax increment funds (the “Funds” or, for Zone No. 1, the “Zone No. 1 Fund”) in the separate ordinances creating the Zones. Each participating taxing unit that levies real property taxes in the Zones provides for the collection of ad valorem taxes on real property in the Zones, as for any other property taxed by the participating taxing unit and pays into the Funds an amount equal to the tax increment produced (the “Tax Increment”), less the sum of ad valorem taxes produced from the Tax Increments that are, by contract executed before the designation of the area as a reinvestment zone, required to be paid by the taxing unit to another political subdivision. The amount of a tax unit’s Tax Increment for a year is the amount of property taxes levied by the taxing unit for that year on the Captured Appraised Value of real property taxable by the taxing unit and located in the Zones.

The “Captured Appraised Value” of real property taxable by a taxing unit for a year is the total appraised value of the property for that year less the tax increment base of the taxing unit, such tax increment base being the total appraised value of all real property taxable by the taxing unit and located in the Zone for the year in which the Zone was established.

When a tax increment reinvestment zone is established, a Board of Directors is appointed by the participating taxing entities to oversee the development of project and financing plans for the zone and to act in an advisory capacity concerning development activity and expenditure of tax increment funds in the zone. The Board for each Zone consists of five members appointed by the City Council and one member appointed by each participating taxing entity (McLennan County, Waco Independent School District and McLennan County Junior College District), for a total of eight members. Recommendations for projects originate with the Board of Directors and go to the City Council for final approval.

The Zones have no authority to levy taxes and must look to each taxing unit to levy taxes as indicated above. The taxing units that levy ad valorem taxes in the Zones and participate in the Zones are: the City, McLennan County, Waco Independent School District and McLennan County Junior College District. The Waco Independent School District’s participation terminated on December 31, 2022 for Zone No. 1.

The City has previously issued \$53,420,000 of general obligation debt to pay for projects in Zone No. 1, of which \$45,915,000 remains outstanding. The debt service on this portion of the outstanding debt has been internally allocated by the City as being paid from tax increment revenues in the Zone No. 1 Fund. Approximately \$23,505,000 of the Series 2024A Certificates and approximately \$16,280,000 of the Series 2024B Certificates issued for projects in Zone No. 1 and are expected to be paid from tax increment revenues in the Zone No. 1 Fund. Revenues in the Zone No. 1 Fund are not pledged to such debt and there is no guarantee that payments from the Zone No. 1 Fund will be made. If payments are not made from the Zone No. 1 Fund, the City would be required to levy ad valorem taxes in amounts sufficient to make such payments. No debt has been issued for projects in Zone No. 3.

The Zones were created to encourage physical and economic development along the Brazos River (“Brazos River Corridor”). Two of the three Zones have experienced development activity. Zone No. 1 extends along MLK Jr. Boulevard from Chapel Hill/Gurley Lane to Waco Drive, from MLK Jr. Boulevard along Elm Avenue to Garrison Street and Forrest Street. and from Herring Avenue up to Lake Shore Drive. It comprises most of the urban section of the Brazos River Corridor, venturing down into the central business district between Interstate Highway 35 (I-35) and Waco Drive, then returning toward the river just north of Waco Drive to include 4th Street, Cameron Park and portions of McLennan Community College.

Zone No.1 was established in 1982. The Captured Appraised Value for Zone No. 1 for the fiscal year ending September 30, 2023, was approximately \$727 million. The Zone No. 1 Fund is expected to generate about \$9.3 million during Fiscal Year 2024 according to the City. Economic development in Zone No. 1 has accelerated due to rejuvenation efforts in the downtown area, construction of the new McLane Stadium at Baylor University, development of the Magnolia Market at the Silos complex, introduction of new restaurants, construction and redevelopment of hotels in the greater downtown area, construction of bicycle and pedestrian trail improvements, and expansion and improvement of City conference and convention facilities. Income from Zone No. 1 is currently being used to continue downtown rejuvenation projects, and to facilitate several commercial and residential development projects in the downtown area, the Elm Avenue corridor, and the 4th & 5 Streets corridor. The City has expended \$13 million of a \$16 million commitment from Zone No. 1 to a substantial three-phase mixed use private development project on 18 plus acres of downtown riverfront property, leveraging approximately \$100 million in private investment. During 2023, in connection with development of Baylor University’s new Paul and Alejandra Foster Basketball Pavilion (“Pavilion”), the City committed \$34 million over 5 years from Zone No. 1 to assist with public improvements and to purchase land in the downtown riverfront area. The Pavilion opened January 2024. The City has also committed \$40 million for the construction and purchase of parking facilities, \$30 million for improvements to the riverwalk, and \$14 million for improvements to streets and other infrastructure along the riverfront from Franklin Avenue to Interstate Highway 35. Portions of the downtown/riverfront public improvements are to be funded from proceeds of previously issued debt and of the Certificates to be repaid by Zone No. 1, as well as from Zone No. 1 cash funding. Including projects discussed above, the City currently has outstanding approved Zone No. 1 commitments of approximately \$152 million to about forty projects over the next ten years to leverage additional private investment. Additional improvements are expected to continue, and additional private investment is needed to continue growth in the Zone.

Zone No. 3 was established in 1986 in anticipation of commercial, office, residential and recreational development. Zone No. 3 encompasses the northeast intersection of Lake Shore Drive and North 19th Street. Camp Fimfo, a “glamping” RV resort. opened in Zone No. 3 August 2022. The current captured appraised value of Zone No. 3 is \$12.6 million.

On December 21, 2021, the City adopted an ordinance establishing Tax Reinvestment Zone Number Four (Zone No. 4), setting a termination date of December 31, 2051. The reinvestment zone boundary is non-contiguous and located entirely within the city limits of Waco. Zone No. 4 is located both south and north of downtown and includes properties both east and west of I-35. The original boundary is approximately 17.4 square miles with a 2021 base year taxable value of approximately \$616 million. On June 20, 2023, the City adopted an ordinance expanding Zone No. 4 by 1,017 acres to about 19 square miles. The expanded area has a base year value of about \$80 million. Most of the land within Zone No. 4 is underdeveloped or underutilized and currently consists of agricultural, commercial, and vacant uses. Project funding categories include infrastructure, detention and drainage, corridor and streetscapes, trails and connectivity, parks and recreation, facade improvements, small business infrastructure support, and economic development. The City, McLennan County, and the McLennan County Junior College District contribute 70%, 70% and 50%, respectively, of ad valorem tax collections on the captured appraised value of real property in the Zone. Zone No. 4 is expected to generate approximately \$2.4 million during Fiscal Year 2024.

As a result of a request for proposals the City has committed up to \$19.2 million from Zone No. 4 to assist with public and open space improvements in connection with the development of a single-family, multi-family, and commercial development project on 72.29 acres, being a part of the former Floyd Casey Stadium site that the City acquired from Baylor University. Payment of the \$19.2 million will be limited to tax increment generated by the project over 15 years.

The City has committed up to \$4.1 million from Zone No. 4 to fund public improvements in connection with the development of the Cottonwood Creek Market, a 142-acre multi-phase mixed-use development at 2400 Creekview Drive. The \$4.1 million will be limited to tax increment generated by the project over 8 years.

The City has committed an estimated \$130 million from Zone No. 4 through 2051 to fund public improvements in connection with the proposed 521-acre Riverway housing development bounded by Martin Luther King Jr. Boulevard, Lake Shore Drive and the Brazos River. Riverway will include up to 1,887 residential units and approximately 60-acres of mixed-use commercial development. The \$130 million commitment will be limited to tax increment generated by the project.

The City has committed to fund, from Zone No. 4, approximately \$58.3 million of water, wastewater, streets and stormwater infrastructure at the Central Texas Business Park development located at the intersection of Interstate Highway 35, Texas Highway 6, and U.S. Highway 84. Approximately \$33,715,000 of the Certificates are being issued for a portion of these projects. Additionally, Zone No. 4 will reimburse the City's Water and Wastewater Funds through 2042 for debt service on a portion of the improvements. Growth in the captured appraised value attributable to the Central Texas Business Park is expected to generate tax increment revenues to fund these infrastructure commitments.

CITY CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENTS... Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds and enter into agreements (each, a "Chapter 380 Agreement") with the recipients of such loans or grants for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

The City has entered into multiple Chapter 380 "Business Grant" Agreements relating to industrial and commercial development projects to promote economic development within the City (the "Chapter 380 Business Grants"). Under a Chapter 380 Business Grant, the City agrees to pay a grant to a business based on specified percentages of City ad valorem taxes paid on qualifying real and personal property improvements. The terms of these grants are generally 2 to 7 years and are established based on criteria that may include new square footage developed, numbers of qualifying new jobs created and total taxable value of new real or personal property improvements; provided, the City may consider terms in excess of 7 years in certain exceptional cases. The maximum period for a Chapter 380 Business Grant is 20 years from the time the terms of the agreement are satisfied. There are currently about 20 approved Chapter 380 Business Grants. Estimated grant payments under these ongoing agreements may total up to \$12.3 million over the next 10 years.

The City budgets to set aside funds annually to carry out economic development projects cooperatively with McLennan County to promote the development and diversification of the local economy. Businesses receive incentive payments pursuant to Chapter 380 Program Project Agreements based on compliance with agreed upon full time job creation and retention criteria. The City currently has \$20.1 million set aside to fund its share of these incentives. Of this amount, \$6.1 million is committed under 7 agreements.

The City has entered into Chapter 380 Agreements to rebate specified percentages of hotel occupancy taxes and /or sales taxes generated. Rebates under these agreements are based on achieving contracted levels of capital investment, hotel room occupancy rates, job creation, and other factors. The terms of these agreements range from 7 to 14 years. The City estimates that incentive payments will total approximately \$14 million over the terms of 4 existing agreements.

The City has entered into 3 Chapter 380 Agreements to rebate specified percentages of sales tax and/or property taxes generated by commercial development. Payments under these agreements are based on achieving specified levels of capital investment, and other factors. Rebates are expected to total approximately \$11.2 million over 13 years.

The City has entered into various Chapter 380 Agreements to provide reimbursement of the cost of certain facilities or infrastructure. Pursuant to one such Chapter 380 Agreement, the City will provide \$12.4 million over 20 years to Texas State Technical College for a portion of the cost to construct an industrial training center to support existing and future industrial workforce needs in the area. In another Chapter 380 Agreement, the City has agreed

to provide a \$1.6 million grant over 2 years in connection with the redevelopment of property on LaSalle Avenue for the purpose of constructing multi-family housing

In connection with the development of 18-plus acres of downtown riverfront property discussed under “TAX INFORMATION - CITY TAX INCREMENT REINVESTMENT ZONES,” the City has entered into a Chapter 380 “Commercial” Agreement to pay incentives totaling up to \$5.5 million in exchange for specified capital investment. Payments will be made over 3 years subsequent to the completion of certain improvements. Construction on Phase I of the project is underway and is expected to be completed during 2024. The first payment will be paid upon completion of Phase I construction.

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TABLE 1 – VALUATION, EXEMPTIONS, AND GENERAL OBLIGATION DEBT

| | | |
|--|----------------|-----------------|
| 2023 Market Valuation Established by McLennan County Appraisal District | \$ | 22,387,406,479 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Agricultural Land Use/Timber Productivity Loss | \$ 129,904,667 | |
| Homestead Cap | 937,650,369 | |
| Fiscal Abatements | 65,626,462 | |
| Charitable | 2,911,450 | |
| Disabled and Surviving Spouses | 33,159,462 | |
| Disabled Veterans/First Responder | 238,987,001 | |
| Exempt Property | 3,223,067,255 | |
| Freeport Loss | 706,980,334 | |
| Homestead | 886,680,180 | |
| Historical | 5,377,031 | |
| Low Income Housing | 8,858,880 | |
| Leased Vehicle Exemption | 2,082,370 | |
| Over 65 Exemptions | 407,726,427 | |
| Pollution Control | 31,454,155 | (6,680,466,043) |
| | | |
| 2023 Net Taxable Assessed Valuation ⁽¹⁾ | \$ | 15,706,940,436 |
| General Obligation Debt Payable from Ad Valorem Taxes ⁽²⁾ | | |
| Combination Tax & Revenue Certificates of Obligation ⁽²⁾ | \$ 610,945,000 | |
| General Obligation Bonds | 103,310,000 | |
| Less: Refunded Obligations | (30,810,000) | |
| Plus: The Series 2024A Certificates | 202,670,000 | |
| Plus: The Series 2024B Certificates | 43,585,000 | |
| Plus: The Bonds | 28,890,000 | 958,590,000 |
| | | |
| Less: City's Self Supporting Debt | | |
| Water System Obligations | \$ 251,090,000 | |
| Sewer System Obligations | 249,540,000 | |
| Solid Waste System Obligations | 56,140,000 | |
| Drainage System Obligations | 12,940,000 | |
| Tax Increment Zone Obligations | 120,080,000 | (689,790,000) |
| | | |
| Net General Obligation Debt Payable from Ad Valorem Taxes | \$ | 268,800,000 |
| | | |
| General Obligation Interest and Sinking Fund (as of 9/30/2023) | \$ | 964,797 |
| | | |
| Ratio Net General Obligation Tax Debt to 2023 Taxable Assessed Valuation | | 1.71% |
| | | |
| 2024 Estimated Population ⁽³⁾ | | 143,984 |
| Per Capita Taxable Assessed Valuation | \$ | 109,088 |
| Per Capita Funded Debt | \$ | 1,867 |

Source: McLennan County Appraisal District and the City.

⁽¹⁾ Includes captured tax value included as part of existing tax increment reinvestment zones within the City.

⁽²⁾ The City has historically sold combination tax and revenue certificates of obligation to finance projects for the City's water system, sewer system, tax increment zones, solid waste system and drainage system and has internally allocated portions of this debt as payable from the respective enterprise funds or tax increment zone fund. The self-supporting amounts listed below are projections of debt that is expected to be retired by the City based on actual historical payments from these funds to pay for debt service on the outstanding general obligation debt. There is no guarantee that payments from these funds will continue in the future. If payments are not made from such sources in the future, the City will be required to levy ad valorem taxes in amounts sufficient to make such payments. See "TABLE 10 – SELF-SUPPORTING DEBT."

⁽³⁾ Source: The City.

TABLE 2 – TAXABLE ASSESSED VALUATION BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|--|---|------------|-------------------|------------|-------------------|------------|
| | 2024 | | 2023 | | 2022 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 8,943,753,153 | 39.95% | \$ 8,008,709,786 | 48.36% | \$ 6,158,778,179 | 46.21% |
| Real, Residential, Multi-Family | 1,837,006,587 | 8.21% | 1,659,006,599 | 10.02% | 1,324,406,224 | 9.94% |
| Real, Vanat Lots/Tracts/Res Inventory | 344,052,684 | 1.54% | 352,743,836 | 2.13% | 254,291,978 | 1.91% |
| Real Acreage (Land Only) | 188,473,201 | 0.84% | 116,433,143 | 0.70% | 106,943,005 | 0.80% |
| Real, Farm and Ranch Improvements | 2,097,200 | 0.01% | 54,234,666 | 0.33% | 47,294,190 | 0.35% |
| Real, Commercial and Industrial | 4,330,499,311 | 19.34% | 3,703,053,676 | 22.36% | 3,036,988,519 | 22.79% |
| Real and Tangible Personal, Utilities | 299,413,219 | 1.34% | 281,756,517 | 1.70% | 260,021,256 | 1.95% |
| Tangible Personal, Business | 3,133,676,310 | 14.00% | 2,318,375,090 | 14.00% | 2,087,178,059 | 15.66% |
| Tangible Personal, Other | 6,474,200 | 0.03% | 4,673,250 | 0.03% | 3,261,760 | 0.02% |
| Special Inventory | 65,038,980 | 0.29% | 61,527,400 | 0.37% | 48,855,450 | 0.37% |
| Totally Exempt Property ⁽¹⁾ | 3,236,921,634 | 14.46% | - | 0.00% | - | 0.00% |
| Total Appraised Market Value | \$ 22,387,406,479 | 100.00% | \$ 16,560,513,963 | 100.00% | \$ 13,328,018,620 | 100.00% |
| Less: Total Exemptions/Reductions | (6,680,466,043) | | (3,050,317,604) | | (1,477,887,129) | |
| Total Taxable Assessed Value | \$ 15,706,940,436 | | \$ 13,510,196,359 | | \$ 11,850,131,491 | |

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---------------------------------------|---|------------|-------------------|------------|
| | 2021 | | 2020 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 5,440,236,061 | 43.55% | \$ 5,045,208,989 | 42.22% |
| Real, Residential, Multi-Family | 1,309,440,113 | 10.48% | 1,204,270,853 | 10.08% |
| Real, Vanat Lots/Tracts/Res Inventory | 260,120,813 | 2.08% | 254,696,041 | 2.13% |
| Real Acreage (Land Only) | 106,653,807 | 0.85% | 101,075,715 | 0.85% |
| Real, Farm and Ranch Improvements | 44,260,405 | 0.35% | 49,625,414 | 0.42% |
| Real, Commercial and Industrial | 3,082,168,132 | 24.67% | 2,931,146,517 | 24.53% |
| Real and Tangible Personal, Utilities | 245,410,126 | 1.96% | 229,487,770 | 1.92% |
| Tangible Personal, Business | 1,955,901,970 | 15.66% | 2,126,880,840 | 17.80% |
| Tangible Personal, Other | 3,009,232 | 0.02% | 2,699,122 | 0.02% |
| Special Inventory | 45,736,940 | 0.37% | 4,485,340 | 0.04% |
| Totally Exempt Property | - | 0.00% | - | 0.00% |
| Total Appraised Market Value | \$ 12,492,937,599 | 100.00% | \$ 11,949,576,601 | 100.00% |
| Less: Total Exemptions/Reductions | (1,293,119,298) | | (1,254,695,579) | |
| Total Taxable Assessed Value | \$ 11,199,818,301 | | \$ 10,694,881,022 | |

Source: McLennan Central Appraisal District and the City.

Note: Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Total taxable assessed values include captured tax value included as part of existing tax increment reinvestment zones within the City. See “TAX INFORMATION – CITY TAX INCREMENT REINVESTMENT ZONES”

⁽¹⁾ In years 2020-2023, Totally Exempt Property was excluded from the line-item Appraised Market Value.

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 9/30 | Estimated Population ⁽¹⁾ | Net Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | Net Tax Supported Debt Outstanding at End of Year ⁽³⁾ | Ratio of G.O. Tax Debt to Taxable Assessed Valuation | G.O. Tax Debt Per Capita |
|------------------------|-------------------------------------|---|---------------------------------------|--|--|--------------------------|
| 2019 | 139,236 | \$ 10,065,575,906 | \$ 72,291 | \$ 98,705,000 | 0.98% | \$ 709 |
| 2020 | 138,486 | 10,694,881,022 | 77,227 | 117,865,000 | 1.10% | 851 |
| 2021 | 139,594 | 11,199,908,301 | 80,232 | 138,245,000 | 1.23% | 990 |
| 2022 | 140,990 | 11,850,131,491 | 84,049 | 175,210,000 | 1.48% | 1,243 |
| 2023 | 142,400 | 13,510,196,539 | 94,875 | 224,180,000 | 1.66% | 1,574 |
| 2024 | 143,984 | 15,706,940,436 | 109,088 | 268,800,000 ⁽⁴⁾ | 1.71% | 1,867 |

⁽¹⁾ Source: The City.

⁽²⁾ McLennan Central Appraisal District and the City. Includes captured tax value included as part of existing tax increment reinvestment zones within the City.

⁽³⁾ Excludes self-supporting debt (see “TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT” and the accompanying footnotes and “TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT”).

⁽⁴⁾ Includes the Obligations and excludes the Refunded Obligations.

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | Tax Levy | % Current Collections | % Total Collections |
|------------------------|------------|--------------|---------------------------|---------------|-----------------------|-----------------------|
| 2019 | \$ 0.77623 | \$ 0.67358 | \$ 0.10265 | \$ 73,976,108 | 98.60% | 100.08% |
| 2020 | 0.77623 | 0.66566 | 0.11058 | 79,178,817 | 97.88% | 98.42% |
| 2021 | 0.78623 | 0.65673 | 0.12950 | 80,235,642 | 99.77% | 103.29% |
| 2022 | 0.76728 | 0.64039 | 0.12689 | 86,881,795 | 99.21% | 99.21% |
| 2023 | 0.76000 | 0.61924 | 0.14076 | 94,986,217 | 98.92% | 100.02% |
| 2024 | 0.75500 | 0.61441 | 0.14059 | 109,361,837 | 95.90% ⁽¹⁾ | 96.10% ⁽¹⁾ |

Source: The City.

⁽¹⁾ Collections as of March 31, 2024.

TABLE 5 – TEN LARGEST TAXPAYERS

| Name of Taxpayer | Nature of Property | 2023 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-----------------------------------|----------------------------------|---------------------------------|---------------------------------------|
| Amazon.com Services Inc. | Online Retail Fulfillment Center | \$ 232,194,160 | 1.48% |
| Refresco Beverages US Inc. | Soft Drink Bottler | 145,769,375 | 0.93% |
| USRE Diana LLC | Nonresidential Building Lessors | 142,888,190 | 0.91% |
| Mars Chocolate North America LLC | Candy Manufacturer | 119,770,590 | 0.76% |
| Sherwin Williams Co Inc. | Paint and Supply Retailer | 94,952,727 | 0.60% |
| L-3 Comm. Integrated Systems | Aircraft Components Manufacturer | 93,284,320 | 0.59% |
| Oncor Electric Delivery Co LLC | Electric Utility | 91,348,335 | 0.58% |
| Atmos Energy/Mid-Tex Distribution | Natural Gas Utility | 81,695,720 | 0.52% |
| Caterpillar Logistics Inc. | Supply Chain Management | 77,318,742 | 0.49% |
| Allergan Inc. | Manufacturing | 71,308,390 | 0.45% |
| | | <u>\$ 1,150,530,549</u> | <u>7.32%</u> |

Source: McLennan Central Appraisal District.

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

TABLE 6 – TAX ADEQUACY ⁽¹⁾

| | |
|---|------------------------------|
| 2024 General Obligation Debt Service Requirements | \$ 19,309,384 ⁽¹⁾ |
| 0.1406 Tax Rate at 98% Collection Produces | 21,640,894 |
| | |
| Net Average Annual Debt Service Requirement (2024-2054) | \$ 13,343,802 ⁽¹⁾ |
| 0.0867 Tax Rate at 98% Collection Produces | \$ 13,343,802 |
| | |
| Net Maximum Annual Debt Services Requirement (2025) | \$ 22,184,772 ⁽¹⁾ |
| 0.1441 Tax Rate at 98% Collection Produces | \$ 22,184,772 |

⁽¹⁾ Includes the Obligations and excludes the self-supporting debt and Refunded Obligations. See "TABLE 1 – VALUATION, EXEMPTIONS, AND GENERAL OBLIGATION DEBT" and the accompanying footnotes and "TABLE 10 – SELF-SUPPORTING DEBT."

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

| | Taxable Assessed Value | 2023 Total Tax Rate | Total GO Debt ⁽¹⁾ | Estimated % Applicable | City's Overlapping Net GO Debt |
|---|------------------------------|---------------------------|---------------------------------|------------------------------|--------------------------------------|
| City of Waco | \$ 15,706,940,436 | \$ 0.7550 | 268,800,000 ⁽²⁾ | 100.0% | \$ 268,800,000 |
| Bosqueville ISD | 289,969,179 | 1.2042 | 24,795,000 | 75.8% | 18,794,610 |
| China Spring ISD | 1,464,179,910 | 1.0214 | 76,134,986 | 47.9% | 36,468,658 |
| Connally ISD | 1,141,702,247 | 0.9803 | 7,715,000 | 13.2% | 1,018,380 |
| La Vega ISD | 1,414,484,776 | 1.0075 | 30,871,337 | 45.0% | 13,882,840 |
| Lorena ISD | 935,479,677 | 0.9568 | 22,394,122 | 3.4% | 761,400 |
| McLennan County | 26,937,964,266 | 0.3298 | 89,770,000 | 54.1% | 48,556,593 |
| McLennan Co. Jr. College Dist. | 29,263,318,453 | 0.1391 | 41,210,000 | 54.1% | 22,290,489 |
| Midway ISD | 8,221,918,643 | 0.9392 | 173,295,000 | 55.6% | 96,386,679 |
| Waco ISD | 2,732,378,751 | 1.0286 | 453,665,000 | 95.1% | 431,299,316 |
| | | | | | |
| Total Direct and Overlapping Tax Funded Debt | | | | | \$ 938,258,965 |
| Ratio of Direct and Overlapping Tax Funded Debt to Taxable Assessed Valuation | | | | | 5.97% |
| Per Capita Overlapping Tax Funded Debt | | | | | \$ 6,516 |

⁽¹⁾ Total General Obligation Debt as of April 30, 2024.

⁽²⁾ Excludes Self-Supporting debt and the Refunded Obligations. Includes the Obligations.

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DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| FYE | General | | | Less: | | | Plus: The 2024A Certificates ⁽²⁾ | | | Plus: The 2024B Certificates ⁽²⁾ | | | Plus: The Bonds ⁽²⁾ | | | Total General | Less: | Net General | % of |
|------|-------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|----------------------|---|----------------------|----------------------|---|----------------------|-------------------------|--------------------------------|-----------------------------|-----------------------------|---------------|-------|-------------|------|
| | Obligation | Refunded | | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Obligation | Self-Supporting | Obligation | Principal | | | |
| | 9/30 | Debt Service ⁽¹⁾ | Debt Service | | | | | | | | | | Debt Service ⁽²⁾ | Debt Service ⁽²⁾ | Debt Service ⁽²⁾ | Retired | | | |
| 2024 | \$ 68,676,321 | \$ 126,301 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 136,425 | \$ 136,425 | \$ 68,686,446 | \$ 49,377,062 | \$ 19,309,384 | | | |
| 2025 | 64,560,759 | 1,337,300 | 2,855,000 | 11,156,298 | 14,011,298 | 705,000 | 2,653,013 | 3,358,013 | - | 1,444,500 | 1,444,500 | 82,037,269 | 59,852,498 | 22,184,772 | | | | | |
| 2026 | 62,226,099 | 9,502,925 | 4,115,000 | 10,013,163 | 14,128,163 | 895,000 | 2,374,248 | 3,269,248 | 8,130,000 | 1,241,250 | 9,371,250 | 79,491,834 | 57,566,764 | 21,925,070 | | | | | |
| 2027 | 61,819,892 | 6,896,550 | 4,325,000 | 9,802,163 | 14,127,163 | 945,000 | 2,319,048 | 3,264,048 | 5,880,000 | 891,000 | 6,771,000 | 79,085,552 | 57,341,756 | 21,743,795 | | | | | |
| 2028 | 60,693,179 | 2,335,575 | 4,545,000 | 9,580,413 | 14,125,413 | 1,005,000 | 2,260,548 | 3,265,548 | 1,505,000 | 706,375 | 2,211,375 | 77,959,939 | 57,162,994 | 20,796,945 | 20.10% | | | | |
| 2029 | 60,155,163 | 1,316,900 | 4,785,000 | 9,347,163 | 14,132,163 | 1,070,000 | 2,198,298 | 3,268,298 | 540,000 | 655,250 | 1,195,250 | 77,433,973 | 56,674,928 | 20,759,045 | | | | | |
| 2030 | 60,154,305 | 1,316,900 | 4,280,000 | 9,120,538 | 13,400,538 | 795,000 | 2,142,348 | 2,937,348 | 560,000 | 627,750 | 1,187,750 | 76,363,040 | 55,605,032 | 20,758,008 | | | | | |
| 2031 | 58,771,732 | 2,201,900 | 4,510,000 | 8,900,788 | 13,410,788 | 845,000 | 2,093,148 | 2,938,148 | 1,495,000 | 576,375 | 2,071,375 | 74,990,142 | 54,567,525 | 20,422,617 | | | | | |
| 2032 | 58,150,257 | 5,430,700 | 4,735,000 | 8,669,663 | 13,404,663 | 900,000 | 2,040,798 | 2,940,798 | 4,890,000 | 416,750 | 5,306,750 | 74,371,767 | 54,546,956 | 19,914,811 | | | | | |
| 2033 | 54,990,152 | 2,037,800 | 4,970,000 | 8,427,038 | 13,397,038 | 955,000 | 1,985,148 | 2,940,148 | 1,660,000 | 253,000 | 1,913,000 | 71,202,537 | 51,501,829 | 19,700,708 | 42.88% | | | | |
| 2034 | 53,542,149 | 2,043,400 | 5,240,000 | 8,171,788 | 13,411,788 | 1,010,000 | 1,930,970 | 2,940,970 | 1,745,000 | 167,875 | 1,912,875 | 69,764,381 | 50,636,383 | 19,127,998 | | | | | |
| 2035 | 52,678,497 | 1,374,500 | 5,505,000 | 7,903,163 | 13,408,163 | 1,060,000 | 1,878,121 | 2,938,121 | 1,215,000 | 93,875 | 1,308,875 | 68,959,155 | 49,922,737 | 19,036,417 | | | | | |
| 2036 | 50,989,228 | 1,366,800 | 5,790,000 | 7,620,788 | 13,410,788 | 1,120,000 | 1,821,371 | 2,941,371 | 1,270,000 | 31,750 | 1,301,750 | 67,276,337 | 48,347,041 | 18,929,296 | | | | | |
| 2037 | 42,590,654 | - | 6,080,000 | 7,324,038 | 13,404,038 | 1,180,000 | 1,760,644 | 2,940,644 | - | - | - | 58,935,335 | 40,279,026 | 18,656,309 | | | | | |
| 2038 | 37,873,792 | - | 6,385,000 | 7,012,413 | 13,397,413 | 1,240,000 | 1,696,143 | 2,936,143 | - | - | - | 54,207,348 | 36,365,437 | 17,841,911 | 67.42% | | | | |
| 2039 | 33,714,819 | - | 6,725,000 | 6,684,663 | 13,409,663 | 1,160,000 | 1,631,593 | 2,791,593 | - | - | - | 49,916,074 | 33,036,328 | 16,879,747 | | | | | |
| 2040 | 29,258,824 | - | 7,020,000 | 6,341,038 | 13,361,038 | 1,375,000 | 1,562,514 | 2,937,514 | - | - | - | 45,557,375 | 29,927,226 | 15,630,149 | | | | | |
| 2041 | 25,323,219 | - | 7,385,000 | 5,980,913 | 13,365,913 | 1,455,000 | 1,484,859 | 2,939,859 | - | - | - | 41,628,990 | 27,746,625 | 13,882,365 | | | | | |
| 2042 | 21,289,871 | - | 7,755,000 | 5,602,413 | 13,357,413 | 1,540,000 | 1,402,676 | 2,942,676 | - | - | - | 37,589,960 | 24,822,225 | 12,767,735 | | | | | |
| 2043 | 13,971,452 | - | 8,155,000 | 5,204,663 | 13,359,663 | 1,625,000 | 1,315,828 | 2,940,828 | - | - | - | 30,271,943 | 21,642,176 | 8,629,768 | 87.06% | | | | |
| 2044 | 7,797,340 | - | 8,580,000 | 4,786,288 | 13,366,288 | 1,715,000 | 1,224,179 | 2,939,179 | - | - | - | 24,102,806 | 17,643,889 | 6,458,918 | | | | | |
| 2045 | 7,793,431 | - | 7,005,000 | 4,396,663 | 11,401,663 | 1,815,000 | 1,126,227 | 2,941,227 | - | - | - | 22,136,320 | 17,640,987 | 4,495,333 | | | | | |
| 2046 | 7,799,056 | - | 7,375,000 | 4,037,163 | 11,412,163 | 1,915,000 | 1,021,637 | 2,936,637 | - | - | - | 22,147,856 | 17,649,372 | 4,498,484 | | | | | |
| 2047 | 7,210,337 | - | 7,745,000 | 3,659,163 | 11,404,163 | 2,025,000 | 911,160 | 2,936,160 | - | - | - | 21,550,659 | 17,638,633 | 3,912,026 | | | | | |
| 2048 | 7,222,243 | - | 8,140,000 | 3,262,038 | 11,402,038 | 2,145,000 | 794,233 | 2,939,233 | - | - | - | 21,563,514 | 17,652,270 | 3,911,243 | 93.22% | | | | |
| 2049 | 7,227,378 | - | 8,550,000 | 2,844,788 | 11,394,788 | 2,265,000 | 670,577 | 2,935,577 | - | - | - | 21,557,742 | 17,653,233 | 3,904,509 | | | | | |
| 2050 | 7,220,491 | - | 9,000,000 | 2,394,788 | 11,394,788 | 2,395,000 | 539,910 | 2,934,910 | - | - | - | 21,550,189 | 17,645,315 | 3,904,874 | | | | | |
| 2051 | 7,216,429 | - | 9,480,000 | 1,909,688 | 11,389,688 | 2,535,000 | 401,673 | 2,936,673 | - | - | - | 21,542,789 | 17,636,154 | 3,906,635 | | | | | |
| 2052 | 7,224,333 | - | 9,995,000 | 1,398,469 | 11,393,469 | 2,680,000 | 255,444 | 2,935,444 | - | - | - | 21,553,246 | 17,647,297 | 3,905,949 | | | | | |
| 2053 | 3,121,200 | - | 10,540,000 | 859,425 | 11,399,425 | 1,565,000 | 136,415 | 1,701,415 | - | - | - | 16,222,040 | 12,314,596 | 3,907,443 | 99.32% | | | | |
| 2054 | - | - | 11,100,000 | 291,375 | 11,391,375 | 1,650,000 | 46,266 | 1,696,266 | - | - | - | 13,087,641 | 11,132,053 | 1,955,588 | 100.00% | | | | |
| | <u>\$ 1,041,262,600</u> | <u>\$ 37,287,551</u> | <u>\$ 202,670,000</u> | <u>\$ 182,702,942</u> | <u>\$ 385,372,942</u> | <u>\$ 43,585,000</u> | <u>\$ 43,679,031</u> | <u>\$ 87,264,031</u> | <u>\$ 28,890,000</u> | <u>\$ 7,242,175</u> | <u>\$ 36,132,175</u> | <u>\$ 1,512,744,197</u> | <u>\$ 1,099,086,343</u> | <u>\$ 413,657,854</u> | | | | | |

(1) Does not include lease/purchase obligations. See “OTHER OBLIGATIONS.”

(2) See “TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT” and the accompanying footnotes and “TABLE 10 – PRO FORMA SELF-SUPPORTING DEBT.”

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

| | | |
|--|--------------|---------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/24 ⁽¹⁾ | | \$ 19,309,384 |
| Interest and Sinking Fund Balance, 9/30/2023 | \$ 964,797 | |
| Budgeted Interest and Sinking Fund Tax Levy | 20,364,705 | |
| Estimated Investment Income | <u>3,000</u> | <u>21,332,502</u> |
| Estimated Balance, 9/30/24 | | <u>\$ 2,023,118</u> |

Source: The City.

⁽¹⁾ Excludes Self-Supporting Debt and the Refunded Obligations. Includes the Obligations.

TABLE 10 – SELF-SUPPORTING DEBT⁽¹⁾⁽²⁾

| Fiscal Year Ended 9/30 | Water System | Sewer System | Solid Waste System | Tax Increment Reinvestment Zone | Drainage System | Total Self-Supporting Debt Service Requirements | Net Tax-Supported Debt Service Requirements |
|------------------------|-----------------------|-----------------------|----------------------|---------------------------------|----------------------|---|---|
| 2024 | \$ 22,814,923 | \$ 18,873,543 | \$ 3,338,040 | \$ 3,388,116 | \$ 962,440 | \$ 49,377,062 | \$ 19,309,384 |
| 2025 | 24,008,270 | 21,572,581 | 5,846,274 | 7,465,123 | 960,250 | 59,852,498 | 22,184,772 |
| 2026 | 22,117,457 | 21,256,300 | 5,844,444 | 7,386,038 | 962,525 | 57,566,764 | 21,925,070 |
| 2027 | 22,025,527 | 21,135,150 | 5,833,216 | 7,388,788 | 959,075 | 57,341,756 | 21,743,795 |
| 2028 | 22,219,693 | 21,283,150 | 5,309,912 | 7,387,538 | 962,700 | 57,162,994 | 20,796,945 |
| 2029 | 21,622,919 | 21,187,638 | 4,630,608 | 8,275,563 | 958,200 | 56,674,928 | 20,759,045 |
| 2030 | 21,624,528 | 21,175,388 | 3,232,829 | 8,609,838 | 962,450 | 55,605,032 | 20,758,008 |
| 2031 | 20,787,534 | 20,966,988 | 3,232,740 | 8,619,938 | 960,325 | 54,567,525 | 20,422,617 |
| 2032 | 20,840,159 | 20,917,334 | 3,125,699 | 8,616,813 | 956,950 | 54,456,956 | 19,914,811 |
| 2033 | 20,863,718 | 18,721,731 | 3,123,229 | 7,831,076 | 962,075 | 51,501,829 | 19,700,708 |
| 2034 | 20,299,999 | 18,416,159 | 3,126,790 | 7,834,935 | 958,500 | 50,636,383 | 19,127,998 |
| 2035 | 19,992,247 | 18,022,472 | 3,108,869 | 7,837,675 | 961,475 | 49,922,737 | 19,036,417 |
| 2036 | 18,791,309 | 17,643,544 | 3,112,238 | 7,841,625 | 958,325 | 48,347,041 | 18,929,296 |
| 2037 | 14,397,429 | 13,985,413 | 3,107,177 | 7,831,708 | 957,300 | 40,279,026 | 18,656,309 |
| 2038 | 11,270,003 | 13,195,009 | 3,108,674 | 7,831,151 | 960,600 | 36,365,437 | 17,841,911 |
| 2039 | 9,926,109 | 11,209,325 | 3,106,287 | 7,834,606 | 960,000 | 33,036,328 | 16,879,747 |
| 2040 | 8,498,047 | 9,532,756 | 3,104,777 | 7,833,446 | 958,200 | 29,927,226 | 15,630,149 |
| 2041 | 7,244,738 | 8,609,975 | 3,099,379 | 7,832,434 | 960,100 | 27,746,625 | 13,882,365 |
| 2042 | 5,925,838 | 7,316,000 | 2,788,473 | 7,831,315 | 960,600 | 24,822,225 | 12,767,735 |
| 2043 | 4,495,788 | 6,674,025 | 2,462,238 | 7,834,425 | 175,700 | 21,642,176 | 8,629,768 |
| 2044 | 2,694,038 | 4,481,200 | 2,461,999 | 7,830,652 | 176,000 | 17,643,889 | 6,458,918 |
| 2045 | 2,693,763 | 4,480,350 | 2,456,909 | 7,833,865 | 176,100 | 17,640,987 | 4,495,333 |
| 2046 | 2,699,313 | 4,478,225 | 2,457,062 | 7,838,773 | 176,000 | 17,649,372 | 4,498,484 |
| 2047 | 2,695,563 | 4,474,550 | 2,457,503 | 7,835,317 | 175,700 | 17,638,633 | 3,912,026 |
| 2048 | 2,692,488 | 4,488,750 | 2,462,826 | 7,828,107 | 180,100 | 17,652,270 | 3,911,243 |
| 2049 | 2,694,738 | 4,490,375 | 2,457,785 | 7,831,135 | 179,200 | 17,653,233 | 3,904,509 |
| 2050 | 2,694,488 | 4,490,819 | 2,457,171 | 7,824,738 | 178,100 | 17,645,315 | 3,904,874 |
| 2051 | 2,696,231 | 4,484,475 | 2,450,815 | 7,827,833 | 176,800 | 17,636,154 | 3,906,635 |
| 2052 | 2,692,031 | 4,493,831 | 2,458,276 | 7,827,858 | 175,300 | 17,647,297 | 3,905,949 |
| 2053 | 2,696,494 | 4,183,069 | 1,460,409 | 3,796,125 | 178,500 | 12,314,596 | 3,907,443 |
| 2054 | 2,483,525 | 3,422,544 | 1,433,991 | 3,791,994 | - | 11,132,053 | 1,955,588 |
| | <u>\$ 369,198,901</u> | <u>\$ 379,662,668</u> | <u>\$ 98,656,638</u> | <u>\$ 231,378,547</u> | <u>\$ 20,189,590</u> | <u>\$ 1,099,086,343</u> | <u>\$ 413,657,854</u> |

⁽¹⁾ In the past several years, the City has sold combination tax and revenue certificates of obligation to finance projects for the City’s water system, sewer system, tax increment zones, solid waste system and drainage system and has internally allocated portions of this debt as payable from the respective enterprise funds or tax increment zone fund. The self-supporting amounts listed above are projections of debt that is expected to be retired by the City based on actual historical payments from these funds to pay for debt service on the outstanding general obligation debt. **There is no guarantee that payments from these funds will continue in the future.** If payments are not made from such sources in the future, the City will be required to levy ad valorem taxes in amounts sufficient to make such payments.

⁽²⁾ Includes a portion of the Certificates.

AUTHORIZED BY UNISSUED GENERAL OBLIGATION BONDS... The City has no voter authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT... On January 16, 2024, the Waco City Council passed a resolution authorizing submission of a Drinking Water State Revolving Fund loan application for \$20 million to the Texas Water Development Board. If approved, 51% of the loan would be forgivable and would result in issuance of additional Combination Tax and Revenue Certificates of Obligation in the next 12 months to finance water and wastewater system improvements. Such obligations will be purchased by the Texas Water Development Board. Such obligations are expected to be secured by ad valorem taxes and surplus revenues of the water and wastewater system. The City anticipates that such obligations will be self-supporting from water and wastewater system revenue. See “FINANCIAL INFORMATION – CAPITAL IMPROVEMENT PROGRAM” for information regarding the City’s financing program for capital improvements.

OTHER OBLIGATIONS... The City entered into agreements with Baylor University during 2022 to purchase land for \$15,221,017. The transaction was closed during 2023. The agreement provided that the City would pay \$300,000 cash at closing, and make 5 annual payments of \$2,984,203, with no interest accruing on the unpaid principal balance. Interest is imputed at 1.40% over the term of the agreement.

| Fiscal Year Ending 9/30 | Principal | Interest | Annual Payment |
|----------------------------|----------------------|-------------------|----------------------|
| 2024 | \$ 2,783,626 | \$ 200,578 | \$ 2,984,204 |
| 2025 | 2,822,632 | 161,571 | 2,984,203 |
| 2026 | 2,862,186 | 122,017 | 2,984,203 |
| 2027 | 2,902,294 | 81,910 | 2,984,204 |
| 2028 | 2,942,964 | 41,240 | 2,984,204 |
| | <u>\$ 14,313,702</u> | <u>\$ 607,316</u> | <u>\$ 14,921,018</u> |

The City has entered into an agreement with the City of West, Texas to supply water to the City of West for 40 years pursuant to an agreed-upon rate structure. As part of the agreement, the City purchased a pump station and water transmission line from the City of West for \$12,814 monthly for 18 years and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement.

| Fiscal Year Ending 9/30 | Principal | Interest | Annual Payment |
|----------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 31,325 | \$ 48,257 | \$ 79,582 |
| 2025 | 32,716 | 46,866 | 79,582 |
| 2026 | 34,169 | 45,413 | 79,582 |
| 2027 | 35,687 | 43,895 | 79,582 |
| 2028 | 37,272 | 42,310 | 79,582 |
| 2029-2033 | 212,708 | 185,202 | 397,910 |
| 2034-2038 | 264,327 | 133,582 | 397,909 |
| 2039-2043 | 328,474 | 69,435 | 397,909 |
| 2044-2047 | 146,088 | 6,444 | 152,532 |
| | <u>\$ 1,122,766</u> | <u>\$ 621,404</u> | <u>\$ 1,744,170</u> |

The City has also entered into a lease financing agreement with Bank of America to finance the purchase of fire trucks for the City. The payments are approximately \$534,913 per year for ten years.

| Fiscal Year Ending 9/30 | Principal | Interest | Annual Payment |
|----------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 487,003 | \$ 47,910 | \$ 534,913 |
| 2025 | 493,575 | 41,338 | 534,913 |
| 2026 | 500,236 | 34,677 | 534,913 |
| 2027 | 506,987 | 27,926 | 534,913 |
| 2028 | 513,829 | 21,084 | 534,913 |
| 2029-2032 | 1,048,553 | 21,273 | 1,069,826 |
| | <u>\$ 3,550,183</u> | <u>\$ 194,208</u> | <u>\$ 3,744,391</u> |

PENSION FUND... The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expenses. (For more detailed information concerning the retirement plan, see “APPENDIX B – EXCERPTS FROM THE CITY OF WACO, TEXAS ANNUAL COMPREHENSIVE FINANCIAL REPORT” - Note IV, L.).

Governmental Accounting Standards Board (“GASB”) Statement No. 68, Accounting and Financial Reporting for Pensions (“GASB No. 68”) was implemented by the City effective on October 1, 2014. This statement established standards for pension accounting and financial reporting for the City. Under GASB No. 68, the City must report the net pension liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits. The City’s net pension liability reported as of September 30, 2023 is \$87,742,896. While the City’s calculated full contribution rate for calendar year 2023 was 13.67%, the City budgeted to contribute at the rate of 15% to assist with controlling its net pension liability. The plan’s fiduciary net position is 85.33% of the total pension liability.

The City changed its TMRS plan provisions effective January 1, 2024 by adding a non-retroactive (or ad hoc) 30% repeating COLA. This increased the City’s required contribution. Without the change the required contribution rate would have been 13.92%, and the City would have continued to contribute at 15.00%. With the change the required contribution rate is 15.61%, and the City is contributing 18.00%.

OTHER POST-EMPLOYMENT BENEFITS... In addition to pension benefits, the City provides certain other post-employment benefits for retired employees (“OPEB”). GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB No. 75”) was implemented by the City effective on October 1, 2017. This standard established accounting and financial reporting requirements for OPEB benefits. Under GASB No. 75, the City must report the total OPEB liability and OPEB expense along with the related deferred inflows and inflows of resources. The City’s total OPEB liability reported as of September 30, 2023 is \$1,592,554. (For more detailed information concerning OPEB, see “APPENDIX B - EXCERPTS FROM THE CITY OF WACO, TEXAS ANNUAL COMPREHENSIVE FINANCIAL REPORT” – Note IV, K).

Life Insurance Benefits: The City provides postretirement life insurance benefits for certain eligible retirees. According to City’s personnel policy, retirees who have retired under the Texas Municipal Retirement System with a minimum of 20 years of service are eligible for postretirement life insurance benefits. The City pays 100 percent of the premiums of life insurance coverage for the eligible retirees. An optional \$5,000 of life insurance coverage is available at the retirees' expense. At September 30, 2023, there were 616 employees who had retired and were receiving benefits. The City finances the plan on a pay-as-you-go basis. Life insurance benefits amounted to \$56,981 for 2023.

Health Insurance Benefits: Eligible City retirees may elect upon retirement to participate, at the retirees’ sole expense, in the City’s self- insured health insurance plan. If retirees do not elect to participate in the City-sponsored health insurance plan at the time they retire or if they terminate their participation in the plans after retirement, they may not later rejoin any of the plans. The City pays no portion of the retiree health insurance premiums. Current retiree health insurance premiums have been determined and set independently of premiums for active employees at levels intended to cover the full cost of retiree health insurance benefits. As of September 2023, there were 14 retirees participating in the City’s self-insured health insurance plan.

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FINANCIAL INFORMATION

TABLE 11 – GOVERNMENTAL ACTIVITIES: CHANGE IN NET POSITION

| | Fiscal Year Ended September 30, | | | | | |
|---|---------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | 2023 | | 2022 | | 2021 | |
| | Governmental Activities | Business-Type Activities | Governmental Activities | Business-Type Activities | Governmental Activities | Business-Type Activities |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 10,720,420 | \$ 163,565,083 | \$ 10,299,957 | \$ 149,410,715 | \$ 8,703,930 | \$ 127,171,595 |
| Operating Grants and Contributions | 22,518,303 | 12,476,167 | 18,455,983 | 6,995,722 | 16,122,738 | 7,190,824 |
| Capital Grants and Contributions | 3,695,505 | 25,428,101 | 22,773,022 | 31,328,186 | 14,300,491 | 21,233,196 |
| General Revenues: | | | | | | |
| Property Taxes | 105,558,497 | - | 101,204,561 | - | 96,322,780 | - |
| Sales Taxes | 55,744,974 | - | 54,078,904 | - | 48,720,357 | - |
| Franchise Taxes | 16,429,419 | - | 16,424,001 | - | 14,523,390 | - |
| Hotel/Motel Taxes | - | 6,475,224 | - | 6,120,368 | - | 4,519,547 |
| Other Taxes | 1,649,254 | - | 1,468,276 | - | 1,368,393 | - |
| Investment Earnings | 24,779,322 | 5,543,789 | (4,681,366) | (1,995,863) | 669,398 | 200,269 |
| Miscellaneous | 3,767,602 | - | 3,417,510 | - | 2,834,269 | - |
| Total Revenues | \$ 244,863,296 | \$ 213,488,364 | \$ 223,440,848 | \$ 191,859,128 | \$ 203,565,746 | \$ 160,315,431 |
| Expenses: | | | | | | |
| General Administration | \$ 28,879,531 | \$ - | \$ 37,898,024 | \$ - | \$ 25,498,744 | \$ - |
| Public Works | 17,445,123 | - | 13,192,410 | - | 17,613,038 | - |
| Public Safety | 100,583,942 | - | 82,716,607 | - | 79,691,854 | - |
| Culture and Recreation | 23,824,505 | - | 19,340,512 | - | 18,044,204 | - |
| Public Health | 11,137,890 | - | 6,574,493 | - | 9,604,109 | - |
| Housing & Community Development | 11,548,298 | - | 10,151,107 | - | 5,617,611 | - |
| Interest on Long-Term Debt | 6,720,892 | - | 4,657,397 | - | 3,789,974 | - |
| Water | - | 50,540,255 | - | 43,736,573 | - | 40,438,161 |
| Wastewater | - | 44,333,232 | - | 36,827,351 | - | 30,142,967 |
| Solid Waste | - | 30,736,959 | - | 23,722,537 | - | 22,960,146 |
| Airport | - | 8,715,345 | - | 5,170,896 | - | 5,370,976 |
| Convention Services | - | 5,790,586 | - | 5,414,985 | - | 3,315,097 |
| Ranger Hall of Fame | - | 7,892,219 | - | 1,597,859 | - | 1,631,553 |
| Cameron Park Zoo | - | 1,976,635 | - | 6,764,818 | - | 5,879,107 |
| Transit Services | - | 8,229,764 | - | 7,810,717 | - | 7,246,662 |
| Cottonwood Creek Golf Course | - | 2,963,035 | - | 2,102,667 | - | 1,911,463 |
| Stormwater (Drainage) | - | 5,309,266 | - | 3,467,729 | - | 116,493 |
| Total Expenses | \$ 200,140,181 | \$ 166,487,296 | \$ 174,530,550 | \$ 136,616,132 | \$ 159,859,534 | \$ 119,012,625 |
| Increase in Net Position Before Transfers | \$ 44,723,115 | \$ 47,001,068 | \$ 48,910,298 | \$ 55,242,996 | \$ 43,706,212 | \$ 41,302,806 |
| Special Item - Gain on Termination of WMARSS Agreement | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transfers In (Out) | \$ (11,442,655) | \$ 11,442,655 | \$ 1,853,671 | \$ (1,853,671) | \$ 74,108 | \$ (74,108) |
| Net Position - October 1 | <u>\$ 449,322,691</u> | <u>\$ 474,975,748</u> | <u>\$ 398,558,722</u> | <u>\$ 421,586,423</u> | <u>\$ 354,778,402</u> | <u>\$ 380,357,725</u> |
| Net Position - September 30 | <u>\$ 482,603,151</u> | <u>\$ 533,419,471</u> | <u>\$ 449,322,691</u> | <u>\$ 474,975,748</u> | <u>\$ 398,558,722</u> | <u>\$ 421,586,423</u> |

Note: Includes Governmental and Business Activities.

Source: The City's Annual Comprehensive Financial Report.

TABLE 11A – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

| | Fiscal Year Ended September 30, (In Thousands) | | | | |
|---|--|------------------------|------------------------|------------------------|-----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Revenues: | | | | | |
| Taxes | \$ 133,086,560 | \$ 127,234,394 | \$ 117,775,591 | \$ 107,848,201 | \$ 104,837,511 |
| Business and Occupation Fees | 16,429,419 | 16,424,001 | 14,523,391 | 14,480,403 | 14,590,418 |
| Permits, Licenses and Fees | 3,162,803 | 2,906,271 | 2,652,165 | 1,980,690 | 1,875,782 |
| Fines | 1,404,021 | 1,450,081 | 1,430,399 | 1,281,770 | 1,607,374 |
| Charges for Services | 2,863,857 | 2,542,795 | 2,273,973 | 1,921,824 | 2,101,940 |
| Investment Earnings | 7,567,725 | (2,536,875) | 227,211 | 1,175,429 | 2,470,954 |
| Contributions | 707,260 | 701,928 | 766,646 | 779,925 | 677,457 |
| Intergovernmental | 2,762,665 | 2,380,721 | 2,277,704 | 9,631,875 | 2,121,293 |
| Other | 17,068,290 | 16,208,786 | 14,754,479 | 13,293,399 | 15,339,935 |
| Total Revenues | \$ 185,052,600 | \$ 167,312,102 | \$ 156,681,559 | \$ 152,393,516 | \$ 145,622,664 |
| Expenditures: | | | | | |
| General Government | \$ 34,595,539 | \$ 38,122,080 | \$ 29,252,693 | \$ 27,574,920 | \$ 22,288,315 |
| Public Works | 8,984,832 | 7,354,611 | 7,234,403 | 7,264,287 | 6,613,207 |
| Public Safety | 93,092,116 | 85,029,296 | 79,239,354 | 77,593,423 | 74,909,796 |
| Culture and Recreation | 20,049,051 | 16,429,108 | 14,315,708 | 15,189,397 | 15,171,835 |
| Housing and Community Development | 739,684 | 1,994,111 | 1,191,415 | 381,159 | 315,545 |
| Total Expenditures | \$ 157,461,222 | \$ 148,929,206 | \$ 131,233,573 | \$ 128,003,186 | \$ 119,298,698 |
| Excess Revenues Under (Over) Expenditures | \$ 27,591,378 | \$ 18,382,896 | \$ 25,447,986 | \$ 24,390,330 | \$ 26,323,966 |
| Other Financing Sources (Uses) | | | | | |
| Financing of Leases | \$ 189,225 | \$ 2,307,239 | \$ - | \$ - | \$ - |
| Financing of Subscriptions | 768,816 | - | - | - | - |
| Transfers In | 5,955,216 | 9,155,185 | 7,140,674 | 7,192,479 | 5,111,669 |
| Transfers Out | (27,396,608) | (26,851,876) | (31,878,087) | (26,811,221) | (14,204,233) |
| Total Other Financing Sources (Uses) | \$ (20,483,351) | \$ (15,389,452) | \$ (24,737,413) | \$ (19,618,742) | \$ (9,092,564) |
| Net Change in Fund Balance | \$ 7,108,027 | \$ 2,993,444 | \$ 710,573 | \$ 4,771,588 | \$ 17,231,402 |
| Beginning Fund Balance | \$ 95,799,423 | \$ 92,805,979 | \$ 92,095,406 | \$ 87,323,818 | \$ 70,092,416 |
| Ending Fund Balance | \$ 102,907,450 | \$ 95,799,423 | \$ 92,805,979 | \$ 92,095,406 | \$ 87,323,818 |

Source: The City's Annual Comprehensive Financial Report.

TABLE 12 – ENTERPRISE FUNDS: NET REVENUES AVAILABLE FOR DEBT SERVICE⁽¹⁾⁽²⁾

| | Water & Wastewater System | Solid Waste System | Tax Increment Financing Zone | Drainage System |
|--|---------------------------------|-----------------------|---------------------------------|--------------------|
| Revenues as of 9/30/23 | \$ 116,778,466 | \$ 33,171,333 | \$ 10,780,317 | \$ 6,777,223 |
| Expenditures as of 9/30/23 (Excluding Depreciation) | (63,496,787) | (26,185,000) | (7,618,687) | (4,660,252) |
| Net Revenues Available for Debt Service as of 9/30/23 | \$ 53,281,679 | \$ 6,986,333 | \$ 3,161,630 | \$ 2,116,971 |
| Estimated 2024 Debt Service Allocable to System or Tax Increment Zone | \$ 41,688,934 | \$ 3,338,040 | \$ 3,388,116 | \$ 962,440 |

⁽¹⁾ In previous years, Tax Increment Financing Zone ("TIF") included only TIF Operating Funds, and Bond Capital Improvement Project funds for TIF were reported in the Capital Projects Fund. The 2023 audited financials consolidate the TIF Operating Funds with the Capital Project Fund. Revenues and expenditures in this table are for TIF Operating Funds. The difference between Net Revenues Available for Debt Service and Estimated 2024 Debt Service Allocable to System is paid for by a planned General Fund transfer and existing TIF Fund Balance.

⁽²⁾ Includes a portion of the Certificates.

TABLE 13 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Tax Code, V.T.C.A. 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 affected through the offices of the Comptroller, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On August 8, 1987, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%), which tax is in effect until the voters repeal it.

| Fiscal Year Ended 9/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita ⁽¹⁾ |
|------------------------|-----------------|--------------------------|-----------------------------------|---------------------------|
| 2019 | \$ 40,610,169 | 54.90% | \$ 0.4300 | \$ 292 |
| 2020 | 41,033,102 | 51.82% | 0.4000 | 296 |
| 2021 | 48,720,357 | 60.72% | 0.4700 | 349 |
| 2022 | 54,078,904 | 62.24% | 0.4700 | 384 |
| 2023 | 55,744,974 | 58.69% | 0.4126 | 391 |

⁽¹⁾ Based on estimated population shown in TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY .

CAPITAL IMPROVEMENT PROGRAM

The City’s Capital Improvement Program calls for the following bond issuance schedule.

| FYE 9/30 | General Obligation | Tax Increment Financing | Solid Waste System | Water System | Wastewater System | Drainage System | Total |
|----------|------------------------------|-------------------------|----------------------|-----------------------|-----------------------|---------------------|-----------------------|
| 2024 | \$ 59,010,000 ⁽¹⁾ | \$ 78,845,000 | \$ 27,274,000 | \$ 41,000,000 | \$ 56,625,000 | \$ - | \$ 262,754,000 |
| 2025 | 40,000,000 | - | 3,765,000 | 23,500,000 | 51,500,000 | 4,983,751 | 123,748,751 |
| 2026 | 30,000,000 | - | 12,903,800 | 40,204,000 | 28,900,000 | - | 112,007,800 |
| 2027 | 40,000,000 | - | 7,979,750 | 86,500,000 | 18,250,000 | - | 152,729,750 |
| 2028 | 20,000,000 | - | 2,430,400 | 17,000,000 | 26,000,000 | - | 65,430,400 |
| | <u>\$ 189,010,000</u> | <u>\$ 78,845,000</u> | <u>\$ 54,352,950</u> | <u>\$ 208,204,000</u> | <u>\$ 181,275,000</u> | <u>\$ 4,983,751</u> | <u>\$ 716,670,701</u> |

Note: Amounts included are project funds.

⁽¹⁾ Includes a portion of the Certificates.

WATERWORKS AND SEWER SYSTEM

THE FOLLOWING INFORMATION IS PROVIDED BECAUSE IN RECENT HISTORY, THE CITY HAS BEEN PAYING DEBT SERVICE ON A PORTION OF ITS OUTSTANDING GENERAL OBLIGATION TAX DEBT WITH REVENUES FROM ITS WATER AND SEWER SYSTEM AND BECAUSE EACH SERIES OF THE CERTIFICATES ARE SECURED BY A LIMITED PLEDGE, NOT TO EXCEED \$1,000, OF THE SURPLUS REVENUES OF THE CITY’S WATER AND SEWER SYSTEM. ALTHOUGH THE CITY CURRENTLY MAKES USE OF WATER AND SEWER SYSTEM REVENUE TO PAY CERTAIN OF ITS GENERAL OBLIGATION TAX DEBT, THERE IS NO PLEDGE OF SUCH REVENUES TO SECURE THE CERTIFICATES EXCEPT FOR THE LIMITED \$1,000 PLEDGE SECURING THE CERTIFICATES. SEE “THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES,” AND “TABLE 10 – SELF-SUPPORTING DEBT.”

WATER SYSTEM... The City obtains a large preponderance of its domestic and industrial surface water supply from the Lake Waco reservoir. Lake Waco was constructed by the United States Army Corps of Engineers to provide flood control and water conservation storage. Construction started in June 1958, and deliberate impoundment began in February 1965. The lake inundated the old Lake Waco which was built in 1929 about 3,000 feet upstream from the new dam. The City received 13,026 acre-feet of priority storage rights in the new lake in exchange for the like amount of storage capacity of the old lake. In 1958, with initiation of construction of the new lake, the City contracted with the Brazos River Authority (the “BRA”), the official agent for the State in the project, for purchase of the remaining 104,100 acre-feet of water supply storage in Lake Waco.

In order to expand its water supply, in 1998, the City authorized the United States Army Corps of Engineers, through BRA, to raise the conservation level of Lake Waco by seven (7) feet. The project was completed in 2005. Deliberate impoundment for the pool raise began September 1, 2003. This pool raise action has increased the City’s diversion right from 59,100 acre-feet to 79,100 acre-feet annually.

In addition to Lake Waco water rights, the City has a permit, dated June 29, 1914, to withdraw up to 5,600 acre-feet annually from the Brazos River for municipal purposes.

During 2022, the City purchased additional water rights of 2,153 acre-feet in the Brazos River in Bosque County, Texas.

The City's water treatment facilities currently consist of two plants with an aggregate design per day of 84 million gallons per day ("mgd"). Treated water storage capacity totals 43.565 million gallons. Average daily water sold during 2022 was 27.75 mgd, while average daily water treated was 29.08 mgd.

WASTEWATER TREATMENT... In 1968, the City entered into a contract with the BRA, which provided for BRA to establish a regional wastewater treatment system, the Waco Metropolitan Area Regional Sewer System ("WMARSS"), and to adequately receive, transport, treat and dispose of the City's wastewater.

During 2004, the City entered into an interlocal cooperation agreement (the "Agreement") with the surrounding cities of Bellmead, Woodway, Robinson, and Lacy Lakeview to acquire the WMARSS from the BRA. The participating cities each purchased undivided ownership interests in the WMARSS. Subsequent to the original purchase, the City of Hewitt exercised an option to purchase a portion of the City's undivided interest. Additionally, the City of Lorena purchased a portion of the undivided interest of each of the other participating cities. Under the Agreement, an advisory board comprised of representatives of the participating cities oversaw the operation and administration of the WMARSS. Pursuant to a separate interlocal agreement, the City was designated as the entity to manage and operate the WMARSS. Each participating city paid a proportionate share of the operation and maintenance costs of the WMARSS based on the ratio of each city's wastewater flows into the WMARSS to the sum of the wastewater flows of all participating cities into the WMARSS.

As of September 30, 2019, the City owned a 75.27% undivided interest in the WMARSS. Effective October 1, 2019, the cities of Bellmead, Woodway, Robinson, Lacy Lakeview, Hewitt and Lorena each transferred their respective undivided ownership interests in WMARSS to the City and the City became the sole (100%) owner and operator of the WMARSS. Upon such transfer, the Agreement (as described above) was terminated.

Concurrently with the transfer of their undivided ownership interests in the WMARSS to the City, the cities of Bellmead, Woodway, Robinson, Lacy Lakeview, Hewitt and Lorena, each entered into a separate Wholesale Wastewater Contract with the City pursuant to which the City provides wholesale wastewater services to each entity and collects fees and charges from each entity to recover operation and maintenance, capital recovery and other costs. The Wholesale Wastewater Contracts are in effect until the later of (i) forty (40) years following the effective date of the contract (October 1, 2019) or (ii) the date on which all City debt obligations issued for capital repair or expansion with respect to each respective Wholesale Wastewater Contract are paid in full or discharged.

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MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2024)

| | <u>Inside City Limits</u> | | <u>Outside City Limits</u> | |
|--------------------------------|---------------------------|-------------------|----------------------------|-------------------|
| <u>Residential</u> | | | | |
| Residential Water Base Rate | \$16.50 | minimum | \$20.63 | minimum |
| 0 - 3,000 gallons | \$3.14 | per 1,000 gallons | \$3.93 | per 1,000 gallons |
| 3,001 - 8,000 gallons | \$4.17 | per 1,000 gallons | \$5.21 | per 1,000 gallons |
| 8,001 - 15,000 gallons | \$6.28 | per 1,000 gallons | \$7.85 | per 1,000 gallons |
| 15,001 - 25,000 gallons | \$8.17 | per 1,000 gallons | \$10.21 | per 1,000 gallons |
| 25,000+ gallons | \$10.99 | per 1,000 gallons | \$13.74 | per 1,000 gallons |
| <u>Small Commercial</u> | | | | |
| 3/4" meter | \$22.21 | minimum | \$27.76 | minimum |
| 1" meter | \$61.56 | minimum | \$76.95 | minimum |
| 1.5" meter | \$110.49 | minimum | \$138.11 | minimum |
| 2" meter | \$169.17 | minimum | \$211.46 | minimum |
| 3" meter | \$292.95 | minimum | \$366.19 | minimum |
| 4" meter | \$428.16 | minimum | \$535.20 | minimum |
| 6" meter | \$740.34 | minimum | \$925.43 | minimum |
| 8" meter | \$1,184.53 | minimum | \$1,480.66 | minimum |
| 10" meter | \$1,702.76 | minimum | \$2,128.45 | minimum |
| Volumetric rate | \$3.86 | per 1,000 gallons | \$4.83 | per 1,000 gallons |
| <u>Large Commercial</u> | | | | |
| 3/4" meter | \$26.10 | minimum | \$32.63 | minimum |
| 1" meter | \$72.34 | minimum | \$90.43 | minimum |
| 1.5" meter | \$129.84 | minimum | \$162.30 | minimum |
| 2" meter | \$198.80 | minimum | \$248.50 | minimum |
| 3" meter | \$344.26 | minimum | \$430.33 | minimum |
| 4" meter | \$503.15 | minimum | \$628.94 | minimum |
| 6" meter | \$870.00 | minimum | \$1,087.50 | minimum |
| 8" meter | \$1,392.00 | minimum | \$1,740.00 | minimum |
| 10" meter | \$2,001.00 | minimum | \$2,501.25 | minimum |
| Volumetric rate | \$4.54 | per 1,000 gallons | \$5.68 | per 1,000 gallons |
| <u>Irrigation</u> | | | | |
| 3/4" meter | \$22.21 | minimum | \$27.76 | minimum |
| 1" meter | \$61.56 | minimum | \$76.95 | minimum |
| 1.5" meter | \$110.49 | minimum | \$138.11 | minimum |
| 2" meter | \$169.17 | minimum | \$211.46 | minimum |
| 3" meter | \$292.95 | minimum | \$366.19 | minimum |
| 4" meter | \$428.16 | minimum | \$535.20 | minimum |
| 6" meter | \$740.34 | minimum | \$925.43 | minimum |
| 8" meter | \$1,184.53 | minimum | \$1,480.66 | minimum |
| 10" meter | \$1,702.76 | minimum | \$2,128.45 | minimum |
| Volumetric Rates | | | | |
| 0-25,000 gallons | \$7.10 | per 1,000 gallons | \$8.88 | per 1,000 gallons |
| 25,000+ gallons | \$9.35 | per 1,000 gallons | \$11.69 | per 1,000 gallons |
| Pretreated Irrigation | \$1.41 | per 1,000 gallons | \$1.67 | per 1,000 gallons |
| <u>Industrial</u> | | | | |
| 3/4" meter | \$24.99 | minimum | \$31.24 | minimum |
| 1" meter | \$69.27 | minimum | \$86.59 | minimum |
| 1.5" meter | \$124.32 | minimum | \$155.40 | minimum |
| 2" meter | \$190.34 | minimum | \$237.93 | minimum |
| 3" meter | \$329.62 | minimum | \$412.03 | minimum |
| 4" meter | \$481.75 | minimum | \$602.19 | minimum |
| 6" meter | \$833.00 | minimum | \$1,041.25 | minimum |
| 8" meter | \$1,332.80 | minimum | \$1,666.00 | minimum |
| 10" meter | \$1,915.90 | minimum | \$2,394.88 | minimum |
| Volumetric rate | \$4.34 | per 1,000 gallons | \$5.43 | per 1,000 gallons |

MONTHLY WASTEWATER RATES (EFFECTIVE JANUARY 1, 2024)

Rates for residences are computed taking the average of the actual water consumption for the months of November, December, January and February, up to 20,000 gallons. New residences that did not have adequate consumption statistics during such months and new turn-ons are given an average consumption of 6,000 gallons. The monthly service charge is then based on the lesser of the foregoing consumption determination or actual water meter consumption.

| | <u>Inside City Limits</u> | <u>Outside City Limits</u> |
|-------------------------------|---------------------------|----------------------------|
| <u>Residential</u> | | |
| Base Rate | \$24.83 minimum | \$31.04 minimum |
| Volumetric Rate | \$6.41 per 1,000 gallons | \$8.01 per 1,000 gallons |
| <u>Non-residential</u> | | |
| 3/4" meter | \$24.83 minimum | \$31.04 minimum |
| 1" meter | \$38.16 minimum | \$47.70 minimum |
| 1.5" meter | \$65.92 minimum | \$82.40 minimum |
| 2" meter | \$99.23 minimum | \$124.04 minimum |
| 3" meter | \$163.49 minimum | \$204.36 minimum |
| 4" meter | \$247.63 minimum | \$309.54 minimum |
| 6" meter | \$453.47 minimum | \$566.84 minimum |
| 8" meter | \$719.33 minimum | \$899.16 minimum |
| 10" meter | \$998.90 minimum | \$1,248.63 minimum |
| Volumetric Rate | \$6.41 per 1,000 gallons | \$8.01 per 1,000 gallons |

TABLE 14 – CONDENSED SUMMARY OF OPERATIONS

| | For Fiscal Year Ended September 30 | | | | |
|--|------------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Revenues: | | | | | |
| Sale of Water - Metered | 53,598,650 | \$ 49,410,730 | \$ 43,862,459 | \$ 44,978,831 | \$ 42,451,940 |
| Sale of Water - Other | 6,812,999 | 6,457,146 | 5,528,754 | 5,276,591 | 4,466,208 |
| Sewer Service Charges | 47,400,055 | 44,107,005 | 42,039,938 | 37,592,373 | 33,779,817 |
| Interest Income | 3,905,975 | (1,451,761) | 156,292 | 886,368 | 1,688,453 |
| Other | 5,060,787 | 5,140,636 | 4,268,327 | 4,844,926 | 4,129,276 |
| Total Revenues | <u>\$ 116,778,466</u> | <u>\$ 103,663,756</u> | <u>\$ 95,855,770</u> | <u>\$ 93,579,089</u> | <u>\$ 86,515,694</u> |
| Expenditures: | | | | | |
| Water Purchased | \$ 656,864 | \$ 652,337 | \$ 942,367 | \$ 1,060,958 | \$ 953,171 |
| Sewage Disposal Contract | 11,477,292 | 9,514,943 | 8,807,879 | 6,088,804 | 7,132,188 |
| Water Treatment | 9,867,986 | 7,819,398 | 6,953,301 | 7,430,515 | 7,977,184 |
| Water Distribution | 9,411,352 | 8,379,337 | 7,267,927 | 7,363,380 | 7,022,644 |
| Water Other | 15,551,212 | 12,581,446 | 12,226,348 | 12,051,968 | 11,271,123 |
| Sewer Other | 16,532,081 | 14,535,912 | 10,598,858 | 12,841,967 | 11,030,565 |
| Total Expenditures | <u>\$ 63,496,787</u> | <u>\$ 53,483,373</u> | <u>\$ 46,796,680</u> | <u>\$ 46,837,592</u> | <u>\$ 45,386,875</u> |
| Net Revenue Available for Debt Service | \$ 53,281,679 | \$ 50,180,383 | \$ 49,059,090 | \$ 46,741,497 | \$ 41,128,819 |
| Average Water Meters Served | 50,675 | 50,094 | 49,217 | 48,531 | 47,964 |

FINANCIAL POLICIES

Basis of Accounting. The accounts of the City are organized on the basis of funds, each of which constitutes a separate entity for accounting purposes. The most significant of these funds is the General Fund, which accounts for all revenues and expenditures of the City not accounted for in the various enterprise funds or the other funds maintained by the City. Other than ad valorem taxes, the primary sources of General Fund revenue include sales and use taxes, business and occupation fees, and miscellaneous sources, such as fines, penalties, licenses, fees, interest income from investments and other taxes. The enterprise funds consist of the Water Fund, the Wastewater Fund, the Solid Waste Fund, the Drainage Fund, the Airport Fund, the Convention

Services Fund, the Ranger Hall of Fame Fund, the Cameron Park Zoo Fund, the Transit Services Fund and the Cottonwood Creek Golf Course Fund (collectively, the “Enterprise Funds”). The methods of accruing revenues and expenditures differ between the General Fund and Enterprise Funds. For a description of the accrual methods and the reporting entity definition, see “APPENDIX B - EXCERPTS FROM THE CITY OF WACO, TEXAS ANNUAL COMPREHENSIVE FINANCIAL REPORT” – Note I.

The City also provides government-wide financial statements prepared using the full accrual method of accounting pursuant to its adoption in 2002 of GASB Statement No. 34. The City utilizes the depreciation method of accounting for depreciable assets, including infrastructure.

General Fund Balance. The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. Effective with the Fiscal Year 2020 year-end, the City Council approved amending the City’s Financial Management Policy Statement for the General Fund’s goal for unassigned General Fund balance to be 28% of current year budgeted revenues. Previously this policy goal had been 20% of current year budgeted expenditures. The City’s adopted budget for Fiscal Year 2024 lists General Fund expenditures of \$203,711,508 and revenues of \$203,711,508 and also includes a utilization of surplus fund balance to provide cash funding for capital projects. This surplus fund balance amount is assigned in the fund balance of the General Fund at September 30, 2023. Actual operations for Fiscal Year 2023 resulted in a total fund balance of \$102,907,450 at September 30, 2023. Of this amount, \$58,980,843 (29.0% of FY2024 budgeted revenues) is reported as unassigned.

Debt Service Fund Balance. The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds. The City’s adopted budget for Fiscal Year 2024 lists Debt Service Fund expenditures of \$20,657,428 compared with budgeted revenues of \$20,577,623 which was anticipated to result in a Debt Service Fund balance of approximately \$615,560. Actual operations for Fiscal Year 2023 resulted in a fund balance of \$964,797 at September 30, 2023.

Water Fund. The City’s Financial Management Policy Statement for water has a goal to strive to maintain a positive unrestricted net position to provide sufficient reserves for emergencies and revenue shortfalls. In addition, the minimum working capital shall be 30 percent of annual revenue and 2 percent of tangible capital assets. The working capital balance at September 30, 2023 was \$44,717,181 which was \$15,075,702 in excess of the minimum policy requirement.

Wastewater Fund. The City’s Financial Management Policy Statement for wastewater has a goal to strive to maintain a positive unrestricted net position to provide sufficient reserves for emergencies and revenue shortfalls. In addition, the minimum working capital shall be 30 percent of annual revenue and 2 percent of tangible capital assets. The working capital balance at September 30, 2023 was \$35,389,753 which was \$13,753,298 in excess of the minimum policy requirement.

Solid Waste Fund. The City’s Financial Management Policy Statement for solid waste has a goal to strive to maintain positive unrestricted net position to provide sufficient reserves for emergencies and revenue shortfalls. In addition, the minimum working capital shall be 30 percent of annual revenue and 2 percent of tangible capital assets. The working capital balance at September 30, 2023 was \$21,909,560 which was \$10,444,084 in excess of the minimum policy requirement .

Drainage Fund. The City’s Financial Management Policy Statement for drainage has a goal to strive to maintain a positive unrestricted net position to provide sufficient reserves for emergencies and revenue shortfalls. In addition, the Drainage Fund shall work to build working capital of 30 percent of annual revenue and 2 percent of tangible capital assets over 5 years. The working capital balance at September 30, 2023 was \$5,977,749 which was \$3,759,097 in excess of the minimum policy goal.

Budgetary Procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, health fund and debt service funds (except for the street and drainage refundable contracts fund). All annual appropriations lapse at fiscal year-end. Also, project-length financial plans are adopted for all capital projects funds and the grant fund.

Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

Expenditures may not legally exceed appropriations at the fund level for each legally adopted annual operating budget. The City Manager may, without Council approval, transfer appropriation balances from one expenditure account to another within a department or agency of the City. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one department or agency to another. The reported budgetary data has been revised for amendments legally authorized during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

INVESTMENTS

The City may invest its investable funds (including certificate proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City’s investment policies are subject to change.

AUTHORIZED INVESTMENTS

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

A political subdivision such as the City may enter into 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, other than the prohibited obligations described below, (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) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) 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 ordinance, order 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 State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that 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. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment 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) 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; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, director of finance and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of certificate proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

THE CITY'S INVESTMENT POLICY

The Director of Finance will promptly invest all City funds with the Bank Depository in accordance with the provisions of the current Bank Depository Agreement or in any negotiable instrument that the Council has authorized under the provisions of the Public Funds Investment Act, and in accordance with the City Council approved Investment Policies.

TABLE 15 – CURRENT INVESTMENTS

The City has contracted with Hilltop Securities Asset Management LLC to provide for investment and management of its public funds or other funds under its control. As of February 29, 2024, the City’s investable funds were invested in the following categories:

| Description | Percent of Total | Market Value | Book Value |
|---|---------------------|-----------------|----------------|
| Investment Pools ⁽¹⁾ | 32.48% | \$ 241,514,919 | \$ 241,514,919 |
| U.S Agencies | 38.71% | 190,035,617 | 191,288,893 |
| U.S Treasury | 13.40% | 213,116,528 | 213,494,652 |
| General Obligation Municipal Bonds | 5.27% | 34,093,166 | 34,327,402 |
| Commercial Paper | 3.72% | 29,768,570 | 29,759,130 |
| Money Market Mutual Funds ⁽²⁾ | 3.26% | 30,291,725 | 30,291,725 |
| Collateralized Savings Account ⁽³⁾ | 0.85% | 2,301,245 | 2,301,245 |
| Certificate of Deposit | 2.31% | 23,240,090 | 23,240,090 |
| Total | 100.00% | \$ 764,361,860 | \$ 766,218,056 |

⁽¹⁾ Includes TexPool and TexSTAR.

⁽²⁾ Wells Fargo Government Money Market Fund sweep account.

⁽³⁾ Backed by collateral that is held by third parties.

TAX MATTERS

TAX-EXEMPT OBLIGATIONS

THE FOLLOWING DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE PURCHASER OF THE TAX-EXEMPT OBLIGATIONS SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAX-EXEMPT OBLIGATIONS.

TAX-EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Tax-Exempt Obligations (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Tax-Exempt Obligations, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of obligation proceeds and the source of repayment of obligations, limitations on the investment of obligation proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of obligation proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service” or the “IRS”). The City has covenanted in each of the Ordinances that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinances pertaining to those sections of the Code that affect the excludability of interest on the Tax-Exempt Obligations from gross income for federal income tax purposes and, in addition, will rely on representations by the City, and the other parties involved with the issuance of the Tax-Exempt Obligations with respect to matters solely within the knowledge of the City and such parties, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinances or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Tax-Exempt Obligations could become includable in gross income from the Delivery Date of the Tax-Exempt Obligations, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Tax-Exempt Obligations or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Tax-Exempt Obligations. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinances upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Tax-Exempt Obligations from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Tax-Exempt Obligations. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Tax-Exempt Obligations could adversely affect the value and liquidity of the Tax-Exempt Obligations during the pendency of the audit regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences... Prospective purchasers of the Tax-Exempt Obligations should be aware that the ownership of Tax-Exempt Obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Tax-Exempt Obligations should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Tax-Exempt Obligations.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Tax-Exempt Obligations, is included in a corporation's "adjusted financial statement income," ownership of the Tax-Exempt Obligations could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Tax-Exempt Obligations.

Prospective purchasers of the Tax-Exempt Obligations should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Tax-Exempt Obligations, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium... If the issue price of a maturity of the Tax-Exempt Obligations exceeds the stated redemption price payable at maturity of such Tax-Exempt Obligations, such Tax-Exempt Obligations (the "Premium Tax-Exempt Obligations") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Tax-Exempt Obligation in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Tax-Exempt Obligation in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Tax-Exempt Obligation by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Tax-Exempt Obligation that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Tax-Exempt Obligation) is determined using the yield to maturity on the Premium Tax-Exempt Obligation based on the initial offering price of such Premium Tax-Exempt Obligation.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Tax-Exempt Obligations that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Tax-Exempt Obligations should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Tax-Exempt Obligation and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Tax-Exempt Obligations.

Tax Accounting Treatment of Original Issue Discount... If the issue price of a maturity of the Tax-Exempt Obligations is less than the stated redemption price payable at maturity of such Tax-Exempt Obligations (the "OID Tax-Exempt Obligations"), the difference between (i) the amount payable at the maturity of each OID Tax-Exempt Obligation, and (ii) the initial offering price to the public of such OID Tax-Exempt Obligation constitutes original issue discount with respect to such OID Tax-Exempt Obligation in the hands of any owner who has purchased such OID Tax-Exempt Obligation in the initial public offering of the Tax-Exempt Obligations. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Tax-Exempt Obligations equal to that portion of the amount of such original issue discount allocable to the period that such OID Tax-Exempt Obligation continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Tax-Exempt Obligations under the captions "TAX MATTERS – TAX-EXEMPT OBLIGATIONS – TAX EXEMPTION" and "TAX MATTERS – TAX-EXEMPT OBLIGATIONS - ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – Collateral Tax Consequences" and "—Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (a) the Underwriters have purchased the Tax-Exempt Obligations for contemporaneous sale to the public and (b) all of the OID Tax-Exempt Obligations have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on page 2 of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Tax-Exempt Obligations will be offered and sold in accordance with such assumptions.

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

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

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

Tax Legislative Changes... Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Tax-Exempt Obligations from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Tax-Exempt Obligations. Prospective purchasers of the Tax-Exempt Obligations should consult with their own tax advisors with respect to any recently-enacted proposed, pending or future legislation.

TAXABLE OBLIGATIONS

THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAXABLE OBLIGATIONS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

GENERAL

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Taxable Obligations offered in this offering. This summary is based upon current provisions of the Code, existing and proposed Treasury Regulations promulgated thereunder, IRS rulings and pronouncements, and judicial decisions, all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. Neither the City or Bond Counsel can assure you that the IRS will not challenge the conclusions stated below. No ruling from the IRS or an opinion of counsel has been or will be sought on any of the matters discussed below.

This discussion is limited to holders who are the initial purchasers of the Taxable Obligations for cash at their original purchase price, which will equal the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Taxable Obligations is sold for cash (the "Issue Price") and who hold the Taxable Obligations as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address all U.S. federal income tax consequences relative to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation: U.S. expatriates and former citizens or long-term residents of the United States; persons subject to the alternative minimum tax; U.S. Holders (as defined below) whose functional currency is not the U.S. dollar; persons holding the Taxable Obligations as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction, or other integrated investment; banks, insurance companies or other financial institutions; real estate investment trusts or regulated investment companies; brokers, dealers or traders in securities or currencies; "controlled foreign corporations", "passive foreign investment companies" and corporations that accumulate earnings to avoid U.S. federal income tax; S corporations, partnerships and other entities or arrangements

treated as partnerships for U.S. federal income tax purposes (and investors therein); persons subject to special accounting rules as a result of any items of gross income with respect to the Taxable Obligations being taken into account in an applicable financial statement; tax-exempt organizations or governmental organizations; persons who elect to use a mark-to-market method of accounting for security holdings; and individual retirement accounts or qualified pension plans. This summary does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances and does not discuss the effect of any U.S. state, local income or other tax laws, any U.S. federal estate and gift tax laws, or any non-U.S. tax laws.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Taxable Obligations, the tax treatment of such partnership or a partner of such partnership generally will depend upon the tax status of the partner and the tax treatment of the partnership. Partnerships acquiring Taxable Obligations and partners of partnerships acquiring the Taxable Obligations should consult their own tax advisors about the U.S. federal income tax consequences to them of the purchase, ownership and disposing of the Taxable Obligations.

This discussion of material U.S. federal income tax considerations is provided for general information only and is not intended as tax advice to any particular investor. Persons considering the purchase of Taxable Obligations are urged to consult their tax advisors with regard to the application of U.S. federal income or other tax laws (including estate and gift tax laws) to their particular situations as well as any tax consequences arising under the laws of any state, local, or foreign taxing jurisdiction or under any applicable tax treaty.

TAX CONSEQUENCES TO U.S. HOLDERS

The following discussion summarizes certain material U.S. federal income tax consequences to U.S. holders of the purchase, ownership, and disposition of the Taxable Obligations. As used herein "U.S. holder" means a beneficial owner of a Taxable Obligation who or that is for U.S. federal income tax purposes: (i) an individual who is a citizen of the United States or resident alien of the United States; (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof including the City of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in effect under U.S. Treasury Regulations to be treated as a United States person.

Interest on the Taxable Obligations...A U.S. Holder will be required to recognize as ordinary income all interest paid or accrued on the Taxable Obligations in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount...If the Issue Price of the Taxable Obligations of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Obligations of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Obligations at maturity over the Issue Price, and such amount will be amortized over the life of the Taxable Obligations using the "constant yield method" provided in the U.S. Treasury Regulations. The original issue discount accrues under the constant yield method and the beneficial owners of the Taxable Obligations, regardless of their regular method of accounting, must include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Taxable Obligations that exceeds actual cash interest payments to the beneficial owners in a taxable year. The amount of the original issue discount that accrues on such Taxable Obligations each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds such Taxable Obligations will increase such beneficial owner's adjusted tax basis of such Taxable Obligations.

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

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Taxable Obligation... A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Obligation measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of a Taxable Obligation is attributable to accrued and unpaid interest on the Taxable Obligation, which amount will be taxable as ordinary interest income to the extent not previously included in gross income) and (ii) the U.S. Holder's adjusted tax basis in the Taxable Obligation.

A U.S. Holder's adjusted tax basis in the Taxable Obligations generally will equal the amount the U.S. Holder paid for the Taxable Obligations, increased by any original issue discount previously included in the holder's income and decreased by the amount of the Taxable Obligation premium that has been previously amortized. Any gain or loss will be capital gain or loss and will be treated as long-term capital gain or loss if, at the time of the sale, exchange, redemption, retirement or other taxable disposition, the Taxable Obligations have been held by the U.S. Holder for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders, including individuals, generally will be subject to a reduced rate of tax. The

deductibility of capital losses is subject to certain limitations. U.S. Holders of the Taxable Obligations should consult their tax advisors regarding the treatment of capital gains and losses.

Information Reporting and Backup Withholding... Information reporting generally will apply to payments of interest on, and the proceeds of the sale, exchange, redemption, retirement or other disposition of, the Taxable Obligations held by U.S. Holders, and backup withholding may apply unless the U.S. Holder provides the applicable withholding agent with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Holder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion summarizes certain material U.S. federal income tax consequences to Non-U.S. Holders of the purchase, ownership and disposition of the Taxable Obligations. For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of Taxable Obligations that is neither classified for U.S. federal income tax purposes as a partnership nor is a U.S. Holder (as defined above).

Interest on the Taxable Obligations... Subject to the discussions below regarding backup withholding and FATCA withholding, payments of interest on a Taxable Obligation to a Non-U.S. Holder that are not effectively connected with such Non-U.S. Holder's U.S. trade or business generally will not be subject to U.S. federal income tax and will be exempt from U.S. federal withholding tax under the portfolio interest exemption provided that:

- the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total combined voting power of all classes of the City's voting stock;
 - the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to the City through stock ownership); and
 - the Non-U.S. Holder is not a bank that acquired the Taxable Obligations in consideration for the extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.
- (i) the Non-U.S. Holder provides its name and address and certifies, under penalties of perjury, that it is not a United States person as defined under the Code (which certification may be made on an IRS Form W-8BEN or W-8BEN-E (or other applicable form)); (ii) the non-U.S. Bondholder holds its Taxable Obligations through certain foreign intermediaries and it satisfies the certification requirements of applicable Treasury Regulations; or (iii) a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the Taxable Obligations on behalf of the Non-U.S. Holder and such securities clearing organization, bank, or other financial institution satisfies the certification requirements of applicable Treasury Regulations.

If the payments of interest on a Taxable Obligation are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, if the payments of interest are attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), such payments will not be subject to withholding of U.S. federal income tax so long as the Non-U.S. Holder provides the applicable withholding agent with a properly completed IRS Form W-8ECI (or other applicable form), signed under penalties of perjury. However, such payments will be subject to U.S. federal income tax on a net income basis at regular graduated income tax rates generally in the same manner as if it were a U.S. Holder (as defined above), subject to any modifications provided under an applicable income tax treaty. In addition, if the non-U.S. Holder is a foreign corporation for federal income tax purposes, such payments of interest may also be subject to a branch profits tax at the rate of 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Taxable Obligations, that are effectively connected with its conduct of a trade or business in the United States.

A non-U.S. Holder that does not qualify for the exemption from U.S. federal withholding tax under the preceding paragraphs generally will be subject to U.S. federal withholding tax at the rate of 30% on payments of interest on the Taxable Obligations, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming exemption from or a reduction of withholding under the benefit of an applicable tax treaty. Income tax treaties may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above. Non-U.S. Bondholders should consult with their advisors regarding any applicable income tax treaties.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Taxable Obligation... Subject to the discussions below on backup withholding and FATCA withholding, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Obligation generally will not be subject to U.S. federal income tax or withholding tax, unless:

- Such gain is effectively connected with the conduct by such Non-U.S. Holder of a U.S. trade or business in the United States (and, in the event that an income tax treaty is applicable, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States),
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain on a Taxable Obligation is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated income tax rates in the same manner as if it were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. If the Non-U.S. Holder is a foreign corporation for U.S. federal income tax purposes, such gain may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate, of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

If a Non-U.S. Holder is an individual who is present or deemed to be present in the United States for 183 days or more during the taxable year of the disposition of a Taxable Obligation and certain other requirements are met, such Non-U.S. Holder generally will be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable income tax treaty rate applies), on any such gain.

Information Reporting and Backup Withholding... Payments to Non-U.S. Holders of interest on a Taxable Obligation, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to the Non-U.S. Holder. Copies of these information returns also may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is established under the provisions of a specific treaty or agreement. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Backup withholding generally will not apply to payments of principal and interest on Taxable Obligations if the Non-U.S. Holder furnishes a certification as to its Non-U.S. status or the Non-U.S. Holder otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know that the Non-U.S. Holder is a United States person.

Payment of the proceeds of a disposition of a Taxable Obligation effected by the U.S. office of a United States or foreign broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder properly certifies under penalties of perjury as to its foreign status and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the disposition of a Taxable Obligation effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records of the Non-U.S. Holder's foreign status and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Taxable Obligation effected outside the United States by such a broker if it has certain relationships with the United States.

U.S. backup withholding tax is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the IRS.

FATCA WITHHOLDING

The Foreign Account Tax Compliance Act, or "FATCA," imposes a 30% withholding tax on certain types of payments made to foreign financial institutions, or "FFIs," and certain other non-U.S. entities, unless certain due diligence, reporting, withholding, and certification requirements are satisfied. As a general matter, FATCA imposes a 30% withholding tax on interest payments on a Taxable Obligation, and (subject to the proposed United States Treasury regulations discussed below) payments of gross proceeds from the sale or other disposition of a Taxable Obligation, that are made to an FFI or non-financial foreign entity unless (i) the foreign entity is an FFI that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of an FFI that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence, reporting, and other requirements of such an agreement, (ii) the foreign entity is not an FFI and either certifies that it does not have any "substantial" U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign entity qualifies for an exemption from these rules. In certain cases, a "substantial" U.S. owner can mean an owner of any interest in the foreign entity.

As noted above, withholding under FATCA can apply to payments of gross proceeds from the sale or other disposition of a Taxable Obligation, in addition to interest payments. However, United States Treasury regulations have been proposed that would entirely eliminate FATCA withholding on payments of gross proceeds. Taxpayers generally may rely on these proposed United States Treasury regulations until the promulgation of final United States Treasury regulations.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of FATCA on their investment in the Taxable Obligations.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance and Certificate Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations authorized by such Ordinance. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the respective Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

As used in this section, the term "Financial Obligation" means (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument;

provided that “financial obligation” shall not include municipal securities as which a final official statement, as defined in the Rule (defined below) has been provided to the MSRB consistent with the Rule.

ANNUAL REPORTS... The City will provide certain updated financial information and operating data to the MSRB. 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 this information within six months after the end of each fiscal year.

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 (www.emma.msrb.org) or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12, as amended from time to time (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

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

For these purposes, (A) any event described in clause (12) of the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City and (B) the City has expressed its intent in the Ordinances that the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the

Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends 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.

The Ordinances provide that in the event an Authorized Officer, in consultation with Bond Counsel and the City’s financial advisor, determines that it is necessary or desirable to amend the provisions of the Ordinances in order to facilitate compliance with amendments to the Rule and related guidance from the Securities and Exchange Commission, the Authorized Officer may make such changes in the respective Pricing Certificate for Obligations.

COMPLIANCE WITH PRIOR UNDERTAKINGS... With the exception of the following, during the last five years, the City has not failed to comply in any material respect with any material provisions of the continuing disclosure agreements made by the City in accordance with the Rule. The City filed annual financial information for the fiscal year ending September 30, 2014 before the deadline of March 31, 2015, but the unrefunded maturity 2037 CUSIP- 929831JF3 for its Combination Tax and Revenue Certificates of Obligation, Series 2007 was not linked to such information until February 28, 2019. The City also timely filed notice of an S&P rating upgrade on January 20, 2016, but the unrefunded maturity 2037 CUSIP- 929831JF3 for its Combination Tax and Revenue Certificates of Obligation, Series 2007 was not linked to such information until January 17, 2020.

OTHER INFORMATION

RATINGS... The Obligations and presently outstanding tax supported debt of the City is rated “Aa1” by Moody’s and “AA+” by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, 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 Obligations.

LITIGATION... It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City, that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS... Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, the Obligations (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Obligations may have to be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency before such Obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. No review has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

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

LEGAL MATTERS... The City will furnish a complete transcripts of proceedings incident to the authorization and issuance of the Obligations, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Obligations are valid and binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bracewell LLP, as Bond Counsel, to a like effect and to the effect that the interest on the Tax-Exempt Obligations is excludable from gross income for federal income tax purposes under existing law and the Tax-Exempt Obligations are not private activity bonds, see “TAX MATTERS” for a discussion of the opinion of Bond Counsel. The forms of such opinions are attached hereto as APPENDIX C. Bracewell LLP has not 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 Obligations and the Ordinance in this Official Statement under the captions “PLAN OF FINANCING – PURPOSE OF THE SERIES 2024A OBLIGATIONS,” “PLAN OF FINANCING – PURPOSE OF THE SERIES 2024B CERTIFICATES,” “PLAN OF FINANCING – PURPOSE OF THE BONDS”, “THE OBLIGATIONS” (except for the subcaptions “TAX RATE

LIMITATIONS,” “BOOK-ENTRY-ONLY SYSTEM” and “OBLIGATION-HOLDERS’ REMEDIES”), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “COMPLIANCE WITH PRIOR UNDERTAKINGS”) and the subcaptions “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” “REGISTRATION AND QUALIFICATIONS OF OBLIGATIONS FOR SALE ” and “LEGAL MATTERS ” under the caption “OTHER INFORMATION” and is of the opinion that the information relating to the Obligations and the Ordinances contained therein fairly and accurately describes the provisions thereof. In addition, certain legal matters will be passed upon for the City by Bracewell LLP in its capacity as Disclosure Counsel. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Obligations are contingent on the sale and delivery of the Obligations. The legal opinion of Bond Counsel will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

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

CO-FINANCIAL ADVISORS... PFM Financial Advisors LLC (“PFM”) and Tijerina Financial Consulting LLC (“TFC”) are employed as Co-Financial Advisors to the City in connection with the issuance of the Obligations. The Financial Advisors’ fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. PFM and TFC, in their capacity as Co-Financial Advisors, have not verified and do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS... Robert Thomas, CPA, LLC will deliver to the City, on or before the Delivery Date, its verification report indicating that it has verified that mathematical accuracy or the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities to pay, when due, the maturing principal of and interest on and related call premium requirements, if any, of the Refunded Obligations.

Robert Thomas, CPA, LLC will rely upon the accuracy, completeness, and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Robert Thomas, CPA, LLC will rely on any information provided to it by the City’s retained advisors, consultants and legal counsel.

The Report will be relied upon by Bond Counsel in rendering their opinion with respect to the defeasance of the Refunded Obligations.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Series 2024A Certificates from the City at a price equal to the initial offering price to the public as shown on page iv of this Official Statement less an underwriting discount of \$669,471.80, and no accrued interest. The Underwriters’ obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2024A Certificates if any Series 2024A Certificates are purchased. The Series 2024A Certificates may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2024B Certificates from the City at a price equal to the initial offering price to the public as shown on page ii of this Official Statement less an underwriting discount of \$146,010.31, and no accrued interest. The Underwriters’ obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2024B Certificates if any Series 2024B Certificates are purchased. The Series 2024B Certificates may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering price to the public as shown on page ii of this Official Statement less an underwriting discount of \$74,965.39, and no accrued interest. The Underwriters’ obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

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

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

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

City of Waco, Texas

Jim Holmes
Mayor

ATTEST:

Michelle Hicks
City Secretary

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

| Issue | Maturity Date | Interest Rate | Par Amount | Call Date | Call Price |
|---|---------------|---------------|----------------------|-----------|------------|
| Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2014 | | | | | |
| | 2/1/2031 | 4.000% | \$ 585,000 | 9/24/2024 | 100.00 |
| | 2/1/2032 | 4.000% | 610,000 | 9/24/2024 | 100.00 |
| | 2/1/2033 | 4.000% | 630,000 | 9/24/2024 | 100.00 |
| | 2/1/2034 | 4.000% | 660,000 | 9/24/2024 | 100.00 |
| | | | <u>\$ 2,485,000</u> | | |
| General Obligation Refunding Bonds, Series 2015 | | | | | |
| | 2/1/2026 | 5.000% | \$ 8,375,000 | 9/24/2024 | 100.00 |
| | 2/1/2027 | 4.000% | 5,425,000 | 9/24/2024 | 100.00 |
| | 2/1/2028 | 5.000% | 995,000 | 9/24/2024 | 100.00 |
| | *** | | | | |
| | 2/1/2031 | 5.000% | 1,120,000 | 9/24/2024 | 100.00 |
| | 2/1/2032 | 4.000% | 4,465,000 | 9/24/2024 | 100.00 |
| | 2/1/2033 | 4.000% | 1,190,000 | 9/24/2024 | 100.00 |
| | 2/1/2034 | 4.000% | 1,240,000 | 9/24/2024 | 100.00 |
| | 2/1/2035 | 4.000% | 1,295,000 | 9/24/2024 | 100.00 |
| | 2/1/2036 | 4.000% | 1,340,000 | 9/24/2024 | 100.00 |
| | | | <u>\$ 25,445,000</u> | | |
| Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2015 | | | | | |
| | 2/1/2027 | 4.000% | \$ 675,000 | 9/24/2024 | 100.00 |
| | 2/1/2028 | 4.000% | 705,000 | 9/24/2024 | 100.00 |
| | 2/1/2029 | 4.000% | 735,000 | 9/24/2024 | 100.00 |
| | 2/1/2030 | 4.000% | 765,000 | 9/24/2024 | 100.00 |
| | | | <u>\$ 2,880,000</u> | | |
| Total Obligations to be Refunded | | | <u>\$ 30,810,000</u> | | |

*The refunding of any of the Refunded Obligations is contingent upon the delivery of the Bonds.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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GENERAL INFORMATION REGARDING THE CITY . . . Information for this section has been obtained from various sources which are believed to be reliable, including the Greater Waco Chamber of Commerce, Baylor University, McLennan Community College, and Texas State Technical College.

INTRODUCTION . . . The City of Waco (the “City”), founded in 1849, is the 24th largest city in the State of Texas (the “State”) and covers approximately 101 square miles. The City is the county seat of McLennan County, which encompasses over 1,000 square miles. The City is the approximate geographic center of the State’s population and is often referred to as the “Heart of Texas.” At the confluence of the Bosque River and the 890-mile Brazos River, the City lies between the three largest cities in the state: 90 miles south of Dallas, 200 miles northwest of Houston and 180 miles northeast of San Antonio. It is less than 100 miles from the Texas State Capitol in Austin. 80% of the State’s population is within 300 miles of the City.

Historically, the City has been a trade and agriculture center. The central location in the State makes the City commercially attractive as a distribution center for trade goods of all kinds. Efforts by the community’s leadership over the past several years have led to diversification in the regional economy.

Attractive business opportunities exist in the Downtown Waco Public Improvement District, State and Federal Enterprise Zones, Foreign Trade Zone, Tax Increment Financing Zones and in the industrial parks operated by the Waco Industrial Foundation. City businesses are at the center of the State and the hub of transportation and shipping facilities for distribution around the country and the world.

The City has many technical and professional employees who are graduates of the City’s three institutions of higher learning - Baylor University, McLennan Community College and Texas State Technical College. These institutions also provide employers with customized training for workers, providing everything from literacy training to executive M.B.A. programs.

TOURISM RESEARCH AND STATISTICS

Annual Visitors

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|---------|---------|---------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| 2019 | 149,522 | 155,455 | 328,066 | 257,862 | 228,242 | 249,233 | 268,948 | 178,954 | 136,865 | 186,482 | 173,589 | 160,320 | 2,473,538 |
| 2020 | 140,289 | 165,047 | 125,119 | 0 ⁽¹⁾ | 8,250 | 93,618 | 76,809 | 96,146 | 93,813 | 115,611 | 95,739 | 87,064 | 1,097,505 |
| 2021 | 83,514 | 48,277 | 195,644 | 145,769 | 154,067 | 203,476 | 234,319 | 134,431 | 119,611 | 160,942 | 134,828 | 133,929 | 1,748,807 |
| 2022 | 88,584 | 110,048 | 244,911 | 193,486 | 176,672 | 171,637 | 180,490 | 126,862 | 131,541 | 158,467 | 124,557 | 139,693 | 1,846,948 |
| 2023 | 118,132 | 125,181 | 242,875 | 183,662 | 183,139 | 190,601 | 210,837 | 122,965 | 115,877 | 138,860 | 117,779 | 116,454 | 1,866,362 |

Source: The City.

⁽¹⁾ Attractions closed to the public on or before March 14, 2020, and remained closed through the month of April, 2020 due to the COVID 19 pandemic.

McLennan County Travel Statistics - 2022

- Total direct travel spending in the McLennan County/Waco area increased to \$770 million, a 12.5% increase over 2021.
- Total direct earnings by those employed in the travel industry locally increased to \$197 million, a 9.4% increase over 2021.
- Total direct employment is at 5,900 jobs, a 1.4% increase over 2021.
- State and local tax receipts from travelers totaled \$69 million, an increase of 5.7% over 2021.

Source: The Office of the Governor, Texas Economic Development & Tourism.

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TOP EMPLOYERS IN THE WACO METROPOLITAN STATISTICAL AREA (“MSA”)

Over 1,000 Employees

| | |
|---|---------------|
| Baylor University | Education |
| Ascension Providence | Healthcare |
| Waco ISD | Education |
| Baylor Scott & White Hillcrest Hospital | Healthcare |
| HEB Stores | Retail |
| City of Waco | Government |
| Midway ISD | Education |
| Sanderson Farms, Inc. | Manufacturing |
| WAL-MART | Retail |
| McLennan County | Government |

Over 500 Employees

| | |
|--|-----------------------|
| Veterans Administration Medical Center | Healthcare |
| Mars Wrigley Confectionary | Manufacturing |
| L3Harris | Manufacturing |
| Dept of Veterans Affairs Regional Office | Professional Services |
| AbbVie | Manufacturing |
| S2G Support Services, LTD | Professional Services |
| Aramark Higher Education | Professional Services |
| American Income Life Insurance | Professional Services |
| McLennan Community College | Education |
| Versalift – A Time Manufacturing Company | Manufacturing |
| Clayton Homes #932 | Manufacturing |
| Big Creek Construction | Construction |
| Cargil Value Added Meats | Manufacturing |
| Space X | Aerospace |
| Tractor Supply Distribution Center | Distribution |
| Waco Family Medicine | Healthcare |
| Pilgrim’s | Manufacturing |
| Texas State Technical College | Education |
| Magnolia Market | Retail |
| Texas Department of Human Services | Government |

Over 300 Employees

| | |
|---|-----------------------|
| Connally ISD | Education |
| La Vega ISD | Education |
| Howmet Fastening Systems | Manufacturing |
| Brazos Masonry, Inc. | Construction |
| Coca-Cola North America | Manufacturing |
| Heart of Texas Region MHMR Center | Non-Profit |
| Sherwin Williams | Distribution |
| China Spring ISD | Education |
| Jessup Manufactured Housing | Manufacturing |
| Texas Farm Bureau | Professional Services |
| Blue Cross Blue Shield | Healthcare |
| Texas Juvenile Justice Department – McLennan SJCF | Government |
| Texas Department of Transportation | Government |
| Army and Air Force Exchange Service | Distribution |
| Owens Illinois | Manufacturing |
| Lorena ISD | Education |
| Heart of Texas Goodwill Industries | Non-Profit |
| Robinson ISD | Education |
| Wal-Mart Return Center | Distribution |
| Packaging Corporation of America | Manufacturing |
| Methodist Children’s Home | Non-Profit |
| Caterpillar Distribution | Logistics |
| Independent Financial | Financial Services |

Source: Greater Waco Chamber of Commerce.

ECONOMY... The City is at the heart of a major growth area in the State economy. The State is divided into 12 distinct economic regions, as described by the State Comptroller of Public Accounts. Situated in the northern portion of the Central Region, south of the Dallas-Fort Worth Metroplex Region, and north of the Capital and Alamo, the City is in close proximity to four of the State’s major cities.

According to the Waco Chamber of Commerce, the Waco MSA is a truly diverse area economy, with no industry representing more than 20% of the employment market. Professional, Government and Healthcare industry sectors continue to post strong growth in the area. As of October 2022, Waco MSA’s top employment industries include education and health services (18.0%), government (15.4%), manufacturing (11.7%), retail trade (10.7%), leisure and hospitality (10.4%), and professional and business services (10.1%).

LABOR FORCE

City of Waco⁽¹⁾

| Year | Labor Force | Total Employment | Unemployment | Rate |
|------|-------------|------------------|--------------|-------|
| 2014 | 57,163 | 54,112 | 3,051 | 5.34% |
| 2015 | 57,343 | 54,893 | 2,450 | 4.27% |
| 2016 | 59,534 | 57,026 | 2,508 | 4.21% |
| 2017 | 60,692 | 58,155 | 2,537 | 4.18% |
| 2018 | 60,961 | 58,634 | 2,327 | 3.82% |
| 2019 | 61,352 | 59,180 | 2,172 | 3.54% |
| 2020 | 63,126 | 59,316 | 3,810 | 6.04% |
| 2021 | 62,973 | 59,650 | 3,323 | 5.28% |
| 2022 | 64,526 | 62,313 | 2,213 | 3.43% |
| 2023 | 66,663 | 63,962 | 2,701 | 4.05% |

McLennan County⁽¹⁾

| Year | Labor Force | Total Employment | Unemployment | Rate |
|------|-------------|------------------|--------------|-------|
| 2014 | 113,042 | 107,330 | 5,712 | 5.05% |
| 2015 | 112,660 | 108,082 | 4,578 | 4.06% |
| 2016 | 116,155 | 111,567 | 4,588 | 3.95% |
| 2017 | 118,196 | 113,608 | 4,588 | 3.88% |
| 2018 | 118,786 | 114,544 | 4,242 | 3.57% |
| 2019 | 119,629 | 115,688 | 3,941 | 3.29% |
| 2020 | 122,783 | 115,969 | 6,814 | 5.55% |
| 2021 | 122,192 | 116,247 | 5,945 | 4.87% |
| 2022 | 125,445 | 121,437 | 4,008 | 3.20% |
| 2023 | 129,409 | 124,650 | 4,759 | 3.68% |

Source: Texas Workforce Commission.

EDUCATION... The City’s three institutions of higher learning, Baylor University, McLennan Community College and Texas State Technical College, provide a diversified and stable talent pool for local employers. Together, these institutions train approximately 32,000 students in credit courses each year. Together they offer the area a selection of over 300 different majors and programs, ranging from one-year certificates of employment to a doctor of philosophy.

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TRANSPORTATION... With its central location and easy proximity to other major cities in the State, the City continues to be a crossroads of major transportation systems. The City is at the center of a bustling region served by an impressive system of highways, railroads and air transportation.

Highways

Six highways intersect the City, creating easy access to the State, the Southwest and the nation.

Interstate 35 connects the City to Austin and San Antonio to the south and to Dallas-Fort Worth Metroplex to the north. US Highway 77 connects the City to north and south Texas. US Highway 84 is a major thoroughfare connecting east and west Texas. US Highway 84 goes west through Abilene and Lubbock to the Panhandle; it also connects to Interstate 45, which runs from Dallas to Houston. State Highway 6 leads southeast from the City to the Houston area. State Highway 31 connects with Interstate 45 at Corsicana and continues on to Tyler and Shreveport, Louisiana. State Highway 164 also connects with Interstate 35 as well as State Highway 75.

Rail

The Union Pacific Railroad has two major lines providing service for local industry, running through the City and south of the City. The Union Pacific line connects to the Burlington Northern Santa Fe Railway.

Motor Freight Transportation

Motor freight needs of the City industry are actively served by 31 motor freight and overnight carriers. Of these carriers, all provide interstate service and six also provide intrastate service in the State.

Air

Three local airports, including one of the nation's largest industrial air facilities, offer beneficial services for businesses, industries and individuals.

Waco Regional Airport, located on the northern boundaries of the City, is only 12 minutes from the City's downtown. American Eagle provides daily flights to Dallas/Fort Worth International Airport. Texas State Technical College Airport, located adjacent to the Texas State Technical College campus, is one of the nation's largest industrial airports and the City's largest airport, with an 8,600 by 150 foot all-weather runway, and an alternate 6,291 by 100-foot runway. To the west is the McGregor Airport, an executive airport facility.

APPENDIX B

EXCERPTS FROM THE CITY OF WACO, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Waco, Texas Annual Comprehensive Financial Report (the "Report") for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTAL INFORMATION



For the Year Ended
September 30, 2023

**Financial Statements and Required
Supplemental Information**

of the



City of Waco, Texas

Prepared by the
Fiscal Management Services Department
Year Ended September 30, 2023



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Financial Section





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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Waco, Texas:

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, 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. The financial statements of the Baylor Waco Stadium Authority, a component unit of the City, and Waco Tourism Public Improvement District, a fiduciary component unit of the City reported as a custodial fund, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the City 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.

An independent member of the BDO Alliance USA



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principles

As discussed in Note IV. S. to the financial statements, the City adopted Governmental Accounting Standards Board (“GASB”) Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 99, *Omnibus 2022*, each of which were adopted effective October 1, 2022. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 8 through 20, and the other required supplementary information on pages 95 through 100, (collectively, the “required supplementary 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2024, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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’s internal control over financial reporting and compliance.

Jaynes. Reitmeier, Boyd + Therrell, P.C.

February 16, 2024





MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Waco (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2023 by \$1,016,022,622 (net position). Of this amount, \$234,233,223 (unrestricted net position) may be used to meet the City's ongoing obligations to residents and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$91,724,183.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$333,442,487. The fund balance components are nonspendable - \$1,455,599, restricted - \$179,483,951, committed - \$70,424,708, assigned - \$23,097,386 and unassigned - \$58,980,843. The City Council approves the amounts reported as committed and assigned.
- As of September 30, 2023, unassigned fund balance for the General Fund was \$58,980,843 or 29% of the Fiscal Year 2024 budgeted general fund revenues.

Overview Of The Financial Statements

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

Government-wide financial statements - The government-wide financial statements, which begin on page 22 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes 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 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 works, public safety, culture and recreation, public health, and housing and community development. The business-type activities of the City include water, wastewater, solid waste, airport, convention services, Ranger Hall of Fame, Cameron Park Zoo, transit services, Cottonwood Creek Golf Course, and drainage.

The government-wide financial statements can be found on pages 22 - 26 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 funds of the City can be divided into three categories - governmental funds, proprietary funds, and fiduciary funds.

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

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

Beginning on page 27 of this report, information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund, street improvement fund, grants fund and Tax Increment Fund No. 1 which are considered major funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance. Data from all other 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 and individual fund statements and schedules elsewhere in this report.

Proprietary funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, wastewater, solid waste, airport, convention services, Ranger Hall of Fame, Cameron Park Zoo, transit services, Cottonwood Creek Golf Course operations, and drainage.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its risk management, employee health insurance, engineering, fleet services, information technology (IT), and proprietary vehicle and equipment replacement. These internal service functions have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type financial statements, only in more detail. The basic proprietary fund financial statements which begin on page 40 of this report provide separate information for the water, wastewater, solid waste, and Cameron Park Zoo enterprise funds since these are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining and individual fund statements and schedules elsewhere in this report. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining and individual fund statements and schedules elsewhere in this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position can be found on pages 45 and 46 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 through 93 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 changes in its net pension liability, related pension contributions, and changes in total OPEB liability. Required supplementary information can be found on pages 96 through 100 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government’s financial position. In the case of the City of Waco, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,016,022,622 as of September 30, 2023.

The largest portion of the City’s net position (\$704,444,610) reflects its net investment in capital assets (e.g., land, building, equipment, improvements, museum collections, construction in progress, infrastructure, water rights, lease assets, and subscription assets), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to residents; consequently, these assets are not available for future spending. Although the City’s investment in its capital is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets | | | | | | |
| Current and other assets | \$ 411,494,514 | \$ 350,486,194 | \$ 426,444,266 | \$ 326,179,707 | \$ 837,938,780 | \$ 676,665,901 |
| Capital assets | 492,556,278 | 409,650,749 | 658,421,042 | 623,991,228 | 1,150,977,320 | 1,033,641,977 |
| Total assets | <u>904,050,792</u> | <u>760,136,943</u> | <u>1,084,865,308</u> | <u>950,170,935</u> | <u>1,988,916,100</u> | <u>1,710,307,878</u> |
| Total deferred outflows of resources | <u>46,328,324</u> | <u>13,011,619</u> | <u>8,802,447</u> | <u>3,563,802</u> | <u>55,130,771</u> | <u>16,575,421</u> |
| Liabilities | | | | | | |
| Long-term liabilities | 374,924,171 | 238,035,057 | 498,268,170 | 454,555,110 | 873,192,341 | 692,590,167 |
| Other liabilities | 91,041,620 | 55,658,100 | 57,909,510 | 15,188,826 | 148,951,130 | 70,846,926 |
| Total liabilities | <u>465,965,791</u> | <u>293,693,157</u> | <u>556,177,680</u> | <u>469,743,936</u> | <u>1,022,143,471</u> | <u>763,437,093</u> |
| Total deferred inflows of resources | <u>1,810,174</u> | <u>30,132,714</u> | <u>4,070,604</u> | <u>9,015,053</u> | <u>5,880,778</u> | <u>39,147,767</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 315,202,560 | 291,986,241 | 389,242,050 | 351,255,892 | 704,444,610 | 643,242,133 |
| Restricted | 76,753,494 | 49,999,974 | 591,295 | 899,971 | 77,344,789 | 50,899,945 |
| Unrestricted | 90,647,097 | 107,336,476 | 143,586,126 | 122,819,885 | 234,233,223 | 230,156,361 |
| Total net position | <u>\$ 482,603,151</u> | <u>\$ 449,322,691</u> | <u>\$ 533,419,471</u> | <u>\$ 474,975,748</u> | <u>\$ 1,016,022,622</u> | <u>\$ 924,298,439</u> |

A portion of the City’s net position (\$77,344,789) represents resources that are subject to external restriction on how they may be used. The remaining balance (\$234,233,223) of unrestricted net position may be used to meet the City’s ongoing obligation to residents and creditors in accordance with the City’s fund designation and fiscal policies.

As of September 30, 2023, the City has positive balances in all three categories of net position, both for the City as a whole, as well as for its governmental and business-type activities separately. The same situation held true for the prior fiscal year.

The government’s net position increased by \$91,724,183 during the current fiscal year.



FINANCIAL SECTION

Analysis of the City's operations - The following table provides a summary of the City's operations for the year ended September 30, 2023. Governmental activities increased the City's net position by \$33,280,460 and represented 36% of the total increase. Business-type activities increased the City's net position by \$58,443,723 and represented 64% of the total increase.

| | Changes in Net Position | | | | | |
|---|--------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-----------------------|
| | Year Ended September 30, | | | | | |
| | 2023 | | | 2022 | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 10,720,420 | \$ 163,565,083 | \$ 174,285,503 | \$ 10,299,957 | \$ 149,410,715 | \$ 159,710,672 |
| Operating grants and contributions | 22,518,303 | 12,476,167 | 34,994,470 | 18,455,983 | 6,995,722 | 25,451,705 |
| Capital grants and contributions | 3,695,505 | 25,428,101 | 29,123,606 | 22,773,022 | 31,328,186 | 54,101,208 |
| General revenues: | | | | | | |
| Ad valorem taxes | 105,558,497 | - | 105,558,497 | 101,204,561 | - | 101,204,561 |
| Sales taxes | 55,744,974 | - | 55,744,974 | 54,078,904 | - | 54,078,904 |
| Franchise taxes | 16,429,419 | - | 16,429,419 | 16,424,001 | - | 16,424,001 |
| Hotel/motel taxes | - | 6,475,224 | 6,475,224 | - | 6,120,368 | 6,120,368 |
| Other taxes | 1,649,254 | - | 1,649,254 | 1,468,276 | - | 1,468,276 |
| Investment earnings | 24,779,322 | 5,543,789 | 30,323,111 | (4,681,366) | (1,995,863) | (6,677,229) |
| Miscellaneous | 3,767,602 | - | 3,767,602 | 3,417,510 | - | 3,417,510 |
| Total revenues | 244,863,296 | 213,488,364 | 458,351,660 | 223,440,848 | 191,859,128 | 415,299,976 |
| Expenses: | | | | | | |
| General government | 28,879,531 | - | 28,879,531 | 37,898,024 | - | 37,898,024 |
| Public works | 17,445,123 | - | 17,445,123 | 13,192,410 | - | 13,192,410 |
| Public safety | 100,583,942 | - | 100,583,942 | 82,716,607 | - | 82,716,607 |
| Culture and recreation | 23,824,505 | - | 23,824,505 | 19,340,512 | - | 19,340,512 |
| Housing and community development | 11,548,298 | - | 11,548,298 | 6,574,493 | - | 6,574,493 |
| Public health | 11,137,890 | - | 11,137,890 | 10,151,107 | - | 10,151,107 |
| Interest on long-term debt | 6,720,892 | - | 6,720,892 | 4,657,397 | - | 4,657,397 |
| Water | - | 50,540,255 | 50,540,255 | - | 43,736,573 | 43,736,573 |
| Wastewater | - | 44,333,232 | 44,333,232 | - | 36,827,351 | 36,827,351 |
| Solid waste | - | 30,736,959 | 30,736,959 | - | 23,722,537 | 23,722,537 |
| Cameron Park Zoo | - | 8,715,345 | 8,715,345 | - | 6,764,818 | 6,764,818 |
| Airport | - | 5,790,586 | 5,790,586 | - | 5,170,896 | 5,170,896 |
| Convention services | - | 7,892,219 | 7,892,219 | - | 5,414,985 | 5,414,985 |
| Ranger Hall of Fame | - | 1,976,635 | 1,976,635 | - | 1,597,859 | 1,597,859 |
| Transit services | - | 8,229,764 | 8,229,764 | - | 7,810,717 | 7,810,717 |
| Cottonwood Creek Golf Course | - | 2,963,035 | 2,963,035 | - | 2,102,667 | 2,102,667 |
| Drainage | - | 5,309,266 | 5,309,266 | - | 3,467,729 | 3,467,729 |
| Total expenses | 200,140,181 | 166,487,296 | 366,627,477 | 174,530,550 | 136,616,132 | 311,146,682 |
| Increase in net position before transfers | 44,723,115 | 47,001,068 | 91,724,183 | 48,910,298 | 55,242,996 | 104,153,294 |
| Transfers | (11,442,655) | 11,442,655 | - | 1,853,671 | (1,853,671) | - |
| Increase in net position | 33,280,460 | 58,443,723 | 91,724,183 | 50,763,969 | 53,389,325 | 104,153,294 |
| Net position, beginning of year | 449,322,691 | 474,975,748 | 924,298,439 | 398,558,722 | 421,586,423 | 820,145,145 |
| Net position, end of year | \$ 482,603,151 | \$ 533,419,471 | \$ 1,016,022,622 | \$ 449,322,691 | \$ 474,975,748 | \$ 924,298,439 |

Governmental activities - Key elements of the change in governmental net position include:

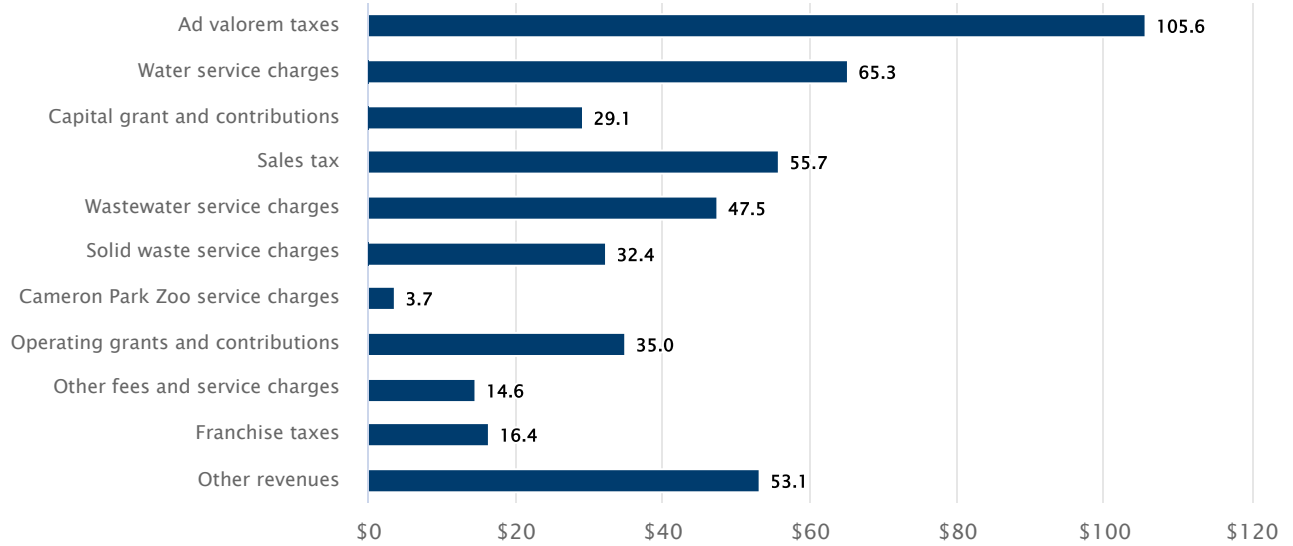
- Overall, governmental revenues increased by \$21.4 million (9.6%). Ad valorem taxes reflected an increase of \$4.4 million (4.3%), primarily as a result of growth in the property tax base as the property tax rate for the City was reduced by \$.0007282 per \$100 of valuation for the fiscal year. Sales taxes reported an increase of \$1.7 million (3.1%) reflecting continued growth in economic activities and the impacts of inflation on the costs of goods and services.. Charges for services reported an increase of \$0.4 million (4.1%) primarily due to increased park/recreation activities and revenue from permits. Operating grants reported an increase of \$4.1 million (22.0%) primarily due to COVID-19 related grant funding. In addition, a decrease in capital grants of \$19.1 million (83.8%) was seen due to less developer contributed assets and one-time contributions for capital assets. Investment earnings increased \$29.5 million (629.3%) primarily due to an increase in interest rates and the maturity of older investments that had interest rates below market rates resulting in significant unrealized losses in the previous year.
- Overall, governmental expenses increased \$25.6 million (14.7%). A 6% salary increase for all eligible employees was included in Fiscal Year (FY) 2022-23. The increase year over year is a result of the City's focus on investing in public safety as seventeen new positions were approved to be added as part of the budget. The City also continued to invest in maintaining roadways to reduce future capital needs to allow a focus on those areas that need more significant improvements. As expected, significant fluctuations in pension expense may occur in response to changes in fair value of plan assets and the total pension liability.

Business-type activities - Key elements of the increase in business-type net position include:

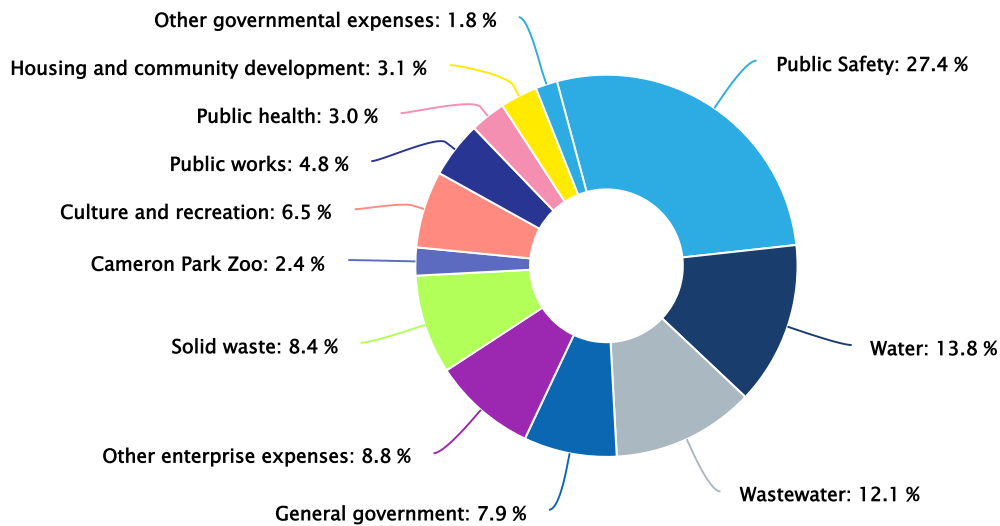
- Charges for services increased by almost \$14.2 million (9.5%) as compared to prior year due to an increase in rates to help spur conservation efforts by shifting more of the increase to be volume based. The change in revenue for the four major funds follows: increase for water (\$4.8 million) , increase for wastewater (\$3.3 million) , increase for solid waste (\$4.7 million) , and an increase for Cameron Park Zoo (\$0.4 million) Critical infrastructure needs continue to be a significant factor contributing to changes in rates. The other nonmajor enterprise funds reported a combined net decrease of \$2.2 million due to the Cameron Park Zoo fund becoming a major fund. A positive indicator of growth in the economy was the increased \$0.4 million (5.8%) in hotel/ motel taxes. Operating grants reported an increase of \$5.5 million (78.3%) primarily in the Airport Fund due to CARES act funding being used for operating activities and capital grants and contributions decreased \$5.9 million (18.8%) due to decreased development activity. Airport reported a decrease of \$1.7 million for capital grants due to FAA funding and CARES grant funding decreasing. Investment earnings increased \$7.5 million (377.8%) primarily due to an increase in interest rates and the maturity of older investments that had interest rates below market rates resulting in significant unrealized losses in the previous year.
- Total expenses increased \$29.9 million (21.9%). The increase was primarily due to increased personnel costs of \$4.7 million as a result of the 6% salary increase. Depreciation and amortization expense increased by \$4.0 million as the city continues to invest in capital assets. Other expenses also increased by \$2.9 million due to claims expense in the solid waste fund and increases in indirect expenses and franchise fees as a result of the increased revenues from the rate adjustments during the year.

FINANCIAL SECTION

Revenues by Source (in \$ millions)



Expenses by Activity (Percent of Total)



Financial Analysis Of The Government's Funds

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

At the end of the current fiscal year, the City of Waco's governmental funds reported combined ending fund balances of \$333,442,487. Approximately 0.4% (\$1,455,599) of this total amount constitutes nonspendable fund balance. Nonspendable fund balance represents net resources that cannot be spent because of their form or because they must remain intact. Included in this component are inventories, real estate held for sale and permanent funds. Approximately 53.8% (\$179,483,951) of the total fund balance is classified as restricted. Restricted fund balance reflects resources that are subject to externally enforceable legal restrictions. This classification includes debt service, capital projects, and special revenue funds such as tax increment zones. Approximately 21.1% (\$70,424,708) of the fund balance is reported as committed. Committed fund balances represent resources whose use has a self-imposed limitation imposed by the City Council and would require formal action to remove or modify the commitment. This classification includes resources that have been committed for economic development initiatives, capital projects and public health. Approximately 6.9% (\$23,097,386) of the fund balance is reported as assigned which reflects the City's intended use of resources. These intended uses are approved by the City Manager and Finance Director based upon direction of the City Council. The remainder of the fund balance of \$58,980,843 (17.7%) is reported as unassigned. Refer to page 54 of this report for a more detailed presentation of governmental fund balances.

The City Council approved an amendment to the City's financial management policy statement to provide for general fund unassigned fund balance to be maintained at 28% of the next year's budgeted revenues. Unassigned general fund balance at the end of the current fiscal year is 29.0% of 2024 budgeted revenues. The fund balance of the general fund at the end of the current year reported an increase of \$7.1 million. Total revenues in the general fund increased \$17,740,498 as compared to the prior year and were \$15,524,122 more than the final budget. Key factors in general fund revenue are as follows:

- Increases of approximately 4.2 million dollars in property tax revenues resulted primarily from growth in net assessed taxable values of approximately 14.0%. Property taxes represented approximately 41% of total general fund revenues.
- Sales tax revenue reported an increase of almost 1.7 million dollars as compared to prior year, with actual amounts exceeding the amount originally budgeted for the fiscal year by approximately 8.6 million dollars. This increase was the result of increased wages, economic growth, a return to pre-pandemic employment levels, and increases in costs for goods and services. This revenue source represents 30% of total general fund revenues.
- Gross receipts fees, which had been budgeted conservatively, increased slightly (\$42,830) as compared to prior year. Approximately 9% of total general fund revenues came from gross receipts fees.
- Investment earnings which totaled 7.6 million dollars in fiscal year 2023 increased 10.1 million dollars from the prior year due to the increase in interest rates and the maturity of older investments that had a lower than market rate which reduced the reduction in investment earnings when reporting investments at fair market value. Approximately 4% of total general fund revenues came from investment earnings.

The Street Improvement Fund, primarily generates its revenues from annual bond issues intended to fund street improvements. Proceeds from the bond issue in fiscal year 2023 totaled \$25.7 million, a decrease of \$14.7 million. Transfers in decreased \$4.5 million compared to fiscal year 2022. Expenditures for the fund increased by \$2.4 million to \$28.4 million. Overall fund balance, which is split between restricted (\$64.6 million) and committed (\$6.0 million) fund balance, increased by \$0.9 million to \$70.7 million.

The Grants Fund generates the majority (97.6%) of its revenues from federal and state grants. Intergovernmental revenues increased by \$6.1 million primarily from revenue received related to the American Rescue Plan Act

State and Local Fiscal Recovery Funds which totaled \$7.9 million this year compared to \$2.8 million last year. Generally, revenues in this fund fluctuate from one year to the next, based on timing of expenditures which are usually offset by revenues as most grants are on the reimbursement basis, and grant awards received by the City. Fund balance for the grants fund decreased \$3,465 from the prior year primarily related to the Texas Department of Transportation Elm Avenue grant and spending down of the match as the project continues to progress. Total fund balance was slightly more than \$1.7 million with all of it being restricted for specific purposes.

The Tax Increment Fund No. 1 Fund, a new major fund this year, generates the majority (76.7%) of its revenues from a property tax increment based on the member governments of the zone. Property tax revenues decreased 4.7 million due to Waco ISD leaving the zone and no longer contributing. Proceeds from bond issuances in fiscal year 2023 totaled 40.5 million for activities related to the RiverFront Development including a new parking garage adjacent to the new Foster Pavilion, street improvements, and beginning phase for improvements to the downtown Riverwalk. In addition, the City entered into a purchase agreement with Baylor University for land in the zone that will be paid to Baylor over a five-year period beginning in Fiscal Year 2023-2024, this is shown as the capital asset financing other financing source (\$14.3 million). Overall fund balance, which is entirely restricted for tax increment zone activities, increased \$22.5 million to \$66.1 million.

Proprietary funds - The City's proprietary fund statements beginning on page 40 of this report provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective major proprietary funds are water - \$49,921,056, wastewater - \$42,821,792, solid waste - \$13,696,289, and Cameron Park Zoo - 16,521,474. These funds recognized changes in total net position during 2023 as follows: water - \$18,608,304, wastewater - \$8,799,366, solid waste - \$1,911,397 and Cameron Park Zoo - \$21,420,076.

General Fund budgetary highlights - The difference between the original budget and the final amended budget for appropriations was a net increase of \$1,570,284. The primary differences can be briefly summarized as follows: Total increases to the budget were \$28,426,650 with many of these related to capital needs. The budget increases are as follows:

- \$7,468,263 increase for purchase orders that rolled from FY 2022
- \$6,000,000 increase for transfer to Special Projects Reserve Fund
- \$1,600,000 increase for the Cameron Park Zoo Fund to cover increased water and sewer charges
- \$1,000,000 increase to purchase land for future city needs.
- \$350,000 increase for the We All Win program
- \$100,000 increase for economic development activities
- \$50,000 increase to support the Waco Metropolitan Planning Organization
- \$38,000 increase for additional merchandise purchases for the Waco Mammoth Site

Funding for the increases was provided primarily by general fund unassigned fund balance in excess of policy requirements.

Total decrease to the budget was \$26,856,366 due to unexpended economic development funds (\$14,750,000) and closed purchase orders whereby not all funds were needed to complete the purchase (\$151,163).

For a more detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2023, refer to the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on pages 31 to 39 of this report.

Capital Assets

The City of Waco's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$1,150,977,320 (net of accumulated depreciation/amortization).

This investment in capital assets includes land, building, machinery and equipment, improvements other than buildings, museum collections, water rights, infrastructure, lease assets, subscription assets and construction work in progress. Major capital asset events occurring during the current fiscal year included the following:

- Implemented *Governmental Accounting Standards Board (GASB) Statement No. 96 - Subscription-Based Information Technology Arrangements* which resulted in the addition of \$1.0 million in capital assets after amortization. These assets are amortized over the life of the contract underlying the subscription.
- Capitalized approximately \$47.8 million for various water, drainage and wastewater systems projects and developer contributions.
- Capitalized \$36.0 million in street infrastructure and developer contributions.
- Capitalized \$20.5 million for park improvements.

Capital Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 96,896,160 | \$ 76,875,119 | \$ 25,457,581 | \$ 18,451,306 | \$ 122,353,741 | \$ 95,326,425 |
| Buildings | 94,520,386 | 93,627,631 | 98,905,344 | 98,737,780 | 193,425,730 | 192,365,411 |
| Improvements other than buildings | 91,225,547 | 74,649,782 | 808,095,046 | 758,671,945 | 899,320,593 | 833,321,727 |
| Machinery and equipment | 83,098,511 | 75,320,827 | 78,645,390 | 71,248,685 | 161,743,901 | 146,569,512 |
| Museum collections | - | - | 2,657,924 | 2,652,924 | 2,657,924 | 2,652,924 |
| Infrastructure | 415,203,882 | 395,605,304 | - | - | 415,203,882 | 395,605,304 |
| Construction work in progress | 95,939,209 | 60,120,973 | 68,226,134 | 66,016,274 | 164,165,343 | 126,137,247 |
| Water rights | - | - | 36,792,490 | 36,792,490 | 36,792,490 | 36,792,490 |
| Lease assets, right-of use | 3,248,375 | 2,685,329 | 622,645 | 580,903 | 3,871,020 | 3,266,232 |
| Subscription-based IT arrangements | 1,368,699 | - | - | - | 1,368,699 | - |
| Less: accumulated depreciation and amortization | (388,944,491) | (369,234,216) | (460,981,512) | (429,161,079) | (849,926,003) | (798,395,295) |
| Total capital assets | <u>\$ 492,556,278</u> | <u>\$ 409,650,749</u> | <u>\$ 658,421,042</u> | <u>\$ 623,991,228</u> | <u>\$ 1,150,977,320</u> | <u>\$ 1,033,641,977</u> |

Additional information on the City's capital assets can be found in Note IV on pages 65 - 67 of this report.

Debt Administration

At the end of the current fiscal year, the City of Waco had total bonded debt, leases, subscriptions, notes payable and capital financing agreement obligations of \$806,222,697. Of this amount, \$784,339,374 represents bonded debt backed by the full faith and credit of the government. The \$3,550,183 capital financing obligation is for new fire trucks. The lease obligations are for various equipment and facilities used for city operations.

Bonds and Notes Payable

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation certificates | \$ 283,713,891 | \$ 194,856,487 | \$ 500,625,483 | \$ 435,667,951 | \$ 784,339,374 | \$ 630,524,438 |
| Lease obligations | 1,669,122 | 1,984,527 | 282,791 | 439,878 | 1,951,913 | 2,424,405 |
| SBITAs | 944,760 | - | - | - | 944,760 | - |
| Notes payable | 14,313,701 | - | 1,122,766 | 1,219,301 | 15,436,467 | 1,219,301 |
| Capital financing agreement obligation | 3,550,183 | 4,030,702 | - | - | 3,550,183 | 4,030,702 |
| | <u>\$ 304,191,657</u> | <u>\$ 200,871,716</u> | <u>\$ 502,031,040</u> | <u>\$ 437,327,130</u> | <u>\$ 806,222,697</u> | <u>\$ 638,198,846</u> |

During the 2023 fiscal year, the City issued 188,740,000 (including 36,700,000 taxable) in combination tax and revenue certificates of obligation. The proceeds will be used to pay the cost of (1) construction, expansion, renovation, restoration and repair of and improvements to City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction, acquisition, restoration, and improvement of parks and recreational facilities, including the Cameron Park Zoo, and including in each case the acquisition of land and rights-of-way in connection therewith; (4) the acquisition of vehicles, fire-fighting equipment and other equipment for authorized City purposes; (5) improvements to the City’s sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (6) improvements to the City’s waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (7) construction, acquisition, and improvement of the City’s solid waste disposal system, facilities and equipment; (8) improvements to the City’s drainage utility system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (9) construction, acquisition, and improvement of City parking structures, including in each case the acquisition of land and rights-of-way in connection therewith; and (10) professional services incurred in connection with items (1) through (9), and to pay the costs incurred in connection with the issuance.

Additional information on the City of Waco’s long-term debt can be found in Note IV on pages 76 to 81 of this report.

The City’s bond ratings are listed below:

| | Moody’s Investors Service | Standard And Poor’s |
|--------------------------|------------------------------|------------------------|
| General Obligation Bonds | Aa1 | AA+ |

Economic Factors and Next Year’s Budgets and Rates

This budget builds upon the foundation from the Fiscal Year 2023 budget development, in which we saw a new focus on equity, policing, and economic development strategies. In this budget you will see a continued alignment to Council’s established priorities. In the current financial climate, staff and Council worked together to build a budget that limits increases to monthly City tax and utility service bills for homeowners. The average homeowner will see less than a dollar a day (98.8 cents) increase in their total tax and utility bill (\$360.62 annually), - 33 cents per day for the new Street Maintenance Fee. For the third year in a row, we have a budget with a tax rate reduction. This brings us to the lowest tax rate in more than a decade.

As our City continues to grow, so do the demands on our core services of public safety, streets, and utilities. The FY24 adopted budget addresses these issues in several ways. The Capital Improvements Program will be at a

record level thanks to financial flexibility efforts. The budget brings more than \$114.8 million for General Fund infrastructure which will be spent on public safety, streets, bridges, parks, and city facilities. Specific projects receiving funding include \$1 million for the neighborhood improvements program project and \$12.5 million for the third and final year of funding for the construction and development of a new regional park at the former site of Floyd Casey Stadium in South Waco.

In addition, the City will invest \$123.8 million to improve our airport, golf course, water, wastewater, solid waste, and drainage systems. Specific projects funded include \$46.3 million for the expansion of the Bullhide Wastewater Treatment Plant to handle growth on the west and southwest ends of the City, \$13.2 million for the construction of the new regional landfill (MSW 2400), and nearly \$3 million for equipment for the new solid waste transfer station to begin operations.

This Fiscal Year 2023-2024 budget includes a net increase of 74.6076 new FTEs. The new positions represent a focus on public safety (14 FTEs), ensuring a high-performing government by adding positions in administration (2 FTEs), development services (2 FTEs), quality of life - parks & recreation and neighborhood engagement (3 FTE) and Cameron Park Zoo (4 FTEs), and improvement of infrastructure and supporting sustainability - water utilities (14 FTEs) solid waste (17 FTEs). These positions are critical as the City grows and staff strives to accomplish the goals of the Council.

The City's outstanding workforce understands that public service is a career dedicated to serving others. As a personnel-driven service provider, 73% of the General Fund operating budget is dedicated to employee compensation and benefits. In response to the fiscal climate nationwide, this year we aggressively pursued compensation and benefits enhancements to ensure the City of Waco remains an employer of choice. This budget includes a 5% general salary increase across the board and additional salary enhancements within our public safety departments for civilian and sworn personnel, a prospective cost of living adjustment for City retirees, additions to our bilingual pay incentive, and the creation of a catastrophic leave donation program.

The City has a competitive health benefits program available for employees and their dependents. The Human Resources Department, in conjunction with the benefits consultant, has worked this year to change insurance providers to mitigate costs while still providing the competitive and excellent plan design that our employees are accustomed to. For the 4th year in a row, City employees will see no increase in their monthly insurance costs. We have added a first-class enhancement for mental health benefits and support with a reduction in mental health copays from \$75 to \$25.

The City participates in the Texas Municipal Retirement System (TMRS) for full-time employees. TMRS calculates the City's required contributions based on an actuarial formula that looks at the City's pension liabilities compared to its pension assets. The City has budgeted an 18% contribution for FY24 to help reduce the overall liability and maintain financial stability and establish a 30% reoccurring Cost of Living Adjustment (COLA) for retired city employees. The City's participation in the TMRS system provides a financially sound pension for employees, which is very different from self-funded pensions for some major cities.

This budget contemplates the third year in a row of a tax rate reduction. At \$0.755000, the proposed tax rate is half a cent (\$.005) lower than the previous rate.

The budget continues efforts by the Cottonwood Creek Golf Course and the Cameron Park Zoo to limit support received by the General Fund. The Cameron Park Zoo proposes increases to adult admission fees. The Cottonwood Creek Golf Course proposes to increase green fees and fees for range buckets. In addition, the budget proposes increases to development and inspection review fees on public infrastructure installed by developers to better align the costs of the services to the fee charged.



FINANCIAL SECTION

There are several changes to the water, wastewater, and solid waste fees. This budget increases the residential rates for Solid Waste from \$17.70 to \$19.11 per month. The budget slightly reduces water rates for customers that use 8,000 gallons of water a month or less, which is the average consumption for residential customers. This approach will incentivize water conservation and continues our approach to an equitable billing structure. Wastewater rates increase by 10% over last year. The municipal drainage fee will increase from \$5.51 to \$6.30 per equivalent residential unit (ERU) which is in line with the originally adopted fee schedule for the new municipal drainage utility.

The adopted fiscal year 2024 General Fund revenue budget, which includes the utilization of fund balance of \$7.3 million, increased by nearly \$26.4 million or 16.3% compared to the adopted fiscal year 2023 budget. This is primarily due to sales tax increasing by \$8.0 million and property tax revenues increasing by \$12.4 million due to increased valuations. The fiscal year 2024 budget includes a \$7.3 million utilization of surplus to provide cash funding for capital projects. This amount is assigned in fund balance in the general fund at September 30, 2023.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Nicholas Sarpy, Chief Financial Officer, PO Box 2570, Waco, Texas 76702-2570, or call (254) 750-5694.



BASIC FINANCIAL STATEMENTS



Statement of Net Position September 30, 2023

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|----------------------|-------------------------------|--|
| | Governmental Activities | Business-type Activities | Total | Baylor Waco Stadium Authority | Waco Health Facilities Development Corporation |
| Assets | | | | | |
| Cash and investments | \$ 385,386,296 | \$ 164,350,289 | \$ 549,736,585 | \$ 124,860 | \$ 32,791 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Accounts | 3,935,387 | 20,883,339 | 24,818,726 | 47,283 | - |
| Special assessments | 11,474 | - | 11,474 | - | - |
| Taxes | 12,756,562 | - | 12,756,562 | - | - |
| Leases | 1,157,031 | 4,129,887 | 5,286,918 | - | - |
| Intergovernmental receivable | 2,992,721 | 5,396,474 | 8,389,195 | - | - |
| Prepaid expense | 350,000 | 206,878 | 556,878 | 4,057 | - |
| Accrued interest receivable | - | - | - | - | - |
| Internal balances | 3,158,996 | (3,158,996) | - | - | - |
| Due from others as fiscal agent | - | - | - | - | - |
| Inventories | 1,547,897 | 1,989,524 | 3,537,421 | - | - |
| Restricted cash and investments | - | 232,646,871 | 232,646,871 | - | - |
| Notes receivable | 131,893 | - | 131,893 | - | - |
| Real estate held for resale | 66,257 | - | 66,257 | - | - |
| Capital assets not being depreciated: | | | | | |
| Land | 96,896,160 | 25,457,581 | 122,353,741 | - | - |
| Museum collections | - | 2,657,924 | 2,657,924 | - | - |
| Construction in progress | 95,939,209 | 68,226,134 | 164,165,343 | - | - |
| Capital assets, net of accumulated depreciation and amortization: | | | | | |
| Buildings | 50,351,833 | 41,118,109 | 91,469,942 | - | - |
| Machinery and equipment | 23,272,156 | 22,322,790 | 45,594,946 | 5,927 | - |
| Improvements other than buildings | 39,992,119 | 478,885,664 | 518,877,783 | - | - |
| Infrastructure | 183,276,827 | - | 183,276,827 | - | - |
| Water rights | - | 19,443,833 | 19,443,833 | - | - |
| Lease asset | 1,822,145 | 309,007 | 2,131,152 | - | - |
| Subscription-based information technology arrangements | 1,005,829 | - | 1,005,829 | - | - |
| Total assets | 904,050,792 | 1,084,865,308 | 1,988,916,100 | 182,127 | 32,791 |
| Deferred outflows of resources | | | | | |
| Deferred losses on refundings of debt | 447,589 | 1,397,950 | 1,845,539 | - | - |
| Deferred outflows on pension liability | 45,484,778 | 7,404,497 | 52,889,275 | - | - |
| Deferred outflows on OPEB liability | 395,957 | - | 395,957 | - | - |
| Total deferred outflows of resources | \$ 46,328,324 | \$ 8,802,447 | \$ 55,130,771 | \$ - | \$ - |

See accompanying notes to financial statements

Statement of Net Position
September 30,

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|-------------------------|-------------------------------|--|
| | Governmental Activities | Business-type Activities | Total | Baylor Waco Stadium Authority | Waco Health Facilities Development Corporation |
| Liabilities | | | | | |
| Accounts payable | \$ 21,044,473 | \$ 4,342,413 | \$ 25,386,886 | \$ 40,277 | \$ - |
| Accrued liabilities | 7,786,937 | 4,161,318 | 11,948,255 | - | - |
| Accrued interest payable | 2,397,845 | 4,523,437 | 6,921,282 | - | - |
| Unearned revenue | 24,341,017 | 618,052 | 24,959,069 | 10,353 | - |
| Escrow funds | 433,021 | - | 433,021 | - | - |
| Customer deposits | 921,609 | - | 921,609 | - | - |
| Advanced deposits from Baylor University | - | - | - | 131,497 | - |
| Liabilities payable from restricted assets | - | 8,448,499 | 8,448,499 | - | - |
| Noncurrent liabilities: | | | | | |
| Due within one year | 34,116,718 | 35,815,791 | 69,932,509 | - | - |
| Due in more than one year | 374,924,171 | 498,268,170 | 873,192,341 | - | - |
| Total liabilities | 465,965,791 | 556,177,680 | 1,022,143,471 | 182,127 | - |
| Deferred inflows of resources | | | | | |
| Deferred gains on refundings of debt | - | 7,423 | 7,423 | - | - |
| Deferred inflows on pension liability | - | - | - | - | - |
| Deferred inflows on OPEB liability | 676,608 | - | 676,608 | - | - |
| Deferred inflows on unavailable revenue | - | - | - | - | - |
| Deferred inflows on leases | 1,133,566 | 4,063,181 | 5,196,747 | - | - |
| Total deferred inflows of resources | 1,810,174 | 4,070,604 | 5,880,778 | - | - |
| Net position | | | | | |
| Net investment in capital assets | 315,202,560 | 389,242,050 | 704,444,610 | - | - |
| Restricted for: | | | | | |
| Tax increment financing/public improvement district | 68,899,695 | - | 68,899,695 | - | - |
| Housing and community development | 429,560 | - | 429,560 | - | - |
| Culture and recreation | 180,040 | - | 180,040 | - | - |
| Public safety | 3,462,374 | - | 3,462,374 | - | - |
| Public works | 254,197 | - | 254,197 | - | - |
| Communications and Marketing | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Parks and cemetery care - nonexpendable | 332,430 | - | 332,430 | - | - |
| Capital projects | 3,195,198 | 591,295 | 3,786,493 | - | - |
| Unrestricted | 90,647,097 | 143,586,126 | 234,233,223 | - | 32,791 |
| Total net position | \$ 482,603,151 | \$ 533,419,471 | \$ 1,016,022,622 | \$ - | \$ 32,791 |

See accompanying notes to financial statements

**Statement of Activities
Year Ended September 30, 2023**

| Functions/Programs | Expenses | Program Revenues | | |
|--|-------------------------|-----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| General government | \$ (28,879,531) | \$ 3,448,932 | \$ 8,538,212 | \$ 310,434 |
| Public works | (17,445,123) | - | - | 3,271,175 |
| Public safety | (100,583,942) | 3,594,522 | 4,005,664 | 94,146 |
| Culture and recreation | (23,824,505) | 2,143,986 | 1,296,100 | 19,750 |
| Housing and community development | (11,548,298) | 155,495 | 2,725,520 | - |
| Public health | (11,137,890) | 1,377,485 | 5,952,807 | - |
| Interest on long-term debt | (6,720,892) | - | - | - |
| Total governmental activities | <u>(200,140,181)</u> | <u>10,720,420</u> | <u>22,518,303</u> | <u>3,695,505</u> |
| Business-type activities: | | | | |
| Water | (50,540,255) | 65,278,697 | 23,745 | 5,842,502 |
| Wastewater | (44,333,232) | 47,532,961 | 37,078 | 5,042,438 |
| Solid waste | (30,736,959) | 32,394,805 | 12,454 | - |
| Cameron Park Zoo | (8,715,345) | 3,709,845 | 49,823 | 10,509,803 |
| Airport | (5,790,586) | 988,944 | 7,187,083 | 2,136,052 |
| Convention services | (7,892,219) | 1,603,257 | - | - |
| Ranger Hall of Fame | (1,976,635) | 601,566 | - | 57,567 |
| Transit services | (8,229,764) | 2,370,101 | 5,165,984 | 598,694 |
| Cottonwood Creek Golf Course | (2,963,035) | 2,414,141 | - | - |
| Drainage | (5,309,266) | 6,670,766 | - | 1,241,045 |
| Total business-type activities | <u>(166,487,296)</u> | <u>163,565,083</u> | <u>12,476,167</u> | <u>25,428,101</u> |
| Total primary government | <u>\$ (366,627,477)</u> | <u>\$ 174,285,503</u> | <u>\$ 34,994,470</u> | <u>\$ 29,123,606</u> |
| Component Units: | | | | |
| Baylor Waco Stadium Authority | \$ (2,656,260) | \$ 599,498 | \$ 2,056,762 | \$ - |
| Waco Health Facilities Development Corporation | - | - | - | - |
| Total component units | <u>\$ (2,656,260)</u> | <u>\$ 599,498</u> | <u>\$ 2,056,762</u> | <u>\$ -</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property | | | | |
| Property tax increment financing | | | | |
| Sales | | | | |
| Franchise | | | | |
| Hotel/motel | | | | |
| Other | | | | |
| Unrestricted investment earnings | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position, beginning of year | | | | |
| Net position, end of year | | | | |

See accompanying notes to financial statements



FINANCIAL SECTION

| Net Revenues (Expenses) and Changes in Net Position | | | | |
|---|--------------------------|-------------------------|-------------------------------|--|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-type Activities | Total | Baylor Waco Stadium Authority | Waco Health Facilities Development Corporation |
| \$ (16,581,953) | \$ - | \$ (16,581,953) | \$ - | \$ - |
| (14,173,948) | - | (14,173,948) | - | - |
| (92,889,610) | - | (92,889,610) | - | - |
| (20,364,669) | - | (20,364,669) | - | - |
| (8,667,283) | - | (8,667,283) | - | - |
| (3,807,598) | - | (3,807,598) | - | - |
| (6,720,892) | - | (6,720,892) | - | - |
| <u>(163,205,953)</u> | <u>-</u> | <u>(163,205,953)</u> | <u>-</u> | <u>-</u> |
| - | 20,604,689 | 20,604,689 | - | - |
| - | 8,279,245 | 8,279,245 | - | - |
| - | 1,670,300 | 1,670,300 | - | - |
| - | 5,554,126 | 5,554,126 | - | - |
| - | 4,521,493 | 4,521,493 | - | - |
| - | (6,288,962) | (6,288,962) | - | - |
| - | (1,317,502) | (1,317,502) | - | - |
| - | (94,985) | (94,985) | - | - |
| - | (548,894) | (548,894) | - | - |
| - | 2,602,545 | 2,602,545 | - | - |
| - | 34,982,055 | 34,982,055 | - | - |
| <u>\$ (163,205,953)</u> | <u>\$ 34,982,055</u> | <u>\$ (128,223,898)</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 95,322,503 | \$ - | \$ 95,322,503 | \$ - | \$ - |
| 10,235,994 | - | 10,235,994 | - | - |
| 55,744,974 | - | 55,744,974 | - | - |
| 16,429,419 | - | 16,429,419 | - | - |
| - | 6,475,224 | 6,475,224 | - | - |
| 1,649,254 | - | 1,649,254 | - | - |
| 24,779,322 | 5,543,789 | 30,323,111 | - | 1,285 |
| 3,767,602 | - | 3,767,602 | - | - |
| (11,442,655) | 11,442,655 | - | - | - |
| <u>196,486,413</u> | <u>23,461,668</u> | <u>219,948,081</u> | <u>-</u> | <u>1,285</u> |
| 33,280,460 | 58,443,723 | 91,724,183 | - | 1,285 |
| 449,322,691 | 474,975,748 | 924,298,439 | - | 31,506 |
| <u>\$ 482,603,151</u> | <u>\$ 533,419,471</u> | <u>\$ 1,016,022,622</u> | <u>\$ -</u> | <u>\$ 32,791</u> |

See accompanying notes to financial statements

**Balance Sheet
Governmental Funds
September 30, 2023**

| | General Fund | Street Improvement Fund | Grants Fund | Tax Increment Fund No. 1 | Total Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|-------------------------|----------------------|--------------------------|-----------------------|--------------------------|
| Assets | | | | | | |
| Cash and investments | \$ 95,060,976 | \$ 75,110,573 | \$ 25,363,870 | \$ 75,145,245 | \$ 95,031,994 | \$ 365,712,658 |
| Receivables, net of allowances: | | | | | | |
| Accounts | 3,535,443 | - | 200,209 | 307 | 23,872 | 3,759,831 |
| Special assessments | - | - | - | - | 11,474 | 11,474 |
| Taxes | 12,154,573 | - | - | 90,802 | 601,989 | 12,847,364 |
| Notes | - | - | 131,893 | - | - | 131,893 |
| Leases | 1,157,031 | - | - | - | - | 1,157,031 |
| Advances to other funds | - | - | - | - | 168,368 | 168,368 |
| Intergovernmental receivable | 16,653 | - | 1,886,394 | - | 1,089,674 | 2,992,721 |
| Inventory | 1,117,009 | - | - | - | - | 1,117,009 |
| Real estate held for resale | 6,160 | - | 60,097 | - | - | 66,257 |
| Due from other funds | 4,839,671 | - | 154,932 | - | 3,614,580 | 8,609,183 |
| Total assets | <u>\$ 117,887,516</u> | <u>\$ 75,110,573</u> | <u>\$ 27,797,395</u> | <u>\$ 75,236,354</u> | <u>\$ 100,541,951</u> | <u>\$ 396,573,789</u> |
| Liabilities | | | | | | |
| Accounts payable | 4,579,878 | 4,424,668 | 586,284 | 8,402,136 | 2,560,074 | 20,553,040 |
| Accrued liabilities | 4,577,674 | 16,115 | 63,333 | 585,943 | 1,609,600 | 6,852,665 |
| Unearned revenue | 50,039 | - | 24,290,978 | - | - | 24,341,017 |
| Due to other funds | 1,053,645 | - | 1,147,315 | 154,932 | 3,614,580 | 5,970,472 |
| Deposits | 921,609 | - | - | - | - | 921,609 |
| Escrow funds | 318,649 | - | - | - | 113,834 | 432,483 |
| Total liabilities | <u>11,501,494</u> | <u>4,440,783</u> | <u>26,087,910</u> | <u>9,143,011</u> | <u>7,898,088</u> | <u>59,071,286</u> |
| Deferred inflows of resources | | | | | | |
| Unavailable revenue: | | | | | | |
| Property taxes | 2,184,905 | - | - | - | 569,970 | 2,754,875 |
| Court fines | 160,101 | - | - | - | - | 160,101 |
| Special assessments | - | - | - | - | 11,474 | 11,474 |
| Leases | 1,133,566 | - | - | - | - | 1,133,566 |
| Total deferred inflows of resources | <u>3,478,572</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>581,444</u> | <u>4,060,016</u> |
| Fund balances | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | 1,117,009 | - | - | - | - | 1,117,009 |
| Parks and cemetery care | - | - | - | - | 332,430 | 332,430 |
| Real estate held for resale | 6,160 | - | - | - | - | 6,160 |
| Restricted for: | | | | | | |
| Capital projects | - | 64,645,493 | - | - | 38,671,077 | 103,316,570 |
| Culture and recreation | - | - | 126,072 | - | 53,968 | 180,040 |
| Debt service | - | - | - | - | 969,001 | 969,001 |
| Housing and community development | - | - | 489,657 | - | - | 489,657 |
| Communications and marketing | 1,912,417 | - | - | - | - | 1,912,417 |
| Public works | - | - | 254,197 | - | - | 254,197 |
| Public safety | - | - | 839,559 | - | 2,622,815 | 3,462,374 |
| Tax increment zone activities | - | - | - | 66,093,343 | 1,382,540 | 67,475,883 |
| Waco Public Improvement District | - | - | - | - | 1,423,812 | 1,423,812 |
| Committed to: | | | | | | |
| Capital projects | - | 6,024,297 | - | - | 42,186,943 | 48,211,240 |
| Economic development | 17,793,635 | - | - | - | - | 17,793,635 |
| Public health | - | - | - | - | 4,419,833 | 4,419,833 |
| Assigned to: | | | | | | |
| Culture and recreation | 217,980 | - | - | - | - | 217,980 |
| Economic development | 11,233,433 | - | - | - | - | 11,233,433 |
| Housing and community development | 284,163 | - | - | - | - | 284,163 |
| Other | 1,685,142 | - | - | - | - | 1,685,142 |
| Public safety | 1,892,908 | - | - | - | - | 1,892,908 |
| Public works | 443,104 | - | - | - | - | 443,104 |
| Subsequent year's budget appropriation | 7,340,656 | - | - | - | - | 7,340,656 |
| Unassigned | 58,980,843 | - | - | - | - | 58,980,843 |
| Total fund balances | <u>102,907,450</u> | <u>70,669,790</u> | <u>1,709,485</u> | <u>66,093,343</u> | <u>92,062,419</u> | <u>333,442,487</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 117,887,516</u> | <u>\$ 75,110,573</u> | <u>\$ 27,797,395</u> | <u>\$ 75,236,354</u> | <u>\$ 100,541,951</u> | <u>\$ 396,573,789</u> |

See accompanying notes to financial statements



FINANCIAL SECTION

Reconciliation of the Balance Sheet to the Statement of Net Position September 30, 2023

Amounts reported for governmental activities in the statements of net position are different because:

| | |
|---|-----------------------|
| Total fund balances - governmental funds (page 29) | \$ 333,442,487 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 489,913,152 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds. | 2,926,450 |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. | 16,141,342 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(359,820,280)</u> |
| Net position of governmental activities (page 26) | <u>\$ 482,603,151</u> |

See accompanying notes to financial statements

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2023**

| | General Fund | Street Improvement Fund | Grants Fund | Tax Increment Fund No. 1 | Total Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|-------------------------------|--------------------|-----------------------------------|----------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 133,086,560 | \$ - | \$ - | \$ 8,840,350 | \$ 19,062,204 | \$ 160,989,114 |
| Special assessments | - | - | - | - | 776,425 | 776,425 |
| Business and occupation fees | 16,429,419 | - | - | - | - | 16,429,419 |
| Permits, licenses and fees | 3,162,803 | - | - | - | 1,205,613 | 4,368,416 |
| Fines | 1,404,021 | - | - | - | 473,479 | 1,877,500 |
| Charges for services | 2,863,857 | - | - | - | - | 2,863,857 |
| Investment earnings | 7,567,725 | - | 31,008 | 2,681,143 | 10,474,278 | 20,754,154 |
| Contributions | 707,260 | - | - | - | 202,696 | 909,956 |
| Intergovernmental | 2,762,665 | - | 13,884,825 | - | 5,449,554 | 22,097,044 |
| Program income | - | - | 59,670 | - | 176,612 | 236,282 |
| Other | 17,068,290 | - | 261,385 | - | 965,439 | 18,295,114 |
| Total revenues | 185,052,600 | - | 14,236,888 | 11,521,493 | 38,786,300 | 249,597,281 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 34,595,539 | - | 521,114 | 7,454,366 | 727,987 | 43,299,006 |
| Public works | 8,984,832 | - | 1,596,048 | - | - | 10,580,880 |
| Public safety | 93,092,116 | - | 1,852,952 | - | 43,833 | 94,988,901 |
| Culture and recreation | 20,049,051 | - | - | - | - | 20,049,051 |
| Housing and community development | 739,684 | - | 10,697,275 | - | - | 11,436,959 |
| Public health | - | - | - | - | 11,066,013 | 11,066,013 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 10,060,000 | 10,060,000 |
| Interest and fiscal charges | - | - | - | - | 7,448,292 | 7,448,292 |
| Bond issuance costs | - | - | - | 380,833 | 407,422 | 788,255 |
| Capital outlay | - | 28,374,155 | - | 33,397,855 | 27,245,738 | 89,017,748 |
| Total expenditures | 157,461,222 | 28,374,155 | 14,667,389 | 41,233,054 | 56,999,285 | 298,735,105 |
| Excess (deficiency) of revenues over expenditures | 27,591,378 | (28,374,155) | (430,501) | (29,711,561) | (18,212,985) | (49,137,824) |
| Other financing sources (uses): | | | | | | |
| Refunding bonds issued | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | - |
| Premium on refunding bonds | - | - | - | - | - | - |
| General obligation bonds issued | - | 25,000,454 | - | 40,480,000 | 33,509,546 | 98,990,000 |
| Premium on general obligation bonds | - | 734,546 | - | 45,833 | 1,397,073 | 2,177,452 |
| Capital asset financing | - | - | - | 14,313,701 | - | 14,313,701 |
| Financing of leases | 189,225 | - | - | - | - | 189,225 |
| Financing of Subscriptions | 768,816 | - | - | - | - | 768,816 |
| Transfers in | 5,955,216 | 3,524,482 | 432,600 | - | 22,605,220 | 32,517,518 |
| Transfers out | (27,396,608) | (16,301) | (5,564) | (2,630,428) | (13,916,748) | (43,965,649) |
| Total other financing sources (uses) | (20,483,351) | 29,243,181 | 427,036 | 52,209,106 | 43,595,091 | 104,991,063 |
| Net change in fund balances | 7,108,027 | 869,026 | (3,465) | 22,497,545 | 25,382,106 | 55,853,239 |
| Fund balances, beginning of year - previously stated | 95,799,423 | 69,800,764 | 1,712,950 | - | 110,276,111 | 277,589,248 |
| Changes within reporting entity | - | - | - | 43,595,798 | (43,595,798) | - |
| Fund balances, beginning of year - adjusted | 95,799,423 | 69,800,764 | 1,712,950 | 43,595,798 | 66,680,313 | 277,589,248 |
| Fund balances, end of year | \$ 102,907,450 | \$70,669,790 | \$1,709,485 | \$66,093,343 | \$92,062,419 | \$ 333,442,487 |

See accompanying notes to financial statements

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2023**

Amounts reported for governmental activities in the Statement of Activities (pages 25 - 26) are different because:

| | | |
|--|----|---------------|
| Net change in fund balances - total governmental funds (page 29) | \$ | 55,853,239 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | 79,459,108 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, trade-ins, and donations) is to increase net position. | | 1,864,801 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 214,148 |
| When leases in which the City is the lessee are used in governmental activities, an expenditure and other financing source are recorded in the governmental funds for the amount of present value of the future lease; however, in the statement of activities, the present value of the future lease is recognized as a lease, right-of-use asset and a liability, and amortized over the lease term. Further, lease payments are recorded as expenses in the governmental funds and are recorded as a reduction of the liability in Governmental Activities. | | (72,423) |
| When subscriptions used in governmental activities, an expenditure and other financing source are recorded in the governmental funds for the amount of present value of the future subscription; however, in the statement of activities, the present value of the future subscription is recognized as a subscription asset and a liability, and amortized over the lease term. Further, subscription payments are recorded as expenses in the governmental funds and are recorded as a reduction of the liability in Governmental Activities. | | 37,459 |
| The issuance of long-term debt (e.g., bonds, notes payable) 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 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. | | (104,940,634) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | (3,220,898) |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The change in net position of internal service funds is reported with governmental activities. | | 4,085,660 |
| Change in net position of governmental activities (pages 25 - 26) | \$ | 33,280,460 |

See accompanying notes to financial statements

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---------------------------------------|------------------|---------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Revenue | | | | | |
| Taxes: | | | | | |
| Sales tax income | \$ 47,140,406 | \$ 47,140,406 | \$ 55,744,974 | \$ 8,604,568 | \$ 54,078,904 |
| Property taxes | 77,119,584 | 77,119,584 | 76,638,544 | (481,040) | 72,435,691 |
| Interest and penalty on taxes | 550,000 | 550,000 | 703,042 | 153,042 | 719,799 |
| Total taxes | 124,809,990 | 124,809,990 | 133,086,560 | 8,276,570 | 127,234,394 |
| Business and occupation fees: | | | | | |
| Occupation taxes | 110,987 | 110,987 | 78,656 | (32,331) | 116,068 |
| Gross receipts taxes | 15,280,000 | 15,280,000 | 16,350,763 | 1,070,763 | 16,307,933 |
| Total business and occupation fees | 15,390,987 | 15,390,987 | 16,429,419 | 1,038,432 | 16,424,001 |
| Permits, licenses and fees: | | | | | |
| Building permits | 1,335,441 | 1,335,441 | 1,774,506 | 439,065 | 1,692,402 |
| Plumbing permits | 398,733 | 398,733 | 432,903 | 34,170 | 375,243 |
| Electrical permits | 518,187 | 518,187 | 588,413 | 70,226 | 544,975 |
| Heating and air conditioning licenses | 240,037 | 240,037 | 193,779 | (46,258) | 153,227 |
| Fire inspection fees | 84,818 | 84,818 | 83,001 | (1,817) | 57,109 |
| Cab permits | 733 | 733 | 1,100 | 367 | 550 |
| House moving permits | - | - | - | - | 330 |
| Open air/street vending | 5,938 | 5,938 | 11,645 | 5,707 | 7,610 |
| Sign permits | 28,194 | 28,194 | 34,960 | 6,766 | 36,335 |
| Subdivision fees | 39,236 | 39,236 | 42,496 | 3,260 | 38,490 |
| Total permits, licenses and fees | 2,651,317 | 2,651,317 | 3,162,803 | 511,486 | 2,906,271 |
| Fines: | | | | | |
| Court fines | 1,382,322 | 1,382,322 | 1,313,913 | (68,409) | 1,363,558 |
| Auto impound fees | 91,243 | 91,243 | 90,108 | (1,135) | 86,523 |
| Total fines | 1,473,565 | 1,473,565 | 1,404,021 | (69,544) | 1,450,081 |
| Charges for services: | | | | | |
| Recreation | 872,922 | 872,922 | 1,069,450 | 196,528 | 835,170 |
| Weed mowing | 69,249 | 69,249 | 148,019 | 78,770 | 149,214 |
| Library fees | 134,200 | 134,200 | 78,139 | (56,061) | 92,758 |
| Animal pick up | 15,600 | 15,600 | (88) | (15,688) | 16,097 |
| Animal shelter fees | 665,533 | 665,533 | 480,444 | (185,089) | 365,084 |
| Grounds maintenance | 59,600 | 59,600 | 59,600 | - | 58,469 |
| Graphics | 70,000 | 70,000 | 91,828 | 21,828 | 87,438 |
| Police security | 63,119 | 63,119 | 48,760 | (14,359) | 89,530 |
| Airport services | 860,000 | 860,000 | 887,705 | 27,705 | 849,035 |
| Total charges for services | 2,810,223 | 2,810,223 | 2,863,857 | 53,634 | 2,542,795 |
| Interest on investments | 1,285,000 | 1,285,000 | 7,567,725 | 6,282,725 | (2,536,875) |
| Contributions | 704,500 | 719,500 | 707,260 | (12,240) | 701,928 |
| Intergovernmental | 2,209,899 | 2,209,899 | 2,762,665 | 552,766 | 2,380,721 |

See accompanying notes to financial statements


FINANCIAL SECTION

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---|--------------------|--------------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Revenues (continued) | | | | | |
| Other: | | | | | |
| Indirect expense reimbursements | 10,758,730 | 10,758,730 | 10,859,185 | 100,455 | 10,447,662 |
| False alarm fines | 15,300 | 15,300 | 1,400 | (13,900) | 2,800 |
| BSC civil penalties | 3,561 | 3,561 | 59,401 | 55,840 | 20,679 |
| Rents from real estate | 395,100 | 395,100 | 392,141 | (2,959) | 371,153 |
| Miscellaneous revenue | 5,815,456 | 5,815,456 | 4,167,362 | (1,648,094) | 3,880,744 |
| Sale of real estate | - | - | 1,510 | 1,510 | 1,200 |
| Sale of other scrap | 10,000 | 10,000 | 19,974 | 9,974 | 26,855 |
| Zoning applications | 78,600 | 78,600 | 95,650 | 17,050 | 99,550 |
| Commission from sale of mixed drinks | 700,000 | 700,000 | 872,970 | 172,970 | 820,965 |
| Commission on municipal court fines | 45,000 | 45,000 | 53,678 | 8,678 | 54,539 |
| Commission on concessions | 318,250 | 356,250 | 473,338 | 117,088 | 427,020 |
| Garage sale permits | - | - | - | - | 1,290 |
| Lease revenues | - | - | 71,681 | 71,681 | 54,329 |
| Special assessments | - | - | - | - | - |
| Total other | <u>18,139,997</u> | <u>18,177,997</u> | <u>17,068,290</u> | <u>(1,109,707)</u> | <u>16,208,786</u> |
| Total revenue | <u>169,475,478</u> | <u>169,528,478</u> | <u>185,052,600</u> | <u>15,524,122</u> | <u>167,312,102</u> |
| Expenditures | | | | | |
| General government | | | | | |
| Administrative services: | | | | | |
| Salaries and wages | 3,174,577 | 3,008,841 | 2,632,150 | 376,691 | 2,668,880 |
| Employee benefits | 827,766 | 781,805 | 695,309 | 86,496 | 721,487 |
| Purchased professional/technical services | 330,921 | 335,921 | 164,986 | 170,935 | 436,479 |
| Purchased property services | 40,770 | 40,770 | 55,205 | (14,435) | 191,439 |
| Maintenance | - | - | 17,324 | (17,324) | 161,076 |
| Other purchased services | 381,667 | 381,667 | 365,795 | 15,872 | 548,479 |
| Supplies | 113,594 | 113,594 | 207,947 | (94,353) | 199,430 |
| Capital expenditures | - | - | 8,366 | (8,366) | 19,348 |
| Other | 238,618 | 404,851 | 77,990 | 326,861 | 90,618 |
| Total administrative services | <u>5,107,913</u> | <u>5,067,449</u> | <u>4,225,072</u> | <u>842,377</u> | <u>5,037,236</u> |
| City secretary: | | | | | |
| Salaries and wages | 460,361 | 460,361 | 412,515 | 47,846 | 326,721 |
| Employee benefits | 161,770 | 161,770 | 149,172 | 12,598 | 125,819 |
| Purchased professional/technical services | 127,350 | 127,350 | 49,520 | 77,830 | 99,806 |
| Purchased property services | - | - | - | - | - |
| Maintenance | 35,065 | 35,065 | 5,142 | 29,923 | 38,428 |
| Other purchased services | 35,583 | 35,583 | 40,293 | (4,710) | 26,982 |
| Supplies | 119,267 | 119,267 | 102,371 | 16,896 | 22,557 |
| Capital expenditures | - | 32,467 | 32,467 | - | - |
| Other | - | - | - | - | - |
| Total city secretary | <u>939,396</u> | <u>971,863</u> | <u>791,480</u> | <u>180,383</u> | <u>640,313</u> |
| Finance services: | | | | | |
| Salaries and wages | 2,245,229 | 2,245,229 | 2,182,777 | 62,452 | 1,591,116 |
| Employee benefits | 733,592 | 733,592 | 708,825 | 24,767 | 527,400 |
| Purchased professional/technical services | 136,870 | 142,384 | 138,595 | 3,789 | 177,683 |
| Purchased property services | 54,074 | 54,074 | 123,294 | (69,220) | 3,108 |
| Maintenance | 165,952 | 165,952 | 43,051 | 122,901 | 12,544 |
| Other purchased services | 73,085 | 73,085 | 98,651 | (25,566) | 29,784 |
| Supplies | 30,422 | 30,422 | 34,288 | (3,866) | 22,474 |
| Capital expenditures | - | - | - | - | - |
| Other | 78,609 | 78,609 | 77,427 | 1,182 | 60,675 |
| Total finance services | <u>3,517,833</u> | <u>3,523,347</u> | <u>3,406,908</u> | <u>116,439</u> | <u>2,424,784</u> |

(Continued)

See accompanying notes to financial statements

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|--|------------------|------------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| General government (continued) | | | | | |
| Legal services: | | | | | |
| Salaries and wages | 1,268,756 | 1,268,756 | 1,209,935 | 58,821 | 1,053,126 |
| Employee benefits | 378,137 | 378,137 | 355,709 | 22,428 | 313,318 |
| Purchased professional/technical services | 4,450 | 4,450 | 612 | 3,838 | 130 |
| Purchased property services | - | - | 19,696 | (19,696) | - |
| Maintenance | 2,085 | 2,085 | 640 | 1,445 | 179 |
| Other purchased services | 39,538 | 39,538 | 53,052 | (13,514) | 28,119 |
| Supplies | 44,905 | 44,905 | 14,918 | 29,987 | 34,151 |
| Capital expenditures | - | - | - | - | - |
| Total legal services | 1,737,871 | 1,737,871 | 1,654,562 | 83,309 | 1,429,023 |
| Development services: | | | | | |
| Salaries and wages | 2,792,518 | 2,792,518 | 2,626,573 | 165,945 | 1,785,529 |
| Employee benefits | 1,013,332 | 1,013,332 | 964,034 | 49,298 | 628,594 |
| Purchased professional/technical services | 992,327 | 992,327 | 656,388 | 335,939 | 39,736 |
| Purchased property services | 115,162 | 115,162 | 117,476 | (2,314) | 105,375 |
| Maintenance | 26,190 | 26,190 | 16,723 | 9,467 | 37,726 |
| Other purchased services | 148,252 | 148,252 | 114,240 | 34,012 | 73,211 |
| Supplies | 130,747 | 130,747 | 121,569 | 9,178 | 72,320 |
| Capital expenditures | 26,917 | 66,892 | 110,078 | (43,186) | 46,609 |
| Other | 61,715 | 61,715 | 88,403 | (26,688) | 69,146 |
| Total development services | 5,307,160 | 5,347,135 | 4,815,484 | 531,651 | 2,858,246 |
| Human resources: | | | | | |
| Salaries and wages | 1,344,524 | 1,344,524 | 1,312,355 | 32,169 | 1,058,518 |
| Employee benefits | 535,274 | 535,274 | 473,852 | 61,422 | 346,834 |
| Purchased professional/technical services | 20,268 | 20,268 | 50,042 | (29,774) | 23,978 |
| Purchased property services | - | - | 143,908 | (143,908) | - |
| Maintenance | 2,893 | 2,893 | 6,509 | (3,616) | 5,254 |
| Other purchased services | 213,622 | 213,622 | 155,988 | 57,634 | 117,872 |
| Supplies | 62,413 | 62,413 | 12,850 | 49,563 | 20,199 |
| Total human resources | 2,178,994 | 2,178,994 | 2,155,504 | 23,490 | 1,572,655 |
| Communications and marketing: | | | | | |
| Salaries and wages | 938,854 | 938,854 | 1,076,292 | (137,438) | 699,804 |
| Employee benefits | 320,319 | 320,319 | 358,963 | (38,644) | 238,068 |
| Purchased professional/technical services | 95,040 | 95,040 | 25,581 | 69,459 | 39,695 |
| Purchased property services | - | - | 5,780 | (5,780) | - |
| Maintenance | 48,115 | 48,115 | 60,594 | (12,479) | 44,155 |
| Other purchased services | 28,732 | 28,732 | 57,309 | (28,577) | 38,650 |
| Supplies | 67,992 | 67,992 | 83,534 | (15,542) | 67,498 |
| Capital expenditures | 60,000 | 60,000 | - | 60,000 | 37,637 |
| Other | 29,500 | 29,500 | 7,687 | 21,813 | 26,344 |
| Total communications and marketing | 1,588,552 | 1,588,552 | 1,675,740 | (87,188) | 1,191,851 |
| Information technology services: | | | | | |
| Salaries and wages | - | - | - | - | 1,971,232 |
| Employee benefits | - | - | - | - | 682,354 |
| Purchased professional/technical services | - | 164,040 | 52,695 | 111,345 | 413,981 |
| Purchased property services | - | - | 120,006 | (120,006) | 1,314,579 |
| Maintenance | - | 16,663 | 2,201 | 14,462 | 2,326,123 |
| Other purchased services | - | 24,244 | 54 | 24,190 | 126,433 |
| Supplies | - | (11) | - | (11) | 236,296 |
| Capital expenditures | - | 522,282 | 437,325 | 84,957 | 418,211 |
| Total information technology services | - | 727,218 | 612,281 | 114,937 | 7,489,209 |

(Continued)

See accompanying notes to financial statements


FINANCIAL SECTION

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---|-------------------|------------------|---------------------------|-------------------------------|---------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| General government (continued) | | | | | |
| General services: | | | | | |
| Salaries and wages | 1,898,188 | 1,898,188 | 1,892,212 | 5,976 | 1,526,971 |
| Employee benefits | 744,541 | 744,541 | 742,893 | 1,648 | 622,902 |
| Purchased professional/technical services | 1,230,698 | 1,235,698 | 1,253,411 | (17,713) | 1,141,946 |
| Purchased property services | 16,777 | 16,777 | 16,337 | 440 | 12,156 |
| Maintenance | 1,446,154 | 1,520,541 | 887,378 | 633,163 | 1,055,728 |
| Other purchased services | 111,415 | 111,415 | 151,278 | (39,863) | 438,410 |
| Supplies | 301,907 | 301,907 | 343,478 | (41,571) | 238,987 |
| Capital expenditures | 75,896 | 75,896 | - | 75,896 | - |
| Total general services | 5,825,576 | 5,904,963 | 5,286,987 | 617,976 | 5,037,100 |
| Office of economic development: | | | | | |
| Salaries and wages | 428,577 | 428,577 | 427,255 | 1,322 | 269,548 |
| Employee benefits | 130,232 | 130,232 | 128,813 | 1,419 | 92,556 |
| Purchased professional/technical services | 15,131 | 47,524 | 82,797 | (35,273) | 335,775 |
| Purchased property services | 53,460 | 53,460 | 65,990 | (12,530) | 219,096 |
| Maintenance | - | - | 170 | (170) | 213 |
| Other purchased services | 34,602 | 34,602 | 40,366 | (5,764) | 37,455 |
| Supplies | 31,555 | 31,555 | 43,828 | (12,273) | 35,563 |
| Capital expenditures | - | - | - | - | 729,572 |
| Total office of economic development | 693,557 | 725,950 | 789,219 | (63,269) | 1,719,778 |
| Economic development: | | | | | |
| Purchased professional/technical services | 633,032 | 974,621 | 278,692 | 695,929 | - |
| Other | 2,750,000 | 2,750,000 | 1,658,610 | 1,091,390 | - |
| Total economic development | 3,383,032 | 3,724,621 | 1,937,302 | 1,787,319 | - |
| Economic development incentive: | | | | | |
| Purchased professional/technical services | 3,500,000 | 3,500,000 | 875,000 | 2,625,000 | 4,537,302 |
| Other | 14,750,000 | - | - | - | 5,000 |
| Total economic development incentive | 18,250,000 | 3,500,000 | 875,000 | 2,625,000 | 4,542,302 |
| Contributions: | | | | | |
| McLennan County | 190,000 | 190,000 | 192,575 | (2,575) | 176,580 |
| HOTRMHMR | 39,322 | 39,322 | 39,322 | - | 39,322 |
| H. O. T. Council of Governments | - | - | - | - | 11,652 |
| The Advocacy Center | 84,419 | 84,419 | 82,388 | 2,031 | 83,065 |
| Greater Waco Chamber | 175,000 | 275,000 | 250,000 | 25,000 | 225,000 |
| Central Texas African American Chamber | 125,000 | 125,000 | 125,000 | - | 125,000 |
| Cen-Tex Hispanic Chamber | 125,000 | 125,000 | 125,000 | - | 125,000 |
| City Center Waco | 164,000 | 164,000 | - | 164,000 | 147,496 |
| Central Texas Senior Ministry | 40,000 | 40,000 | 40,000 | - | 35,000 |
| Economic development grants | 1,000,000 | 1,000,000 | 212,592 | 787,408 | 513,710 |
| McLennan County Appraisal District | 877,685 | 877,685 | 826,211 | 51,474 | 799,154 |

(Continued)

See accompanying notes to financial statements

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---|--------------------|-------------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| General government (continued) | | | | | |
| Contributions: (continued) | | | | | |
| Greater Waco Collective Impact Initiative | 100,000 | 100,000 | 58,333 | 41,667 | 100,000 |
| Greater Waco Sports Commission | 75,000 | 75,000 | 75,000 | - | 75,000 |
| Historic Waco Foundation/Arts-Historic Agencies | 29,250 | 29,250 | 29,250 | - | 29,250 |
| Creative Waco | 427,000 | 561,825 | 372,600 | 189,225 | 413,500 |
| HOT Goodwill Industries, Inc. | - | - | - | - | - |
| Start Up Waco | - | - | - | - | - |
| MCIF | 60,000 | 110,000 | 50,000 | 60,000 | 50,000 |
| Mission Waco | - | - | 3,272 | (3,272) | 50,000 |
| Caritas of Waco | - | - | - | - | - |
| Campus Town | 29,000 | 36,250 | 7,250 | 29,000 | 29,000 |
| Riverfront | - | - | - | - | - |
| Total contributions | 3,540,676 | 3,832,751 | 2,488,793 | 1,343,958 | 2,977,729 |
| Miscellaneous: | | | | | |
| Salaries and wages | (2,925,358) | (2,925,358) | 8,925 | (2,934,283) | 3,140 |
| Employee benefits | 53,377 | 1,171,177 | 1,909,155 | (737,978) | 1,585 |
| Purchased professional/technical services | 650,000 | 892,840 | 552,129 | 340,711 | 693,839 |
| Maintenance | 1,711 | 1,711 | 3,100 | (1,389) | 1,323 |
| Other purchased services | 5,771 | 5,771 | 371 | 5,400 | 4,787 |
| Supplies | 31,245 | 31,245 | 6,207 | 25,038 | 6,755 |
| Capital expenditures | - | 1,003,000 | 946,572 | 56,428 | 12,340 |
| Other | 369,000 | 366,000 | 454,748 | (88,748) | 478,085 |
| Total miscellaneous | (1,814,254) | 546,386 | 3,881,207 | (3,334,821) | 1,201,854 |
| Total general government | 50,256,306 | 39,377,100 | 34,595,539 | 4,781,561 | 38,122,080 |
| Public works | | | | | |
| Streets: | | | | | |
| Salaries and wages | 2,617,407 | 2,656,843 | 2,476,002 | 180,841 | 1,924,652 |
| Employee benefits | 1,137,922 | 1,159,475 | 1,030,482 | 128,993 | 892,255 |
| Purchased professional/technical services | 2,364,107 | 2,549,617 | 2,213,442 | 336,175 | 2,116,958 |
| Purchased property services | 21,637 | 21,637 | 29,451 | (7,814) | 26,848 |
| Maintenance | 1,106,618 | 1,106,618 | 891,490 | 215,128 | 1,014,788 |
| Other purchased services | 140,410 | 140,410 | 133,326 | 7,084 | 124,710 |
| Supplies | 781,561 | 792,947 | 899,819 | (106,872) | 390,523 |
| Other | - | - | - | - | - |
| Capital expenditures | 429,400 | 652,250 | 1,310,820 | (658,570) | 863,877 |
| Total streets | 8,599,062 | 9,079,797 | 8,984,832 | 94,965 | 7,354,611 |
| Total public works | 8,599,062 | 9,079,797 | 8,984,832 | 94,965 | 7,354,611 |
| Public safety | | | | | |
| Municipal court: | | | | | |
| Salaries and wages | 883,043 | 883,043 | 823,905 | 59,138 | 849,719 |
| Employee benefits | 314,554 | 314,554 | 300,266 | 14,288 | 301,937 |
| Purchased professional/technical services | 118,799 | 118,799 | 92,341 | 26,458 | 46,764 |
| Purchased professional/technical services | - | - | 2,966 | (2,966) | - |
| Maintenance | 82,115 | 82,115 | 80,974 | 1,141 | 77,202 |
| Other purchased services | 18,952 | 18,952 | 11,995 | 6,957 | 12,439 |
| Supplies | 79,462 | 79,462 | 66,830 | 12,632 | 60,255 |
| Other | 13,000 | 13,000 | 13,614 | (614) | 12,333 |
| Total municipal court | 1,509,925 | 1,509,925 | 1,392,891 | 117,034 | 1,360,649 |

(Continued)

See accompanying notes to financial statements


FINANCIAL SECTION

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---|------------------|------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| Public safety (continued) | | | | | |
| Emergency management services: | | | | | |
| Salaries and wages | 375,142 | 375,142 | 370,357 | 4,785 | 352,991 |
| Employee benefits | 134,195 | 134,195 | 131,879 | 2,316 | 127,017 |
| Purchased professional/technical services | 210,752 | 196,475 | 151,186 | 45,289 | 22,476 |
| Purchased property services | 34,788 | 34,788 | - | 34,788 | 14,744 |
| Maintenance | 517,739 | 532,016 | 364,948 | 167,068 | 425,182 |
| Other purchased services | 88,542 | 88,506 | 32,190 | 56,316 | 29,264 |
| Supplies | 390,371 | 390,371 | 91,258 | 299,113 | 362,445 |
| Other | 199,175 | 199,175 | 189,338 | 9,837 | 205,019 |
| Total emergency management services | 1,950,704 | 1,950,668 | 1,331,156 | 619,512 | 1,539,138 |
| Fire services: | | | | | |
| Salaries and wages | 22,190,672 | 22,190,672 | 22,081,755 | 108,917 | 20,836,002 |
| Employee benefits | 7,933,931 | 7,933,931 | 7,836,161 | 97,770 | 7,409,481 |
| Purchased professional/technical services | 495,502 | 430,011 | 416,529 | 13,482 | 145,552 |
| Purchased property services | 104,195 | 107,243 | 87,757 | 19,486 | 144,880 |
| Maintenance | 1,002,383 | 956,206 | 638,562 | 317,644 | 836,455 |
| Other purchased services | 1,182,648 | 1,164,905 | 1,130,670 | 34,235 | 998,744 |
| Supplies | 1,416,298 | 1,400,136 | 1,372,788 | 27,348 | 1,436,133 |
| Capital expenditures | 110,000 | 649,077 | 487,119 | 161,958 | 32,326 |
| Total fire services | 34,435,629 | 34,832,181 | 34,051,341 | 780,840 | 31,839,573 |
| Police services: | | | | | |
| Salaries and wages | 31,132,348 | 30,982,749 | 30,247,193 | 735,556 | 28,482,263 |
| Employee benefits | 11,013,357 | 11,013,357 | 10,695,720 | 317,637 | 10,100,756 |
| Purchased professional/technical services | 3,356,147 | 3,356,587 | 3,107,436 | 249,151 | 507,051 |
| Purchased property services | 147,963 | 147,963 | 210,032 | (62,069) | 837,461 |
| Maintenance | 1,702,444 | 1,630,435 | 1,276,605 | 353,830 | 1,636,273 |
| Other purchased services | 1,175,690 | 1,175,690 | 1,778,505 | (602,815) | 1,252,612 |
| Supplies | 2,724,917 | 2,807,729 | 2,593,489 | 214,240 | 2,008,686 |
| Capital expenditures | 600,000 | 1,114,622 | 88,108 | 1,026,514 | 63,934 |
| Other | 1,500 | 1,500 | 1,465 | 35 | 1,317 |
| Total police services | 51,854,366 | 52,230,632 | 49,998,553 | 2,232,079 | 44,890,353 |
| Traffic services: | | | | | |
| Salaries and wages | 1,211,243 | 1,211,243 | 1,036,918 | 174,325 | 810,904 |
| Employee benefits | 495,942 | 495,942 | 442,470 | 53,472 | 375,417 |
| Purchased professional/technical services | 967,351 | 1,031,944 | 570,283 | 461,661 | 679,412 |
| Purchased property services | 2,977 | 2,977 | 2,932 | 45 | 2,421 |
| Maintenance | 1,053,571 | 868,123 | 665,729 | 202,394 | 889,089 |
| Other purchased services | 39,581 | 39,581 | 55,433 | (15,852) | 39,733 |

(Continued)

See accompanying notes to financial statements

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|---|-------------------|-------------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| Public safety (continued) | | | | | |
| Traffic services: (continued) | | | | | |
| Supplies | 805,278 | 805,278 | 777,357 | 27,921 | 706,786 |
| Capital expenditures | - | - | - | - | - |
| Total traffic services | <u>4,575,943</u> | <u>4,455,088</u> | <u>3,551,122</u> | <u>903,966</u> | <u>3,503,762</u> |
| Animal services: | | | | | |
| Salaries and wages | 1,186,942 | 1,186,942 | 1,110,164 | 76,778 | 758,640 |
| Employee benefits | 454,280 | 454,280 | 439,692 | 14,588 | 338,963 |
| Purchased professional/technical services | 499,765 | 487,765 | 517,525 | (29,760) | 340,798 |
| Purchased property services | 19,375 | 19,375 | 44,159 | (24,784) | 20,824 |
| Maintenance | 78,466 | 102,098 | 72,322 | 29,776 | 58,843 |
| Other purchased services | 69,075 | 69,075 | 107,866 | (38,791) | 59,823 |
| Supplies | 471,135 | 469,242 | 401,342 | 67,900 | 317,930 |
| Capital expenditures | - | 74,174 | 73,983 | 191 | - |
| Other expenses | 1,000 | 1,000 | - | 1,000 | - |
| Total animal services | <u>2,780,038</u> | <u>2,863,951</u> | <u>2,767,053</u> | <u>96,898</u> | <u>1,895,821</u> |
| Total public safety | <u>97,106,605</u> | <u>97,842,445</u> | <u>93,092,116</u> | <u>4,750,329</u> | <u>85,029,296</u> |
| Culture & recreation | | | | | |
| Library services: | | | | | |
| Salaries and wages | 2,451,293 | 2,451,293 | 2,169,581 | 281,712 | 2,057,251 |
| Employee benefits | 860,938 | 860,938 | 804,668 | 56,270 | 763,149 |
| Purchased professional/technical services | 785,328 | 797,333 | 790,242 | 7,091 | 205,580 |
| Purchased property services | 31,433 | 31,433 | 238,565 | (207,132) | 29,277 |
| Maintenance | 134,825 | 134,825 | 53,145 | 81,680 | 183,558 |
| Other purchased services | 133,172 | 133,172 | 90,173 | 42,999 | 92,420 |
| Supplies | 918,499 | 933,948 | 1,018,303 | (84,355) | 920,175 |
| Capital expenditures | - | 6,283 | - | 6,283 | - |
| Other | 1,800 | 1,800 | 2,053 | (253) | 1,933 |
| Total library services | <u>5,317,288</u> | <u>5,351,025</u> | <u>5,166,730</u> | <u>184,295</u> | <u>4,253,343</u> |
| Parks: | | | | | |
| Salaries and wages | 4,920,003 | 4,570,003 | 4,379,820 | 190,183 | 3,717,654 |
| Employee benefits | 2,071,068 | 2,071,068 | 1,935,676 | 135,392 | 1,711,826 |
| Purchased professional/technical services | 2,133,941 | 2,291,905 | 1,884,637 | 407,268 | 1,065,721 |
| Purchased property services | 974,557 | 974,557 | 940,032 | 34,525 | 930,720 |
| Maintenance | 736,840 | 736,150 | 858,362 | (122,212) | 810,777 |
| Other purchased services | 254,365 | 254,365 | 260,116 | (5,751) | 213,154 |
| Supplies | 1,057,617 | 1,025,924 | 1,270,664 | (244,740) | 920,914 |
| Capital expenditures | 180,000 | 214,693 | 214,552 | 141 | 40,641 |
| Other | 176,736 | 214,736 | 229,325 | (14,589) | 202,256 |
| Total parks | <u>12,505,127</u> | <u>12,353,401</u> | <u>11,973,184</u> | <u>380,217</u> | <u>9,613,663</u> |
| Recreation services: | | | | | |
| Salaries and wages | 2,116,642 | 1,995,642 | 1,211,285 | 784,357 | 1,136,270 |
| Employee benefits | 468,224 | 468,224 | 370,716 | 97,508 | 342,365 |
| Purchased professional/technical services | 569,055 | 690,055 | 655,266 | 34,789 | 511,902 |
| Purchased property services | - | - | - | - | 1,990 |
| Maintenance | 36,160 | 36,160 | 34,109 | 2,051 | 26,436 |
| Other purchased services | 306,901 | 306,901 | 290,703 | 16,198 | 250,047 |

(Continued)

See accompanying notes to financial statements


FINANCIAL SECTION

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|--|------------------|--------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Expenditures (continued) | | | | | |
| Culture & recreation (continued) | | | | | |
| Recreation Services: (continued) | | | | | |
| Supplies | 276,088 | 276,088 | 310,049 | (33,961) | 280,720 |
| Capital expenditures | - | 17,880 | 17,880 | - | - |
| Other | 18,800 | 18,800 | 19,129 | (329) | 12,372 |
| Total recreation services | 3,791,870 | 3,809,750 | 2,909,137 | 900,613 | 2,562,102 |
| Total culture & recreation | 21,614,285 | 21,514,176 | 20,049,051 | 1,465,125 | 16,429,108 |
| Housing & community development | | | | | |
| Housing services: | | | | | |
| Salaries and wages | 298,921 | 404,155 | 366,502 | 37,653 | 836,176 |
| Employee benefits | 95,778 | 141,739 | 118,436 | 23,303 | 351,255 |
| Purchased professional/technical services | 87,975 | 127,975 | 70,034 | 57,941 | 232,498 |
| Purchased property services | 35,330 | 80,330 | 85,661 | (5,331) | 425,968 |
| Maintenance | - | - | 92 | (92) | 10,656 |
| Other purchased services | 17,045 | 32,547 | 27,527 | 5,020 | 51,005 |
| Supplies | 2,780 | 2,780 | 5,595 | (2,815) | 60,807 |
| Other expenses | 35,000 | 385,000 | 65,837 | 319,163 | 25,746 |
| Total housing services | 572,829 | 1,174,526 | 739,684 | 434,842 | 1,994,111 |
| Total housing & community development | 572,829 | 1,174,526 | 739,684 | 434,842 | 1,994,111 |
| Total expenditures | 178,149,087 | 168,988,044 | 157,461,222 | 11,526,822 | 148,929,206 |
| Excess (deficiency) of revenues over expenditures | (8,673,609) | 540,434 | 27,591,378 | 27,050,944 | 18,382,896 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in: | | | | | |
| Abandoned Motor Vehicles | 50,000 | 50,000 | 50,000 | - | 50,000 |
| Court Security | - | - | - | - | 60,000 |
| Insurance | - | - | - | - | - |
| Rolling stock | - | - | - | - | - |
| Equipment Replacement | - | - | - | - | - |
| Special Projects Reserve | - | - | - | - | 3,420,000 |
| Revenue in lieu of property taxes | 5,905,216 | 5,905,216 | 5,905,216 | - | 5,625,185 |
| Total transfers in | 5,955,216 | 5,955,216 | 5,955,216 | - | 9,155,185 |
| Transfers out: | | | | | |
| Street improvements: | | | | | |
| Street Maintenance | (2,050,000) | (3,510,000) | (3,510,000) | - | (8,050,000) |
| Street cash CIP | (4,900,000) | (3,524,482) | (3,524,482) | - | (8,050,000) |
| Capital improvements: | | | | | |
| Facilities cash CIP | - | (2,630,428) | (2,630,428) | - | (750,000) |
| Parks cash CIP | (120,000) | (317,502) | (317,502) | - | - |
| Cameron Park Zoo | (1,846,770) | (3,446,770) | (3,446,770) | - | (1,846,770) |
| Rolling stock | (2,018,173) | (2,018,173) | (2,018,173) | - | - |
| Equipment replacement cash CIP | (70,630) | (70,630) | (70,630) | - | - |
| Cottonwood Creek Golf Course | (500,000) | (500,000) | (500,000) | - | - |
| Transit | (701,728) | (701,728) | - | 701,728 | (701,728) |
| Airport services | - | - | - | - | - |
| Health services | (3,863,148) | (3,863,148) | (3,863,148) | - | (3,863,148) |
| Ranger Hall of Fame | (1,100,000) | (1,100,000) | (1,100,000) | - | (538,790) |
| Housing demo-lot clearing | - | - | - | - | - |
| Fire cash CIP | - | - | - | - | - |
| Transit cash CIP | - | - | - | - | - |
| Stormwater | - | - | - | - | - |
| Special Projects Reserve | - | (6,000,000) | (6,000,000) | - | (11,000,000) |
| Grant (police) | (216,000) | (365,599) | (365,475) | 124 | (101,440) |
| Grant (MPO) | - | (50,000) | (50,000) | - | - |
| Total transfers out | (17,386,449) | (28,098,460) | (27,396,608) | 701,852 | (26,851,876) |

(Continued)

See accompanying notes to financial statements

**General Fund Statement of Revenue, Expenditures,
& Changes in Fund Balance -
Budget and Actual
Year Ended September 30, 2023
(With Comparative Actual Amounts for Year Ended September 30, 2022)**

| | Budgeted Amounts | | 2023 Actual Amounts | Variance with Final Budget | 2022 Actual Amounts |
|--|----------------------|----------------------|------------------------|-------------------------------|------------------------|
| | Original | Final | | | |
| Other Financing Sources (Uses): (continued) | | | | | |
| Financing of leases | - | - | 189,225 | 189,225 | 2,307,239 |
| Financing of Subscriptions | - | - | 768,816 | 768,816 | - |
| Total other financing sources (uses) | <u>(11,431,233)</u> | <u>(22,143,244)</u> | <u>(20,483,351)</u> | <u>1,659,893</u> | <u>(15,389,452)</u> |
| Net change in fund balances | (20,104,842) | (21,602,810) | 7,108,027 | 28,710,837 | 2,993,444 |
| Fund balance, beginning of year | <u>95,799,423</u> | <u>95,799,423</u> | <u>95,799,423</u> | - | <u>92,805,979</u> |
| Fund balance, end of year | <u>\$ 75,694,581</u> | <u>\$ 74,196,613</u> | <u>\$ 102,907,450</u> | <u>\$ 28,710,837</u> | <u>\$ 95,799,423</u> |

See accompanying notes to financial statements

**Statement of Net Position
Proprietary Funds
September 30, 2023**

| | Business-type Activities | | | | | Governmental Activities | |
|--|--------------------------|--------------------|-------------------|-----------------------|----------------------|-------------------------|------------------------|
| | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Total Nonmajor Funds | Total Enterprise Funds | Internal Service Funds |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ 53,540,551 | \$ 49,950,099 | \$ 22,182,462 | \$ 16,700,597 | \$ 21,976,580 | \$ 164,350,289 | \$ 19,673,638 |
| Accounts receivable, net of allowances | 8,826,028 | 4,974,898 | 3,211,622 | 1,856,193 | 2,014,598 | 20,883,339 | 84,754 |
| Lease receivable | 27,721 | - | 6,499 | - | 530,699 | 564,919 | - |
| Prepaid expense | 206,878 | - | - | - | - | 206,878 | 350,000 |
| Due from other funds | - | - | - | - | 701,728 | 701,728 | 351,917 |
| Intergovernmental receivable | 618,235 | 319,136 | - | - | 4,459,103 | 5,396,474 | - |
| Restricted cash and investments | 6,651,481 | 1,565,992 | 171,294 | - | - | 8,388,767 | - |
| Inventories | 480,210 | 24,526 | - | 353,092 | 1,131,696 | 1,989,524 | 430,888 |
| Total current assets | 70,351,104 | 56,834,651 | 25,571,877 | 18,909,882 | 30,814,404 | 202,481,918 | 20,891,197 |
| Noncurrent assets: | | | | | | | |
| Restricted cash and investments | 78,534,451 | 111,473,550 | 21,817,216 | - | 12,432,887 | 224,258,104 | - |
| Advances to other funds | 525,336 | - | - | - | - | 525,336 | - |
| Lease receivable | 725,753 | - | - | - | 2,839,215 | 3,564,968 | - |
| Capital assets: | | | | | | | |
| Land | 4,305,908 | 7,703,403 | 9,777,989 | - | 3,670,281 | 25,457,581 | 38,800 |
| Buildings | 11,166,659 | 21,820,904 | 1,379,037 | 10,447,289 | 54,091,455 | 98,905,344 | 920,153 |
| Improvements other than buildings | 412,754,296 | 283,989,727 | 29,842,875 | 19,110,331 | 62,397,817 | 808,095,046 | 118,289 |
| Machinery and equipment | 11,879,468 | 15,389,256 | 29,390,410 | 1,053,902 | 20,932,354 | 78,645,390 | 2,740,881 |
| Lease, right-of-use assets | 104,594 | 38,680 | 51,643 | 1,001 | 426,539 | 622,457 | 1,396,236 |
| Subscription-based information technology arrangement | - | - | - | - | - | - | 572,864 |
| Museum collections | - | - | - | - | 2,657,924 | 2,657,924 | - |
| Construction work in progress | 30,772,327 | 12,437,775 | 5,313,513 | 8,443,850 | 11,258,669 | 68,226,134 | 103,901 |
| Intangible water rights | 36,792,490 | - | - | - | - | 36,792,490 | - |
| Less: accumulated depreciation and amortization | (197,956,197) | (105,079,389) | (50,556,415) | (24,426,031) | (82,963,292) | (460,981,324) | (3,247,998) |
| Total noncurrent assets | 389,605,085 | 347,773,906 | 47,016,268 | 14,630,342 | 87,743,849 | 886,769,450 | 2,643,126 |
| Total assets | 459,956,189 | 404,608,557 | 72,588,145 | 33,540,224 | 118,558,253 | 1,089,251,368 | 23,534,323 |
| Deferred outflows of resources | | | | | | | |
| Deferred losses on refundings of debt | 1,153,612 | 244,338 | - | - | - | 1,397,950 | - |
| Deferred outflows on pension liability | 3,173,357 | 2,115,570 | 2,115,570 | - | - | 7,404,497 | - |
| Total deferred outflows of resources | 4,326,969 | 2,359,908 | 2,115,570 | - | - | 8,802,447 | - |
| Total assets and deferred outflows of resources | 464,283,158 | 406,968,465 | 74,703,715 | 33,540,224 | 118,558,253 | 1,098,053,815 | 23,534,323 |

See accompanying notes to financial statements

| | Business-type Activities | | | | | Governmental Activities | |
|--|--------------------------|-----------------------|----------------------|-----------------------|----------------------|-------------------------|------------------------|
| | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Total Nonmajor Funds | Total Enterprise Funds | Internal Service Funds |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 1,237,229 | 572,664 | 295,116 | 1,149,664 | 1,087,740 | 4,342,413 | 491,433 |
| Accrued liabilities | 759,617 | 317,027 | 341,456 | 735,307 | 2,007,911 | 4,161,318 | 934,272 |
| Lease liability | 23,781 | 8,166 | 10,528 | 244 | 150,081 | 192,800 | 313,418 |
| Subscriptions | - | - | - | - | - | - | 220,545 |
| Unearned revenue | - | - | - | 20,328 | 597,724 | 618,052 | - |
| Due to other funds | - | - | - | - | 3,692,356 | 3,692,356 | - |
| Compensated absences payable | 894,743 | 422,532 | 561,284 | 372,169 | 490,329 | 2,741,057 | 630,228 |
| Refundable contracts | - | - | - | - | - | - | - |
| Notes payable | 31,325 | - | - | - | - | 31,325 | - |
| Escrow funds | - | - | - | - | - | - | 538 |
| Bonds payable | 14,180,000 | 10,560,000 | 1,730,000 | - | 360,000 | 26,830,000 | - |
| Accrued interest payable | 1,853,176 | 1,977,908 | 552,639 | - | 139,714 | 4,523,437 | - |
| Estimated claims and judgments | - | 6,020,609 | - | - | - | 6,020,609 | 4,042,728 |
| Current liabilities payable from restricted assets: | | | | | | | |
| Accounts payable | 2,971,530 | 1,565,992 | 171,294 | - | 57,161 | 4,765,977 | - |
| Customer deposits | 3,682,522 | - | - | - | - | 3,682,522 | - |
| Total Current Liabilities | 25,633,923 | 21,444,898 | 3,662,317 | 2,277,712 | 8,583,016 | 61,601,866 | 6,633,162 |
| Noncurrent liabilities: | | | | | | | |
| Refundable contracts | 992,808 | 192,542 | - | - | - | 1,185,350 | - |
| Estimated landfill closure and post-closure care costs | - | - | 7,805,256 | - | - | 7,805,256 | - |
| Advances from other funds | - | - | - | - | 693,704 | 693,704 | - |
| Lease liability | 20,343 | 6,368 | 12,448 | 500 | 50,332 | 89,991 | 334,194 |
| Subscriptions | - | - | - | - | - | - | 139,573 |
| Compensated absences payable | 803,551 | 175,989 | 576,300 | 110,940 | 349,863 | 2,016,643 | 286,052 |
| Bonds payable | 224,947,959 | 204,963,205 | 29,550,145 | - | 14,334,174 | 473,795,483 | - |
| Notes payable | 1,091,441 | - | - | - | - | 1,091,441 | - |
| Net pension liability | 5,264,574 | 3,509,716 | 3,509,716 | - | - | 12,284,006 | - |
| Total noncurrent liabilities | 233,120,676 | 208,847,820 | 41,453,865 | 111,440 | 15,428,073 | 498,961,874 | 759,819 |
| Total liabilities | 258,754,599 | 230,292,718 | 45,116,182 | 2,389,152 | 24,011,089 | 560,563,740 | 7,392,981 |
| Deferred inflows of resources | | | | | | | |
| Deferred inflows on pension liability | - | - | - | - | - | - | - |
| Deferred gains on refundings of debt | - | - | 7,423 | - | - | 7,423 | - |
| Deferred inflows on leases | 736,071 | - | 6,803 | - | 3,320,307 | 4,063,181 | - |
| Total deferred inflows of resources | 736,071 | - | 14,226 | - | 3,320,307 | 4,070,604 | - |
| Total liabilities and deferred inflows of resources | 259,490,670 | 230,292,718 | 45,130,408 | 2,389,152 | 27,331,396 | 564,634,344 | 7,392,981 |
| Net position | | | | | | | |
| Net investment in capital assets | 154,871,432 | 133,853,955 | 15,877,018 | 14,629,598 | 70,010,047 | 389,242,050 | 1,638,029 |
| Restricted for | | | | | | | |
| Capital projects | - | - | - | - | 591,295 | 591,295 | - |
| Unrestricted | 49,921,056 | 42,821,792 | 13,696,289 | 16,521,474 | 20,625,515 | 143,586,126 | 14,503,313 |
| Total net position | \$ 204,792,488 | \$ 176,675,747 | \$ 29,573,307 | \$ 31,151,072 | \$ 91,226,857 | \$ 533,419,471 | \$ 16,141,342 |

See accompanying notes to financial statements


FINANCIAL SECTION

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2023**

| | Business-type Activities | | | | | Governmental Activities | |
|---|--------------------------|----------------------|----------------------|-----------------------|----------------------|-------------------------|------------------------|
| | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Total Nonmajor Funds | Total Enterprise Funds | Internal Service Funds |
| Operating revenues: | | | | | | | |
| Charges for services | \$ 64,875,489 | \$ 46,631,885 | \$ 32,237,664 | \$ 2,513,995 | \$ 11,706,845 | \$ 157,965,878 | \$ 39,548,715 |
| Net merchandise sales | - | - | - | 733,455 | 882,886 | 1,616,341 | - |
| Contributions | - | - | - | 24,739 | 46,790 | 71,529 | - |
| Other | 403,208 | 901,076 | 157,141 | 437,656 | 2,005,128 | 3,904,209 | 196,631 |
| Total operating revenues | 65,278,697 | 47,532,961 | 32,394,805 | 3,709,845 | 14,641,649 | 163,557,957 | 39,745,346 |
| Operating expenses: | | | | | | | |
| Salaries and wages | 6,972,755 | 4,721,751 | 5,965,409 | 2,898,354 | 8,269,814 | 28,828,083 | 6,028,635 |
| Employee benefits | 3,146,367 | 2,134,954 | 2,810,104 | 1,185,165 | 2,784,819 | 12,061,409 | 2,184,006 |
| Purchased professional/technical services | 2,703,143 | 2,468,239 | 3,131,232 | 445,404 | 4,232,353 | 12,980,371 | 3,269,555 |
| Purchased property services | 212,113 | 96,874 | 21,650 | 1,638,699 | 781,282 | 2,750,618 | 76,205 |
| Maintenance | 4,259,841 | 3,540,399 | 3,584,559 | 159,848 | 1,343,881 | 12,888,528 | 1,877,430 |
| Other purchased services | 1,176,455 | 569,690 | 577,622 | 218,413 | 3,245,429 | 5,787,609 | 2,235,013 |
| Supplies | 6,520,502 | 3,665,367 | 2,891,506 | 994,198 | 1,910,827 | 15,982,400 | 1,062,908 |
| Other | 6,389,275 | 9,536,813 | 6,679,941 | 88,035 | 3,995,857 | 26,689,921 | 22,091,046 |
| Depreciation/Amortization | 12,886,541 | 11,627,960 | 3,420,574 | 1,087,216 | 5,191,010 | 34,213,301 | 803,987 |
| Total operating expenses | 44,266,992 | 38,362,047 | 29,082,597 | 8,715,332 | 31,755,272 | 152,182,240 | 39,628,785 |
| Operating income (loss) | 21,011,705 | 9,170,914 | 3,312,208 | (5,005,487) | (17,113,623) | 11,375,717 | 116,561 |
| Nonoperating revenues (expenses): | | | | | | | |
| Investment earnings | 2,110,571 | 1,795,404 | 764,074 | 117,343 | 756,397 | 5,543,789 | 3,999,701 |
| Other income | - | 16,301 | - | 49,823 | 7,126 | 73,250 | - |
| Hotel/motel tax | - | - | - | - | 6,475,224 | 6,475,224 | - |
| Contributions | - | - | - | - | 60,567 | 60,567 | - |
| Intergovernmental revenues | 23,745 | 20,777 | 12,454 | - | 12,353,067 | 12,410,043 | - |
| Bond issuance costs | (190,625) | (291,880) | (191,146) | - | - | (673,651) | - |
| Interest expense and fiscal charges | (6,053,359) | (5,521,560) | (702,309) | (13) | (393,433) | (12,670,674) | (25,678) |
| Gain (loss) on disposal of capital assets | (29,279) | (157,745) | (760,907) | - | (12,800) | (960,731) | (10,400) |
| Total nonoperating revenues (expenses) | (4,138,947) | (4,138,703) | (877,834) | 167,153 | 19,246,148 | 10,257,817 | 3,963,623 |
| Income (loss) before contributions and transfers | 16,872,758 | 5,032,211 | 2,434,374 | (4,838,334) | 2,132,525 | 21,633,534 | 4,080,184 |
| Capital contributions | 5,842,502 | 5,042,438 | - | 10,509,803 | 3,972,791 | 25,367,534 | - |
| Transfers in | 7 | 3 | - | 15,748,607 | 1,750,000 | 17,498,617 | 5,853 |
| Transfers out | (4,106,963) | (1,275,286) | (522,977) | - | (150,736) | (6,055,962) | (377) |
| Changes in net position | 18,608,304 | 8,799,366 | 1,911,397 | 21,420,076 | 7,704,580 | 58,443,723 | 4,085,660 |
| Total net position, beginning of year - previously stated | 186,184,184 | 167,876,381 | 27,661,910 | | 93,253,273 | 474,975,748 | 12,055,682 |
| Changes within reporting entity | | | | 9,730,996 | (9,730,996) | | |
| Total net position, beginning of year - adjusted | 186,184,184 | 167,876,381 | 27,661,910 | 9,730,996 | 83,522,277 | 474,975,748 | 12,055,682 |
| Total net position, end of year | \$204,792,488 | \$176,675,747 | \$ 29,573,307 | \$ 31,151,072 | \$ 91,226,857 | \$533,419,471 | \$ 16,141,342 |

See accompanying notes to financial statements

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023**

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities | |
|--|---|-----------------------|----------------------|-----------------------|---------------------------------|-------------------------|------------------------|
| | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Total Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers | \$ 63,280,488 | \$ 47,259,766 | \$ 32,021,353 | \$ 2,011,863 | \$ 14,480,404 | \$ 159,053,874 | \$ 39,493,549 |
| Cash paid to suppliers for goods and services | (20,674,860) | (16,883,032) | (16,044,303) | (1,951,292) | (14,881,107) | (70,434,594) | (30,060,045) |
| Cash paid to employees for services | (9,734,061) | (6,641,641) | (8,535,809) | (4,032,081) | (10,880,014) | (39,823,606) | (7,739,625) |
| Net cash provided by (used for) operating activities | 32,871,567 | 23,735,093 | 7,441,241 | (3,971,510) | (11,280,717) | 48,795,674 | 1,693,879 |
| Cash flows from noncapital financing activities: | | | | | | | |
| Intergovernmental revenue | 35,086 | 31,413 | 12,454 | - | 10,602,325 | 10,681,278 | - |
| Contributions | - | - | - | - | 60,567 | 60,567 | - |
| Other nonoperating income | - | - | - | 49,823 | - | 49,823 | - |
| Hotel/motel tax | - | - | - | - | 6,475,074 | 6,475,074 | - |
| Passenger facility charges | - | - | - | - | 7,126 | 7,126 | - |
| Transfers from other funds | 7 | 3 | - | 15,748,607 | 4,259,558 | 20,008,175 | 5,853 |
| Transfers to other funds | (4,106,970) | (1,275,289) | (522,977) | - | (150,736) | (6,055,972) | (42,836) |
| Net cash provided by (used for) noncapital financing activities | (4,071,877) | (1,243,873) | (510,523) | 15,798,430 | 21,253,914 | 31,226,071 | (36,983) |
| Cash flows from capital and related financing activities: | | | | | | | |
| Aquisition of capital assets | (20,020,746) | (12,432,104) | (5,780,544) | (7,814,015) | (6,812,760) | (52,860,169) | (1,078,432) |
| Principal and interest payments for lease assets | (31,546) | (12,695) | (21,646) | (187) | (144,243) | (210,317) | (518,816) |
| Principal and interest payments for SBITAs | - | - | - | - | - | - | (216,558) |
| Proceeds from sale of debt | 28,500,052 | 43,200,000 | 18,184,447 | - | 2,690,056 | 92,574,555 | - |
| Capital contributions | 130,152 | 245,490 | - | 10,509,803 | 2,731,745 | 13,617,190 | - |
| Principal paid on debt | (13,016,535) | (9,445,000) | (1,760,000) | - | - | (24,221,535) | - |
| Interest paid on debt | (7,934,543) | (6,462,557) | (506,490) | (13) | (493,452) | (15,397,055) | (13,498) |
| Net cash provided by (used for) capital and related financing activities | (12,373,166) | 15,093,134 | 10,115,767 | 2,695,588 | (2,028,654) | 13,502,669 | (1,827,304) |
| Cash flows from investing activities: | | | | | | | |
| Investment earnings | 2,110,571 | 1,795,404 | 764,074 | 117,343 | 756,396 | 5,543,788 | 3,999,701 |
| Net cash provided by (used for) investing activities | 2,110,571 | 1,795,404 | 764,074 | 117,343 | 756,396 | 5,543,788 | 3,999,701 |
| Net increase (decrease) in cash and cash equivalents | 18,537,095 | 39,379,758 | 17,810,559 | 14,639,851 | 8,700,939 | 99,068,202 | 3,829,293 |
| Cash and cash equivalents, beginning of year | 120,189,388 | 123,609,883 | 26,360,413 | 2,060,746 | 25,708,528 | 297,928,958 | 15,844,345 |
| Cash and cash equivalents, end of year | <u>\$ 138,726,483</u> | <u>\$ 162,989,641</u> | <u>\$ 44,170,972</u> | <u>\$ 16,700,597</u> | <u>\$ 34,409,467</u> | <u>\$ 396,997,160</u> | <u>\$ 19,673,638</u> |

See accompanying notes to financial statements


FINANCIAL SECTION

**Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2023**

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities | |
|---|---|----------------------|---------------------|-----------------------|---------------------------------|-------------------------|------------------------|
| | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Total Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | | |
| Operating income (loss) | \$ 21,011,705 | \$ 9,170,914 | \$ 3,312,208 | \$ (5,005,487) | \$ (17,113,623) | \$ 11,375,717 | \$ 116,562 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | | | |
| Provision for uncollectible accounts receivable | 75,744 | 65,565 | 22,287 | - | 11,918 | 175,514 | - |
| Depreciation/Amortization | 12,886,541 | 11,627,960 | 3,420,574 | 1,087,216 | 5,191,010 | 34,213,301 | 803,987 |
| Other nonoperating income | - | 16,301 | - | - | - | 16,301 | - |
| Changes in assets and liabilities: | | | | | | | |
| Decrease (increase) in assets: | | | | | | | |
| Accounts receivable | (2,173,433) | (355,061) | (397,022) | (1,673,244) | (416,571) | (5,015,331) | (84,754) |
| Prepaid items | 114,318 | 30,849 | - | - | 7,600 | 152,767 | (350,000) |
| Inventories | (67,005) | 18,106 | - | (88,832) | (190,578) | (328,309) | (131,988) |
| Lease receivable | 26,208 | - | 6,478 | - | 118,633 | 151,319 | - |
| Increase (decrease) in liabilities: | | | | | | | |
| Accounts payable | 529,685 | 283,134 | 77,060 | 1,098,254 | 130,405 | 2,118,538 | 200,428 |
| Accrued liabilities | 48,488 | (282,554) | 66,410 | 609,903 | 709,862 | 1,152,109 | 139,819 |
| Unearned revenue | - | - | - | (24,738) | 270,167 | 245,429 | - |
| Estimated landfill closure and post-closure care costs | - | - | 733,225 | - | - | 733,225 | - |
| Compensated absences payable | 132,021 | 37,130 | 59,531 | 25,418 | 146,100 | 400,200 | 459,861 |
| Net pension liability | 220,454 | 146,968 | 146,969 | - | - | 514,391 | - |
| Customer deposits | 110,071 | - | - | - | - | 110,071 | - |
| Estimated claims and judgments | - | 2,975,781 | - | - | - | 2,975,781 | 539,964 |
| Deferred inflow on leases | (36,797) | - | (6,479) | - | (145,640) | (188,916) | - |
| Refundable Contracts | (6,433) | - | - | - | - | (6,433) | - |
| Net cash provided by (used for) operating activities | <u>\$ 32,871,567</u> | <u>\$ 23,735,093</u> | <u>\$ 7,441,241</u> | <u>\$ (3,971,510)</u> | <u>\$ (11,280,717)</u> | <u>\$ 48,795,674</u> | <u>\$ 1,693,879</u> |
| Noncash investing, capital, and financing activities: | | | | | | | |
| Contributions of capital assets | 5,712,350 | 4,796,948 | - | 228,111 | 1,246,045 | 11,983,454 | - |
| Lease, right-of-use assets | 10,848 | 4,987 | 29,761 | 1,001 | 28,023 | 74,620 | 1,462,069 |
| Subscription assets | - | - | - | - | - | - | 455,905 |

Additionally, variances in capital contributions per the statement of revenues, expenses and changes in net position - proprietary funds as compared to capital contributions from capital and related financing activities and noncash investing, capital and financing activities result from changes in the following items: intergovernmental accounts receivable, accounts payable and accrued liabilities related to capital items.

See accompanying notes to financial statements

**Statement of Fiduciary Net Position
September 30, 2023**

| | <u>Custodial Funds</u> |
|--|------------------------|
| Assets | |
| Cash and investments | \$ 4,246,186 |
| Accounts receivable | 141,451 |
| Intergovernmental receivable | <u>797,143</u> |
| Total assets | <u>5,184,780</u> |
| Liabilities | |
| Accounts payable | 9,244 |
| Accrued liabilities | <u>252,144</u> |
| Total liabilities | <u>261,388</u> |
| Net position | |
| Restricted for other organizations and governments | <u>4,923,392</u> |
| Total net position | <u>\$ 4,923,392</u> |

See accompanying notes to financial statements

**Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2023**

| | <u>Custodial Funds</u> |
|---|----------------------------|
| Additions | |
| Charges for services | \$ 105,072 |
| Public improvement assessments | 1,517,157 |
| Investment earnings | 146,545 |
| Intergovernmental revenue | 1,973,887 |
| Other | <u>862,009</u> |
| Total additions | <u>4,604,670</u> |
| Deductions | |
| Salaries and wages | 731,056 |
| Employee benefits | 143,701 |
| Purchased professional/technical services | 163,754 |
| Maintenance | 82,660 |
| Other purchased services | 114,719 |
| Supplies | 178,752 |
| Other | <u>2,277,500</u> |
| Total deductions | <u>3,692,142</u> |
| Net increase (decrease) in fiduciary net position | 912,528 |
| Net position, beginning | <u>4,010,864</u> |
| Net position, ending | <u><u>\$ 4,923,392</u></u> |

See accompanying notes to financial statements

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Waco, Texas (the City) is a municipal corporation governed by an elected mayor and a five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. All fiduciary activities are reported only in the fund financial statements.

Discretely presented component units - The following discretely presented component units are included in the reporting entity of the City:

The *Baylor Waco Stadium Authority* (the Authority) was created in 2014 as a nonprofit local government corporation for the purpose of managing and operating Baylor University's McLane Stadium (the Stadium) for all events that are not designated Baylor University events. The Authority is governed by five directors who are appointed by the City Council and may be removed by the City Council at any time, with or without cause. In March 2014, the Authority entered into a 30-year tri-party operating agreement with Baylor University (BU) and the City. In the event the operating agreement terminates, operating funds in excess of obligations payable will be used in the following priority: repayment of funds advanced to the Authority by BU that are subject to reimbursement; repairs and maintenance of the Stadium; and distribution to BU and the City in proportion to each entity's contribution to the construction of the Stadium. Separately issued financial reports for the Authority may be obtained from the Authority at 1001 South M.L.K. Jr. Blvd., Waco, Texas.

The *Waco Health Facilities Development Corporation* (the WHFDC) was created in 1983 under the Health Facilities Development Act as a public, nonprofit corporation for the purpose of issuing obligations in order to finance all or part of the cost of one or more health facilities to assist with the maintenance of public health. The WHFDC is governed by five members who are appointed by the City Council and may only be removed with cause. Additionally, the WHFDC is prohibited from issuing bonded debt without the approval of the City Council. The WHFDC does not issue separate financial statements.

Although WHFDC does not issue separate financial statements, the entity's governmental activity is reported in its respective single fund and all information is presented within the government-wide financial statements.

Fiduciary component unit - The following fiduciary component unit is included as a custodial fund of the City:

The authorization to create a Tourism Public Improvement District was granted by the Texas State Legislature through HB 1474 on June 14, 2019. The *Waco Tourism Public Improvement District* (WTPID) was created by the Waco City Council by Resolution 2020-513 on August 4, 2020, for the purpose of generating additional funding to increase tourism and hotel stays in Waco hotels. The WTPID is funded by a 2% assessment on hotels with 75 or more rooms within the city limits of Waco, Texas. The 2% assessment is charged on actual overnight stays at these hotels.

On September 15, 2020, the Waco City Council approved a contract with the Waco Tourism Public Improvement District Corporation (WTPIDC) to manage the funds generated by the special assessment. The WTPIDC is a Texas nonprofit corporation governed by nine directors who represent a cross-section of included hotels in terms of size, brand, and demographics. The Director of Conventions and Tourism is an ex-officio on the board.

Activities of the Waco Tourism Public Improvement District are guided by a Service and Assessment Plan which is reviewed and adopted by the Waco City Council each year. Separately issued financial reports for the WTPID may be obtained from the WTPID administrator via the website at wacotpid.com.

I. Summary of Significant Accounting Policies (continued)**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes (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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The 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 the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting* for reporting its assets and liabilities.

I. Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

The **street improvement fund** is used to account primarily for bond proceeds used for capital improvements to the City's street infrastructure.

The **grants fund** is used to account for governmental grant activity of the City beyond those accounted for in other funds.

The **tax increment fund no. 1** is used to account for activity of the tax increment district, Reinvestment Zone Number One.

The City reports the following non-major governmental funds:

The **special revenue funds** account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The **debt service funds** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **capital project funds** account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The **permanent funds** account for private donations and endowments whereby interest earnings are restricted in accordance with the endowment terms.

The City reports the following major proprietary funds:

The **water fund** accounts for the activities of the City's water services.

The **wastewater fund** accounts for the activities of the City's sewer services.

The **solid waste fund** accounts for the activities of the City's sanitation services.

The **Cameron Park Zoo fund** accounts for the activities of the City's zoo.

The City reports the following non-major proprietary funds:

The **non-major proprietary funds** consist of enterprise funds, which are used to account for operations, other than the major proprietary funds listed above, and are operated in a manner similar to private business enterprises.

Additionally, the City reports the following fund types:

I. Summary of Significant Accounting Policies (continued)

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

Internal service funds account for insurance/risk management services, health insurance, fleet services, engineering services, information technology services, and vehicle and equipment replacement services provided to other departments or agencies of the government on a cost reimbursement basis.

Fiduciary funds - custodial funds account for receipts and disbursements for the Urban Renewal Agency, the Heart of Texas Housing Finance Corporation, Waco Public Improvement District No. 2, Rural Transit Services, and Waco Tourism Public Improvement District.

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 water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include 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.

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

Deposits and Investments

The City considers all highly liquid investments (including restricted assets) in money market mutual funds, demand deposits, certificates of deposit, repurchase agreements, commercial paper, and U.S. Treasury bills with an original maturity of three months or less to be cash equivalents. For the purposes of the statements of cash flows, all pooled cash and investments are considered to be cash equivalents. Maturities in excess of three months when purchased may be deposited or withdrawn by the proprietary funds at any time without prior notice or penalty, therefore having the characteristics of demand deposits.

State statutes authorize the City to invest in U. S. Treasury and agency securities, commercial paper, money market mutual funds, repurchase agreements, and government investment pools.

Investments for the City, as well as for its component units, are reported at fair value. The City invests in local government investment pools (LGIPs) that were created to function as money market mutual funds within appropriate state laws and regulations. Each of these LGIPs seeks to maintain a constant \$1.00 net asset value per share.

The City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The City determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

I. Summary of Significant Accounting Policies (continued)**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days are estimated to be uncollectible and comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 5.56% of outstanding property taxes as of September 30, 2023.

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 31. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Inventories and Prepaid Items

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures 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.

Restricted Assets

Certain proceeds of the enterprise fund bonds and certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, and similar items), and water rights are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

I. Summary of Significant Accounting Policies (continued)

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| Assets | Years |
|-----------------------|-------|
| Landfill improvements | 3-5 |
| Buildings | 20-50 |
| Water rights | 35 |
| Improvements | 5-50 |
| Equipment | 5-20 |
| Infrastructure | 7-74 |

Pensions

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

Other Post-Employment Benefits ("OPEB")

The fiduciary net position of the City's defined benefit life insurance plan (OPEB Plan) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government wide and proprietary fund financial statements. For governmental activities and proprietary funds, a liability is reported for a portion of accumulated sick leave when it is probable that the government will make termination payments. A liability for compensated

I. Summary of Significant Accounting Policies (continued)***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)***

absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

In the government-wide financial statements and proprietary fund types in the fund financial statements, lease obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In addition, the government-wide financial statements and proprietary fund types in the fund financial statements report the lease assets which are amortized over the life of the contract.

In the fund financial statements, governmental fund types recognize an other financing source - financing of leases during the current period when a new lease whereby the City is the lessee is entered into. When the City is the lessor of an asset, the lease receivable is reported on the governmental fund financial statements, proprietary fund types fund financial statements, and the government-wide financial statements at the present value of future lease payments. The lease receivable is offset by a deferred inflow of resources. The lease receivable is reduced as payments are received and the deferred inflow of resources is amortized over the contract period using the applicable borrowing rate of the City at the time the lease contract is entered into.

Subscriptions

In the government-wide financial statements and proprietary fund types in the fund financial statements, subscription obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In addition, the government-wide financial statements and proprietary fund types in the fund financial statements report the subscription assets which are amortized over the life of the contract.

Fund Balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are also approved by the City Council through a resolution.

For the classification of governmental fund balances, the City considers the order of expenditures to be made from the most restrictive first when more than one classification is available. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

I. Summary of Significant Accounting Policies (continued)

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

The City Council has adopted Financial Management Policy Statements that include the policy to strive to maintain the general fund unassigned fund balance at 28% of budgeted revenues. General fund unassigned fund balance at September 30, 2023 was 29.0% of fiscal year 2024 budgeted revenues.

The following detail of fund balances by classification is shown for major and nonmajor governmental funds:

| | General Fund | Street | Grants Fund | Tax Increment Fund No. 1 | Other Funds | Total |
|--|----------------------|----------------------|---------------------|--------------------------|---------------------|-----------------------|
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | \$ 1,117,009 | \$ - | \$ - | \$ - | \$ - | \$ 1,117,009 |
| Real estate held for resale | 6,160 | - | - | - | - | 6,160 |
| Parks and cemetery care | - | - | - | - | 332,430 | 332,430 |
| Restricted for: | | | | | | |
| Communications and Marketing activities | 1,912,417 | - | - | - | - | 1,912,417 |
| Debt service activities | - | - | - | - | 969,001 | 969,001 |
| Capital projects activities | - | 64,645,493 | - | - | 38,671,077 | 103,316,570 |
| Tax increment zone activities | - | - | - | 66,093,343 | 1,382,540 | 67,475,883 |
| Housing and community development activities | - | - | 489,657 | - | - | 489,657 |
| Public works activities | - | - | 254,197 | - | - | 254,197 |
| Public safety activities | - | - | 839,559 | - | 2,622,815 | 3,462,374 |
| Culture and recreation activities | - | - | 126,072 | - | 53,968 | 180,040 |
| Waco Public Improvement District activities | - | - | - | - | 1,423,812 | 1,423,812 |
| Committed to: | | | | | | |
| Economic development activities | 17,793,635 | - | - | - | - | 17,793,635 |
| Capital projects activities | - | 6,024,297 | - | - | 42,186,943 | 48,211,240 |
| Public health services | - | - | - | - | 4,419,833 | 4,419,833 |
| Assigned to: | | | | | | |
| Economic development activities | 11,233,433 | - | - | - | - | 11,233,433 |
| Housing and community development activities | 284,163 | - | - | - | - | 284,163 |
| Public safety activities | 1,892,908 | - | - | - | - | 1,892,908 |
| Public works activities | 443,104 | - | - | - | - | 443,104 |
| Culture and recreation activities | 217,980 | - | - | - | - | 217,980 |
| Subsequent year's budget appropriation | 7,340,656 | - | - | - | - | 7,340,656 |
| Other activities | 1,685,142 | - | - | - | - | 1,685,142 |
| Unassigned | 58,980,843 | - | - | - | - | 58,980,843 |
| | <u>\$102,907,450</u> | <u>\$ 70,669,790</u> | <u>\$ 1,709,485</u> | <u>\$66,093,343</u> | <u>\$92,062,419</u> | <u>\$ 333,442,487</u> |

Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and

**I. Summary of Significant Accounting Policies (continued)*****D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)***

invested for the purpose of producing present and future income. The City is subject to the State of Texas Uniform Prudent Management of institutional Funds Act (UPMIFA) in relation to endowment funds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$359,820,280 difference are as follows:

| | |
|---|-------------------------|
| Serial bonds and certificates of obligation | \$ (270,645,000) |
| Less: deferred charge on refunding (to be amortized as interest expense) | 447,589 |
| Plus: issuance premium (to be amortized as interest expense) | (13,068,891) |
| Capital financing agreement | (3,550,183) |
| Accrued interest payable | (2,397,845) |
| Compensated absences | (21,928,773) |
| Net pension liability and pension related deferred outflows/inflows of \$45,484,778 (to be amortized as pension expense) | (29,974,112) |
| Refundable contracts | (80,007) |
| Contracts payable | (830,000) |
| Lease Liability | (1,021,510) |
| Subscription Liability | (584,642) |
| Net other post-employment benefit (OPEB) liability and related deferred outflows/inflows of \$280,651 (to be amortized as OPEB expense) | (1,873,205) |
| Notes Payable | <u>(14,313,701)</u> |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ (359,820,280)</u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$79,459,108 difference are as follows:

| | |
|--|----------------------|
| Capital outlay | \$ 97,991,606 |
| Depreciation expense | <u>(18,532,498)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 79,459,108</u> |

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers and donations) is to increase net position.” The details of this \$1,864,801 difference are as follows:



II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

| | |
|--|---------------------|
| Donations and transfers of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources | \$ 1,864,801 |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,864,801</u> |

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$214,148 difference are as follows:

| | |
|--|-------------------|
| Court fines | \$ (100,068) |
| Property taxes | <u>314,216</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 214,148</u> |

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, notes payable) 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." The details of this \$104,940,634 difference are as follows:

| | |
|--|-------------------------|
| Issuance of general obligation debt | \$ (98,990,000) |
| Plus: premium on issuance | (2,177,452) |
| Principal repayments: | |
| General obligation debt | 10,060,000 |
| Capital financing agreement | 480,519 |
| Note payable | <u>(14,313,701)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (104,940,634)</u> |

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$3,220,898 difference are as follows:

| | |
|--|-----------------------|
| OPEB liability | \$ (23,605) |
| Compensated absences | (1,578,793) |
| Net pension liability | (3,159,830) |
| Accrued interest | (496,255) |
| Amortization of deferred charge on refunding | (212,461) |
| Amortization of bond premiums | <u>2,250,046</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (3,220,898)</u> |

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states, “When leases in which the City is the lessee are used in governmental activities, an expenditure is recorded in the governmental funds for the amount of present value of the future lease; however, in the statement of activities, the present value of the future lease is recognized as a lease, right-of-use asset and amortized over the lease term.” The details of this \$72,423 difference are as follows:

| | | |
|--|----|-----------------|
| Lease Acquisitions - Other Financing Sources | \$ | (233,311) |
| Lease Acquisitions - Expenditure adjustment - lease, right-of-use asset | | 233,311 |
| Lease Amortizations | | (480,849) |
| Lease Principal Payments | | 493,422 |
| Lease Assets transferred to other funds | | <u>(84,996)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | \$ | <u>(72,423)</u> |

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

Another element of that reconciliation states, “When Subscriptions in which the City is the lessee are used in governmental activities, an expenditure is recorded in the governmental funds for the amount of present value of the future subscription; however, in the statement of activities, the present value of the future subscription is recognized as a subscription asset and amortized over the agreement term.” The details of this \$37,459 difference are as follows:

| | |
|--|------------------|
| Subscription Acquisitions - Other Financing Sources | \$ (795,834) |
| Subscription Acquisitions - Expenditure adjustment - subscription asset | 795,834 |
| Subscription Implementation Costs Capitalized | 27,018 |
| Subscription Amortization | (173,733) |
| Subscription Principal Payments | <u>184,174</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 37,459</u> |

III. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual, appropriated budgets are adopted for the general fund, health fund and general obligation debt fund. All annual appropriations lapse at fiscal year- end. Project-length financial plans are adopted for all capital projects funds including the street improvement fund and the grants fund.

Prior to August 5, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of a resolution.

Expenditures may not legally exceed appropriations at the fund level for each legally adopted annual budget. The City Council made supplemental budgetary appropriation changes during the fiscal year. In addition, transfer of appropriations between funds requires the approval of the City Council. The reported budgetary data has been revised for these amendments legally authorized during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Outstanding encumbrances for governmental funds as of September 30, 2023 are \$4,382,685 for the general fund.

IV. Detail Notes on All Funds

A. Deposits and Investments

As of September 30, 2023, the City has U.S. Federal agency securities of \$302,043,439, U.S. Treasury Obligations of \$104,521,729, General Municipal Obligations of \$41,151,319, Commercial Paper of \$29,023,240, and Certificate of Deposit of \$18,000,000 which are valued using quoted market prices (Level 1).

As of September 30, 2023, the City had the following investments:

| | <u>Total investments</u> | <u>Percent of Portfolio</u> | <u>Weighted Average Maturity (in Years)</u> |
|--|--------------------------|-----------------------------|---|
| Investments reported at amortized cost: | | | |
| Texas Local Government Investment Pool (Tex Pool) | \$ 216,958,340 | 27.80% | 0.08 |
| Texas Local Government Investment Pool (TexPool Prime) | 30,576,150 | 3.92% | 0.13 |
| Texas Short-Term Asset Reserve (TexSTAR) | <u>5,959,175</u> | <u>0.76%</u> | <u>0.07</u> |
| Total local government investment pools | 253,493,665 | 32.49% | - |
| Money market mutual funds | 25,407,987 | 3.26% | 0.07 |
| Collateralized bank savings accounts | 6,650,990 | 0.85% | - |
| Certificate of Deposit | 18,000,000 | 2.31% | 1.73 |
| Investments reported at fair value: | | | |
| U.S. Federal agency securities | 302,043,439 | 38.71% | 0.67 |
| U.S. Treasury Obligations | 104,521,729 | 13.40% | 0.46 |
| General Municipal Obligations | 41,151,319 | 5.27% | 0.59 |
| Commercial Paper | <u>29,023,240</u> | <u>3.72%</u> | <u>0.56</u> |
| Total investments | <u>\$ 780,292,369</u> | <u>100.00%</u> | <u>0.44</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the maturities of its investments as follows: maturities of U. S. Treasury obligations, U. S. Federal agency securities and repurchase agreements cannot exceed three years. Further, the weighted average maturity of the City’s pooled operating portfolio shall at no time exceed one year with the calculation to include all portfolio securities, bank and savings account deposits and local government pools and money fund holdings. The weighted average maturity for the City’s pooled operating portfolio pursuant to this calculation was 0.44 years as of September 30, 2023.

Credit Risk

For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. Texas Government Code Chapter 2256, Public Funds Investment Act, restricts the types of investments in which the City may invest.

IV. Detail Notes on All Funds (continued)

A. Deposits and Investments (continued)

The City’s investment policy addresses credit quality by further restricting authorized investments to the following:

- U.S. Treasury obligations
- Other obligations of the U. S. Government guaranteed by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States
- U.S. Federal agency securities
- Repurchase agreements and flexible repurchase agreements, collateralized by U.S. Treasury obligations or U.S. federal agency securities, or by pass through mortgage-backed securities issued by the U.S. federal agencies
- Money market mutual funds rated not less than AAAM by Standard & Poor’s, Aaa by Moody’s or AAA/VI+ by Fitch
- Depository Certificates of Deposit guaranteed by the FDIC. Deposits in excess of the FDIC insured amount are secured in accordance with City of Waco Policy
- Local Government Investment Pools rated not less than AAAM by Standard & Poor’s, Aaa by Moody’s or AAA/VI+ by Fitch
- Fully insured or collateralized depository interest bearing banking accounts of any bank in Texas to include fully FDIC insured money market account spread programs
- Debt obligations of any US state, agency, city, county, or other political sub-divisions of any US state rated as to investment quality by a nationally recognized investment rating agency firm not less than A or equivalent, with a stated maximum maturity of three years.
- Commercial paper that has a stated maturity of 270 days or fewer from the date of its issuance; and rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies; or one nationally recognized credit rating agency and fully secured by an irrevocable letter of credit (LOC) issued by a bank organized and existing under the laws of the United States or any state.

The City’s investments in TexPool and TexSTAR are rated AAAM by Standard & Poor’s; and U. S. Federal agency securities are rated Aaa by Moody’s, and AA+ by Standard and Poor’s.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments in the securities of a single issuer. The City’s investment policy includes an investment objective of seeking diversification to avoid unreasonable risk. More than 5% of the City’s investments at September 30, 2023 were in securities of the following issuers:

| U.S. Agency Issuer | Fair Value | Percent of Portfolio |
|------------------------|----------------|----------------------|
| Federal Home Loan Bank | \$ 252,433,919 | 32.12% |
| United States Treasury | 104,521,729 | 13.30% |

IV. Detail Notes on All Funds (continued)

A. Deposits and Investments (continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counter-party, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City’s investment policy requires that the purchase of investment securities be settled on a delivery versus payment basis and that ownership of all securities be perfected in the name of the City.

Reconciliation of Cash and Investments

| | |
|--|-----------------------|
| Carrying amount of deposits and cash on hand | \$ 6,370,064 |
| Carrying amount of investments | <u>780,292,369</u> |
| Total | <u>\$ 786,662,433</u> |
| Cash and investments - governmental activities | \$ 385,386,296 |
| Cash and investments - business-type activities | 164,350,289 |
| Restricted cash and investments - business-type activities | 232,646,871 |
| Component units, excluding Baylor Waco Stadium Authority | 32,791 |
| Custodial funds | <u>4,246,186</u> |
| Total | <u>\$ 786,662,433</u> |

The City issues certificates of obligation to fund capital projects for governmental and business-type activities. Interest earnings on the majority of unspent proceeds of all certificates of obligation are accounted for in the capital projects fund.

Local Government Investment Pools

TexPool. The Comptroller of Public Accounts (the Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company) which is authorized to operate TexPool. Federated Investors, Inc. provides asset management services to TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets to compute share prices.

TexPool Prime. The Comptroller of Public Accounts (the Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (the Trust Company) which is authorized to operate TexPool Prime. Federated Investors, Inc. provides asset management services to TexPool Prime. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool Prime and other persons who do not have a business relationship with TexPool Prime. The advisory board members review the investment policy and management fee structure. There are no maximum transaction



IV. Detail Notes on All Funds (continued)

A. *Deposits and Investments (continued)*

amounts and withdrawals from TexPool Prime may be made daily. TexPool Prime uses amortized cost rather than fair value to report net assets to compute share prices.

TexSTAR. TexSTAR is a Texas public funds investment pool that is co-administered by J.P. Morgan Asset Management and Hilltop Securities Inc. TexSTAR is managed by a five-member governing board comprised of three representatives of eligible governmental entities and one member designated by each of the co-administrators.

There are no maximum transaction amounts and withdrawals from TexSTAR may be made daily. TexSTAR uses amortized cost rather than the fair value to report net assets to compute share prices.

IV. Detail Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the City’s individual major funds and nonmajor, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Street Improvement Fund | Grants Fund | Tax Increment Fund No. 1 | Water | Wastewater | Solid Waste | Cameron Park Zoo Fund | Nonmajor and Other Funds | Total |
|------------------------------------|---------------|-------------------------|--------------|--------------------------|---------------|--------------|--------------|-----------------------|--------------------------|---------------|
| Receivables: | | | | | | | | | | |
| Taxes | \$ 12,325,624 | \$ - | \$ - | \$ 90,802 | \$ - | \$ - | \$ - | \$ - | \$ 697,974 | \$ 13,114,400 |
| Accounts | 12,944,736 | - | 200,209 | 307 | 11,497,021 | 6,468,318 | 4,458,785 | 1,856,193 | 2,093,296 | 39,518,864 |
| Special assessments | - | - | - | - | - | - | - | - | 11,474 | 11,474 |
| Intergovernmental | 16,653 | - | 1,886,394 | - | 618,235 | 319,136 | - | - | 5,548,777 | 8,389,195 |
| Leases | 1,157,031 | - | - | - | 753,474 | - | 6,499 | - | 3,369,914 | 5,286,918 |
| Notes | - | - | 131,893 | - | - | - | - | - | - | 131,893 |
| Gross receivables | 26,444,044 | - | 2,218,496 | 91,109 | 12,868,730 | 6,787,454 | 4,465,284 | 1,856,193 | 11,721,435 | 66,452,744 |
| Less: allowance for uncollectibles | 9,580,344 | - | - | - | 2,670,993 | 1,493,420 | 1,247,163 | - | 66,057 | 15,057,976 |
| Net total receivables | \$ 16,863,700 | \$ - | \$ 2,218,496 | \$ 91,109 | \$ 10,197,737 | \$ 5,294,034 | \$ 3,218,121 | \$ 1,856,193 | \$ 11,655,378 | \$ 51,394,768 |

Revenues of the water, wastewater, solid waste, and the nonmajor enterprise fund -drainage - funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|---|------------|
| Uncollectibles related to water sales | \$ 75,744 |
| Uncollectibles related to wastewater charges | 65,565 |
| Uncollectibles related to solid waste charges | 22,287 |
| Uncollectibles related to drainage charges | 11,918 |
| Total uncollectibles of the current fiscal year | \$ 175,514 |

IV. Detail Notes on All Funds (continued)

C. Capital Assets

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

| | Primary Government | | | Balance September 30, 2023 |
|--|----------------------------|---------------|--------------|----------------------------------|
| | Balance October 1, 2022 | Increases | Decreases | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 76,875,119 | \$ 20,027,659 | \$ (6,619) | \$ 96,896,160 |
| Construction in progress | 60,120,973 | 71,859,622 | (36,041,386) | 95,939,209 |
| Total capital assets not being depreciated | 136,996,092 | 91,887,281 | (36,048,005) | 192,835,369 |
| Capital assets, being depreciated: | | | | |
| Buildings | 93,627,631 | 1,064,022 | (171,266) | 94,520,386 |
| Machinery and equipment | 75,320,827 | 7,878,368 | (100,686) | 83,098,511 |
| Improvements other than buildings | 74,649,782 | 16,581,052 | (5,288) | 91,225,547 |
| Infrastructure | 395,605,304 | 19,598,580 | - | 415,203,882 |
| Total capital assets being depreciated | 639,203,544 | 45,122,022 | (277,240) | 684,048,326 |
| Less accumulated depreciation: | | | | |
| Buildings | 40,993,311 | 3,346,509 | (171,267) | 44,168,553 |
| Machinery and equipment | 55,234,981 | 4,660,197 | (68,823) | 59,826,355 |
| Improvements other than buildings | 48,058,855 | 3,179,860 | (5,287) | 51,233,428 |
| Infrastructure | 224,328,236 | 7,598,819 | - | 231,927,055 |
| Total accumulated depreciation | 368,615,383 | 18,785,385 | (245,377) | 387,155,391 |
| Total capital assets being depreciated, net | 270,588,161 | 26,336,637 | (31,863) | 296,892,935 |
| Lease assets: | | | | |
| Buildings | 1,432,395 | - | - | 1,432,395 |
| Computer equipment | 1,066,498 | 628,880 | (65,834) | 1,629,544 |
| Other equipment | 186,436 | - | - | 186,436 |
| Total lease assets | 2,685,329 | 628,880 | (65,834) | 3,248,375 |
| Less accumulated amortization: | | | | |
| Buildings | 280,510 | 374,124 | - | 654,634 |
| Computer equipment | 278,076 | 407,401 | (36,273) | 649,204 |
| Other equipment | 60,247 | 62,145 | - | 122,392 |
| Total accumulated amortization | 618,833 | 843,670 | (36,273) | 1,426,230 |
| Total lease assets, net | 2,066,496 | (214,790) | (29,561) | 1,822,145 |
| Subscription-based information technology arrangement assets: | | | | |
| Subscription-based information technology arrangements | - | 1,368,699 | - | 1,368,699 |
| Less accumulated amortization: | | | | |
| Subscription-based information technology arrangements | - | 362,870 | - | 362,870 |

IV. Detail Notes on All Funds (continued)

C. Capital Assets

| | | | | |
|---|--------------------|-------------------|---------------------|----------------------|
| Total subscription-based information technology arrangements, net | - | 1,005,829 | - | 1,005,829 |
| <hr/> | | | | |
| Total lease & subscription assets being amortized, net | 2,066,496 | 791,039 | (29,561) | 2,827,974 |
| <hr/> | | | | |
| Total governmental activities capital assets | \$ 409,650,749 | \$ 119,014,957 | \$ (36,109,429) | \$ 492,556,278 |
| <hr/> | | | | |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 18,451,306 | \$ 7,006,275 | \$ - | 25,457,581 |
| Construction in progress | 66,016,274 | 40,714,146 | (38,504,286) | 68,226,134 |
| Museum collections | 2,652,924 | 5,000 | - | 2,657,924 |
| Total capital assets not being depreciated | <u>87,120,504</u> | <u>47,725,421</u> | <u>(38,504,286)</u> | <u>96,341,639</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 98,737,780 | 271,770 | (104,206) | 98,905,344 |
| Machinery and equipment | 71,248,685 | 8,346,742 | (950,225) | 78,645,202 |
| Improvements other than buildings | 758,671,945 | 51,512,136 | (2,089,035) | 808,095,046 |
| Water rights - impound fee | 36,792,490 | - | - | 36,792,490 |
| Total capital assets being depreciated | <u>965,450,900</u> | <u>60,130,648</u> | <u>(3,143,466)</u> | <u>1,022,438,082</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 54,448,360 | 3,443,079 | (104,207) | 57,787,232 |
| Machinery and equipment | 51,397,594 | 5,777,260 | (852,442) | 56,322,412 |
| Improvements other than buildings | 306,892,534 | 23,742,774 | (1,425,923) | 329,209,385 |
| Water rights - impound fee | 16,300,698 | 1,047,959 | - | 17,348,657 |
| Total accumulated depreciation | <u>429,039,186</u> | <u>34,011,072</u> | <u>(2,382,572)</u> | <u>460,667,686</u> |
| Total capital assets being depreciated, net | <u>536,411,714</u> | <u>26,119,576</u> | <u>(760,894)</u> | <u>561,770,396</u> |
| <hr/> | | | | |
| Lease assets: | | | | |
| Computer equipment | 174,395 | 60,364 | (10,629) | 224,130 |
| Other equipment | - | - | - | - |
| Buildings | 169,907 | - | (7,993) | 161,914 |
| Vehicles | 236,601 | - | - | 236,601 |
| Total lease assets being amortized | <u>580,903</u> | <u>60,364</u> | <u>(18,622)</u> | <u>622,645</u> |
| <hr/> | | | | |
| Less accumulated amortization: | | | | |
| Computer equipment | 38,308 | 57,481 | (2,492) | 93,297 |
| Other equipment | - | - | - | - |
| Buildings | 22,366 | 58,658 | (7,992) | 73,032 |
| Vehicles | 61,219 | 86,090 | - | 147,309 |
| Total accumulated amortization | <u>121,893</u> | <u>202,229</u> | <u>(10,484)</u> | <u>313,638</u> |
| Total lease assets being amortized, net | <u>459,010</u> | <u>(141,865)</u> | <u>(8,138)</u> | <u>309,007</u> |
| <hr/> | | | | |
| Total business-type activities capital assets | \$ 623,991,228 | \$ 73,703,132 | \$ (39,273,318) | \$ 658,421,042 |



IV. Detail Notes on All Funds (continued)

C. Capital Assets (continued)

Depreciation/Amortization expense was charged to functions/programs as follows:

| | |
|--|----------------------|
| Governmental activities: | |
| General government | \$ 1,692,863 |
| Public works | 8,792,863 |
| Public safety | 4,614,289 |
| Culture and recreation | 4,772,194 |
| Public health | <u>119,716</u> |
| Total depreciation and amortization expense - governmental activities | <u>\$ 19,991,925</u> |
| Business-type activities: | |
| Water | \$ 12,886,541 |
| Wastewater | 11,627,960 |
| Solid waste | 3,420,574 |
| Cameron Park Zoo | 1,087,216 |
| Airport | 2,854,458 |
| Convention services | 915,099 |
| Ranger Hall of Fame | 163,625 |
| Transit services | 762,549 |
| Cottonwood Creek Golf Course | 204,611 |
| Drainage | <u>290,668</u> |
| Total depreciation and amortization expense - business-type activities | <u>\$ 34,213,301</u> |

Construction commitments

The City has active construction projects as of September 30, 2023. At year-end the City’s commitments with contractors are as follows:

| Project | Spent to Date | Remaining Commitments |
|---------------------|-----------------------|-----------------------|
| Street projects | \$ 51,681,138 | \$ 23,603,917 |
| Water projects | 30,772,327 | 12,605,015 |
| Wastewater projects | 12,437,775 | 28,202,440 |
| Solid waste | 5,313,513 | 3,799,149 |
| Other projects | <u>63,960,590</u> | <u>57,356,104</u> |
| Total | <u>\$ 164,165,343</u> | <u>\$ 125,566,625</u> |

IV. Detail Notes on All Funds (continued)

C. Capital Assets (continued)

Annually, the city calculates its net investment in capital assets. The following table demonstrates the calculation for the major funds of the city and the internal service funds:

| | Governmental Activities | Business-Type Activities | Water Fund | Wastewater Fund | Solid Waste Fund | Cameron Park Zoo Fund | Non-Major Enterprise Funds | Governmental Activities Internal Service Funds |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|----------------------|-----------------------------|----------------------------------|---|
| Capital assets, net of accumulated depreciation/ amortization | \$ 492,556,278 | \$ 658,421,042 | \$ 309,819,545 | \$ 236,300,356 | \$ 25,199,052 | \$ 14,630,342 | \$ 72,471,747 | \$ 2,645,759 |
| Less: Bonds Payable | (270,645,000) | (480,815,000) | (228,465,000) | (208,195,000) | (30,855,000) | - | (13,300,000) | - |
| Plus: Unspent bond proceeds | 126,470,357 | 232,646,871 | 85,185,932 | 113,039,542 | 21,988,510 | - | 12,432,887 | - |
| Plus: Deferred losses on refundings of debt | 447,589 | 1,397,950 | 1,153,612 | 244,338 | - | - | - | - |
| Less: Deferred gain on refundings of debt | - | (7,423) | - | - | (7,423) | - | - | - |
| Less: Lease Liabilities | (1,669,122) | (282,791) | (44,124) | (14,534) | (22,976) | (744) | (200,413) | (647,612) |
| Less: Subscriptions Liabilities | (944,760) | - | - | - | - | - | - | (360,118) |
| Less: Refundable Contracts | (80,007) | (1,185,350) | (992,808) | (192,542) | - | - | - | - |
| Less: Notes Payable | (14,313,701) | (1,122,766) | (1,122,766) | - | - | - | - | - |
| Less: Unamortized Premium/ Discount | (13,068,891) | (19,810,483) | (10,662,959) | (7,328,205) | (425,145) | - | (1,394,174) | - |
| Less: Capital Financing Agreement (Fire Trucks) | (3,550,183) | - | - | - | - | - | - | - |
| Net Investment in Capital Assets | \$ 315,202,560 | \$ 389,242,050 | \$ 154,871,432 | \$ 133,853,955 | \$ 15,877,018 | \$ 14,629,598 | \$ 70,010,047 | \$ 1,638,029 |

D. Interfund Receivables, Payables and Transfers

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

Due to/from other funds

| Receivable Fund | Payable Fund | Amount |
|------------------------|--------------------------|---------------------|
| General | Grants | \$ 1,147,315 |
| General | Nonmajor business-type | 3,692,356 |
| Grants | Tax Increment Fund No. 1 | 154,932 |
| Nonmajor business-type | General | 701,728 |
| Internal service | General | 351,917 |
| Nonmajor governmental | Nonmajor governmental | 3,614,580 |
| | | <u>\$ 9,662,828</u> |

All balances resulted 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.

Advances to/from other funds

IV. Detail Notes on All Funds (continued)

D. Interfund Receivables, Payables and Transfers (continued)

| Receivable Fund | Payable Fund | Amount |
|-----------------------|------------------------|------------|
| Water | Nonmajor business-type | \$ 525,336 |
| Nonmajor governmental | Nonmajor business-type | 168,368 |
| | | \$ 693,704 |

All advances resulted from loans to Cottonwood Creek Golf Course Fund made for operating and capital improvements since the City took over management responsibilities. Amounts are not expected to be paid within the next fiscal year.

Interfund transfers

| | Transfers in | | | | | | | | | | |
|--------------------------|--------------|--------------------|------------|--------------------------|-------|------------|------------------|-----------------------|---------------------|------------------|---------------|
| | General | Street Improvement | Grants | Tax Increment Fund No. 1 | Water | Wastewater | Cameron Park Zoo | Nonmajor Governmental | Nonmajor Enterprise | Internal Service | Total |
| Transfers out: | | | | | | | | | | | |
| General | \$ - | \$ 3,524,482 | \$ 415,475 | \$ - | \$ - | \$ - | \$ 3,446,770 | \$ 18,409,881 | \$ 1,600,000 | \$ - | \$ 27,396,608 |
| Street Improvement | - | - | 16,301 | - | - | - | - | - | - | - | 16,301 |
| Grants | - | - | 824 | - | - | - | - | - | - | 4,740 | 5,564 |
| Tax Increment Fund No. 1 | - | - | - | - | - | - | - | 2,630,428 | - | - | 2,630,428 |
| Water | 4,106,963 | - | - | - | - | - | - | - | - | - | 4,106,963 |
| Wastewater | 1,275,286 | - | - | - | - | - | - | - | - | - | 1,275,286 |
| Solid waste | 522,967 | - | - | - | 7 | 3 | - | - | - | - | 522,977 |
| Nonmajor governmental | 50,000 | - | - | - | - | - | 12,301,837 | 1,564,911 | - | - | 13,916,748 |
| Nonmajor enterprise | - | - | - | - | - | - | - | - | 150,000 | 736 | 150,736 |
| Internal service | - | - | - | - | - | - | - | - | - | 377 | 377 |
| Total transfers | \$ 5,955,216 | \$ 3,524,482 | \$ 432,600 | \$ - | \$ 7 | \$ 3 | \$ 15,748,607 | \$ 22,605,220 | \$ 1,750,000 | \$ 5,853 | \$ 50,021,988 |

Transfers are used to (1) move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) move unspent interest earnings on certificates of obligation from the capital projects fund to enterprise funds. Additionally, transfers from the internal service fund are for charge adjustments in accordance with the City’s financial management policy.

In the year ended September 30, 2023, the City made payments from various funds to the general fund in lieu of taxes. The City reported these payments as transfers. Transfers were made from the following funds in the following amounts.

| | |
|---------------------------------|--------------|
| Water | \$ 4,106,963 |
| Wastewater | 1,275,286 |
| Solid waste | 522,967 |
| Total payments in lieu of taxes | \$ 5,905,216 |

IV. Detail Notes on All Funds (continued)

E. Leases

City as Lessee

The City has entered into various lease agreements for the right of use for computer equipment, other machinery and equipment, buildings and vehicles. The related lease assets and lease liabilities are presented as amounts equal to the present value of lease payments that are payable during the remaining lease term. The lease asset is amortized on a straight-line basis over the term of the lease. The lease terms range from 1-7 years.

Future principal and interest payments required to be made through maturity for all lease liabilities as of September 30, 2023 are as follows:

| Year ended September 30 | | | | |
|--------------------------------|--|---------------------|------------------|---------------------|
| Governmental activities: | | Principal | Interest | Total |
| 2024 | | \$ 789,877 | \$ 25,461 | \$ 815,338 |
| 2025 | | 491,193 | 15,089 | 506,282 |
| 2026 | | 254,425 | 6,886 | 261,311 |
| 2027 | | 67,616 | 568 | 68,184 |
| 2028 | | 66,012 | 80 | 66,092 |
| Total governmental activities | | <u>\$ 1,669,123</u> | <u>\$ 48,084</u> | <u>\$ 1,717,207</u> |
| Year ended September 30 | | | | |
| Business-type activities: | | Principal | Interest | Total |
| 2024 | | \$ 192,800 | \$ 5,376 | \$ 198,176 |
| 2025 | | 75,059 | 1,507 | 76,566 |
| 2026 | | 14,932 | 471 | 15,403 |
| Total business-type activities | | <u>\$ 282,791</u> | <u>\$ 7,354</u> | <u>\$ 290,145</u> |
| Year ended September 30 | | | | |
| Primary government: | | Principal | Interest | Total |
| 2024 | | \$ 982,677 | \$ 30,837 | \$ 1,013,514 |
| 2025 | | 566,252 | 16,596 | 582,848 |
| 2026 | | 269,357 | 7,357 | 276,714 |
| 2027 | | 67,616 | 568 | 68,184 |
| 2028 | | 66,012 | 80 | 66,092 |
| Total primary government | | <u>\$ 1,951,914</u> | <u>\$ 55,438</u> | <u>\$ 2,007,352</u> |

City as Lessor

The City leases properties to other entities such as land, buildings and infrastructure. The related receivables and deferred inflows of resources are presented as amounts equal to the present value of lease payments expected to be received during the lease term. The deferred inflows of resources are amortized as lease revenue on a straight-line basis over the lease term. The total amount of lease revenue and lease related interest revenue recognized in the current reporting period is \$611,780.

Principal and interest payments scheduled to be received from lease receivables for all future periods are as follows:



IV. Detail Notes on All Funds (continued)

E. Leases

| Year ended September 30 | Principal | Interest | Total |
|-------------------------------|--------------|------------|--------------|
| Governmental activities: | | | |
| 2024 | \$ 31,989 | \$ 20,613 | \$ 52,602 |
| 2025 | 25,164 | 20,038 | 45,202 |
| 2026 | 22,541 | 19,661 | 42,202 |
| 2027 | 20,423 | 19,297 | 39,720 |
| 2028 | 22,232 | 18,937 | 41,169 |
| 2029-2033 | 119,633 | 88,553 | 208,186 |
| 2034-2038 | 142,575 | 77,144 | 219,719 |
| 2039-2043 | 153,995 | 63,443 | 217,438 |
| 2044-2048 | 53,645 | 54,655 | 108,300 |
| 2049-2053 | 58,888 | 49,412 | 108,300 |
| 2054-2058 | 62,983 | 43,657 | 106,640 |
| 2059-2063 | 62,180 | 37,820 | 100,000 |
| 2064-2068 | 68,256 | 31,744 | 100,000 |
| 2069-2073 | 74,927 | 25,073 | 100,000 |
| 2074-2078 | 82,249 | 17,751 | 100,000 |
| 2079-2083 | 90,287 | 9,713 | 100,000 |
| 2084-2087 | 48,354 | 1,646 | 50,000 |
| Total governmental activities | \$ 1,140,321 | \$ 599,157 | \$ 1,739,478 |

Reconciliation to Statement of Net Position

| Total Principal | Accrued Interest Receivable | Total Receivable per Statement of Net Position |
|--------------------|--------------------------------|--|
| \$ 1,140,321 | \$ 16,710 | \$ 1,157,031 |

| Year ended September 30 | Principal | Interest | Total |
|--------------------------------|--------------|------------|--------------|
| Business-type activities: | | | |
| 2024 | \$ 440,139 | \$ 52,427 | \$ 492,566 |
| 2025 | 355,276 | 48,987 | 404,263 |
| 2026 | 301,181 | 45,804 | 346,985 |
| 2027 | 243,509 | 42,749 | 286,258 |
| 2028 | 200,753 | 40,150 | 240,903 |
| 2029-2033 | 829,527 | 171,270 | 1,000,797 |
| 2034-2038 | 776,422 | 121,448 | 897,870 |
| 2039-2043 | 520,753 | 60,632 | 581,385 |
| 2044-2048 | 346,060 | 26,813 | 372,873 |
| 2049-2053 | 112,569 | 2,134 | 114,703 |
| Total business-type activities | \$ 4,126,189 | \$ 612,414 | \$ 4,738,603 |

IV. Detail Notes on All Funds (continued)

E. Leases

| | Reconciliation to Statement of Net Position - Business-type activities | | |
|--|--|-----------------------------|--|
| | Total Principal | Accrued Interest Receivable | Total Receivable per Statement of Net Position |
| Current portion - proprietary funds | | | |
| Water fund | \$ 26,549 | \$ 1,172 | \$ 27,721 |
| Solid waste fund | 6,479 | 20 | 6,499 |
| Nonmajor funds | | | |
| Airport fund | 462,739 | 2,386 | 465,125 |
| Ranger Hall of Fame | 676 | 3 | 679 |
| Transit services fund | 64,778 | 117 | 64,895 |
| Total nonmajor funds | 528,193 | 2,506 | 530,699 |
| Total current portion - proprietary funds | 561,221 | 3,698 | 564,919 |
| Noncurrent portion - proprietary funds | | | |
| Water fund | 725,753 | 0 | 725,753 |
| Solid waste fund | 0 | 0 | 0 |
| Nonmajor funds | | | |
| Airport fund | 2,677,777 | 0 | 2,677,777 |
| Ranger Hall of Fame | 3,191 | 0 | 3,191 |
| Transit services fund | 158,247 | 0 | 158,247 |
| Total nonmajor funds | 2,839,215 | 0 | 2,839,215 |
| Total noncurrent portion - proprietary funds | 3,564,968 | 0 | 3,564,968 |
| Total business-type activities | \$ 4,126,189 | \$ 3,698 | \$ 4,129,887 |



IV. Detail Notes on All Funds (continued)

E. Leases

Year ended September 30

Total primary government:

| | Principal | Interest | Total |
|--------------------------|---------------------|---------------------|---------------------|
| 2024 | \$ 472,128 | \$ 73,040 | \$ 545,168 |
| 2025 | 380,440 | 69,025 | 449,465 |
| 2026 | 323,722 | 65,465 | 389,187 |
| 2027 | 263,932 | 62,046 | 325,978 |
| 2028 | 222,985 | 59,087 | 282,072 |
| 2028-2032 | 949,160 | 259,823 | 1,208,983 |
| 2033-2037 | 918,997 | 198,592 | 1,117,589 |
| 2038-2042 | 674,748 | 124,075 | 798,823 |
| 2043-2047 | 399,705 | 81,468 | 481,173 |
| 2048-2052 | 171,457 | 51,546 | 223,003 |
| 2053-2057 | 62,983 | 43,657 | 106,640 |
| 2058-2062 | 62,180 | 37,820 | 100,000 |
| 2063-2067 | 68,256 | 31,744 | 100,000 |
| 2068-2072 | 74,927 | 25,073 | 100,000 |
| 2073-2077 | 82,249 | 17,751 | 100,000 |
| 2078-2082 | 90,287 | 9,713 | 100,000 |
| 2083-2087 | 48,354 | 1,646 | 50,000 |
| Total primary government | <u>\$ 5,266,510</u> | <u>\$ 1,211,571</u> | <u>\$ 6,478,081</u> |

Reconciliation to Statement of Net Position

| | Total Principal | Accrued Interest Receivable | Total Receivable per Statement of Net Position |
|--------------------------------|---------------------|--------------------------------|--|
| Governmental activities | <u>\$ 1,140,321</u> | <u>\$ 16,710</u> | <u>\$ 1,157,031</u> |
| Business-type activities | | | |
| Water fund | 752,302 | 1,172 | 753,474 |
| Solid waste fund | 6,479 | 20 | 6,499 |
| Nonmajor funds | | | |
| Airport fund | 3,140,516 | 2,386 | 3,142,902 |
| Ranger Hall of Fame | 3,867 | 3 | 3,870 |
| Transit services fund | <u>223,025</u> | <u>117</u> | <u>223,142</u> |
| Total business-type activities | <u>4,126,189</u> | <u>3,698</u> | <u>4,129,887</u> |
| Total primary government | <u>\$ 5,266,510</u> | <u>\$ 20,408</u> | <u>\$ 5,286,918</u> |

IV. Detail Notes on All Funds (continued)

E. Leases

Regulated Leases

The City and American Airlines, Inc. entered into an Airline Use and Lease Agreement for use of facilities located at Waco Regional Airport for the purpose of conducting an air transportation business. The initial noncancellable term of the lease ends March 31, 2025 and can be extended to March 30, 2027 upon mutual agreement of both parties. The agreement provides for fixed monthly payments for the exclusive use of counter space, administrative areas, and baggage/storage areas. Variable joint use fees are also charged for the number of passengers using the facility, the number of times the airline uses the passenger loading bridges, and the total landed weight from all airline flights. Total fixed payments and variable payments received in the current year are listed below.

| | |
|-------------------|------------------|
| Fixed payments | \$ 23,456 |
| Variable payments | <u>5,135</u> |
| Total payments | <u>\$ 28,591</u> |

The future minimum lease payments from this regulated lease are listed below.

Year ended September 30

| Regulated leases | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|------------------|-----------------|------------------|
| 2024 | 22,888 | 568 | 23,456 |
| 2025 | 23,072 | 384 | 23,456 |
| 2026 | 23,376 | 197 | 23,573 |
| 2027 | <u>11,817</u> | <u>28</u> | <u>11,845</u> |
| Total regulated leases | <u>\$ 81,153</u> | <u>\$ 1,177</u> | <u>\$ 82,330</u> |



IV. Detail Notes on All Funds (continued)

F. SBITA

Subscription-based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) for the right to use software. The related SBITA assets and SBITA liabilities are presented as amounts equal to the present value of payments that are payable during the remaining term. The SBITA asset is amortized on a straight-line basis over the term of the SBITA. The SBITA terms range from 1-5 years.

The total of the City’s subscription assets are recorded at a cost of \$1,368,699, less accumulated amortization of \$362,870.

The future subscription payments under SBITA agreements are as follows :

| Year ended September 30 | Principal | Interest | Total |
|-------------------------|------------------|-----------------|--------------------|
| Governmental Activities | | | |
| 2024 | \$355,499 | \$28,949 | \$384,448 |
| 2025 | 288,543 | 17,407 | 305,950 |
| 2026 | 177,167 | 9,050 | 186,217 |
| 2027 | 123,551 | 4,084 | 127,635 |
| Total | <u>\$944,760</u> | <u>\$59,490</u> | <u>\$1,004,250</u> |

IV. Detail Notes on All Funds (continued)

G. Long-term debt

Capital financing agreement

The City acquired certain capital assets during 2021 for governmental activities through a capital financing agreement with Bank of America Public Capital Corp. The agreement, which is paid from the General Fund, provides for 10 annual payments of \$534,913 at an interest rate of 1.3495%. The assets acquired through this agreement are as follows:

| | Cost | Accumulated Depreciation | Net Book Value |
|--------------------------|---------------------|-----------------------------|---------------------|
| Governmental activities: | | | |
| Fire trucks | \$ 5,000,000 | \$ 625,000 | \$ 4,375,000 |
| Total | <u>\$ 5,000,000</u> | <u>\$ 625,000</u> | <u>\$ 4,375,000</u> |

Annual debt service requirements to maturity for this capital financing agreement are as follows:

| Year Ending September 30, | Principal | Interest |
|---------------------------|---------------------|-------------------|
| 2024 | \$ 487,003 | \$ 47,910 |
| 2025 | 493,575 | 41,338 |
| 2026 | 500,236 | 34,677 |
| 2027 | 506,987 | 27,926 |
| 2028 | 513,829 | 21,084 |
| 2029-2030 | 1,048,553 | 21,273 |
| Total | <u>\$ 3,550,183</u> | <u>\$ 194,208</u> |

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as five-year to thirty-year serial bonds with approximately equal amounts of debt service each year. General obligation bonds currently outstanding are as follows:

| Purpose | Interest Rates | Amount |
|--------------------------------------|----------------|-----------------------|
| Governmental activities | 1.50% - 6.00% | \$ 242,200,000 |
| Governmental activities - refunding | 2.00% - 5.00% | 28,445,000 |
| Business-type activities | 1.50% - 6.00% | 389,535,000 |
| Business-type activities - refunding | 2.00% - 5.00% | 91,280,000 |
| | | <u>\$ 751,460,000</u> |



IV. Detail Notes on All Funds (continued)

G. Long-term debt (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| September 30, | Governmental Activities | | Business-type Activities | |
|---------------|-------------------------|-----------------------|--------------------------|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 10,375,000 | \$ 12,318,973 | \$ 26,830,000 | \$ 19,152,349 |
| 2025 | 10,705,000 | 10,205,441 | 27,240,000 | 16,410,318 |
| 2026 | 11,005,000 | 9,687,204 | 26,365,000 | 15,168,896 |
| 2027 | 11,335,000 | 9,175,154 | 27,315,000 | 13,994,738 |
| 2028 | 10,890,000 | 8,670,904 | 28,310,000 | 12,822,276 |
| 2029-2033 | 63,505,000 | 35,502,694 | 145,645,000 | 47,568,915 |
| 2034-2038 | 64,525,000 | 23,273,344 | 126,820,000 | 23,055,976 |
| 2039-2043 | 49,935,000 | 12,352,175 | 53,085,000 | 8,186,010 |
| 2044-2048 | 19,320,000 | 6,182,906 | 9,135,000 | 3,184,500 |
| 2049-2053 | 19,050,000 | 1,887,611 | 10,070,000 | 1,002,219 |
| Total | <u>\$ 270,645,000</u> | <u>\$ 129,256,406</u> | <u>\$ 480,815,000</u> | <u>\$ 160,546,197</u> |

IV. Detail Notes on All Funds (continued)

G. Long-term Debt (continued)

Notes payable

The City entered agreements with Baylor University during 2022 to purchase land for \$15,221,017. The transaction was closed during 2023. The agreement provided that the City would pay \$300,000 cash at closing, and make 5 annual payments of \$2,984,203, with no interest accruing on the unpaid principal balance. Interest is imputed at 1.40% over the term of the agreement.

| Year Ending September 30, | Note Payable | |
|------------------------------|----------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 2,783,626 | \$ 200,578 |
| 2025 | 2,822,632 | 161,571 |
| 2026 | 2,862,186 | 122,017 |
| 2027 | 2,902,294 | 81,910 |
| 2028 | 2,942,964 | 41,240 |
| Total | <u>\$ 14,313,702</u> | <u>\$ 607,316</u> |

The City has entered into an agreement with the City of West, Texas to supply water for 40 years pursuant to an agreed-upon rate structure. As part of the agreement, the City purchased a pump station and water transmission line for \$12,814 monthly for 18 years and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement.

| Year Ending September 30, | Note Payable | |
|------------------------------|---------------------|-------------------|
| | Principal | Interest |
| 2024 | \$ 31,325 | \$ 48,257 |
| 2025 | 32,716 | 46,866 |
| 2026 | 34,169 | 45,413 |
| 2027 | 35,687 | 43,895 |
| 2028 | 37,272 | 42,310 |
| 2029-2033 | 212,708 | 185,202 |
| 2034-2038 | 264,327 | 133,582 |
| 2039-2043 | 328,474 | 69,435 |
| 2044-2047 | 146,088 | 6,444 |
| Total | <u>\$ 1,122,766</u> | <u>\$ 621,404</u> |

**IV. Detail Notes on All Funds (continued)****G. Long-term Debt (continued)***Other long-term debt information*

Proceeds from general obligation bonds are subject to arbitrage rebate regulations. Estimated rebatable arbitrage has been recorded as a reduction to interest on investments.

During 1985, the City entered into a development agreement which provided that the City repay \$830,000 for public improvements at an interest rate not to exceed 8%. Repayment of principal and accrual of interest will not begin until revenue is received from the area designated in the development agreement. Annual requirements will be based on the revenue generated from future developments, which cannot be reasonably estimated at September 30, 2023.

There is no specific maximum debt limit established by law for the City; therefore, the limit is governed by the City's ability to levy and collect taxes. The City's maximum legal rate is \$1.85 per \$100 valuation; the tax rate for the current fiscal year is \$0.760000 per \$100 valuation.

The various bond obligations contain certain financial limitations and restrictions. The ordinances authorizing the issuance of general obligation bonds created an interest and sinking fund (general debt service fund). The ordinances require the City to ascertain a rate and amount of tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City is in compliance with all such significant financial restrictions.

Refundable contracts

The City maintains a policy of refunding to subdivision developers certain costs for the construction of water and wastewater improvements and streets and drainage facilities, applicable to single family housing developments. The policy was created to encourage the construction of single family residences within the corporate limits of the City. Amounts under contract which have not yet been refunded of \$1,265,357 have been recorded as a liability in the accompanying statement of net position.

IV. Detail Notes on All Funds (continued)

G. Long-term Debt (continued)

Changes in long-term liabilities

Long-term liability activity (shown in thousands of dollars) for the year ended September 30, 2023 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|------------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 181,715 | \$ 98,990 | \$ 10,060 | \$ 270,645 | \$ 10,375 |
| Plus: premium on bonds | 13,142 | 2,177 | 2,250 | 13,069 | - |
| Total bonds payable | <u>194,857</u> | <u>101,167</u> | <u>12,310</u> | <u>283,714</u> | <u>10,375</u> |
| Other long-term liabilities: | | | | | |
| Capital financing agreement | 4,031 | - | 481 | 3,550 | 487 |
| Contracts payable | 830 | - | - | 830 | - |
| Notes payable | - | 14,314 | - | 14,314 | 2,784 |
| Refundable contracts | 80 | - | - | 80 | - |
| Estimated claims and judgments | 3,503 | 21,716 | 21,176 | 4,043 | 4,043 |
| Lease liabilities | 1,985 | 635 | 951 | 1,669 | 790 |
| Subscription liabilities | - | 1,337 | 392 | 945 | 355 |
| Compensated absences | 20,806 | 16,228 | 14,190 | 22,844 | 15,284 |
| Net pension liability | 9,588 | 86,247 | 20,376 | 75,459 | - |
| OPEB liability | 2,356 | 75 | 838 | 1,593 | - |
| Total other long-term liabilities | <u>43,179</u> | <u>140,552</u> | <u>58,404</u> | <u>125,327</u> | <u>23,743</u> |
| Governmental activity long-term liabilities | <u>\$ 238,036</u> | <u>\$ 241,719</u> | <u>\$ 70,714</u> | <u>\$ 409,041</u> | <u>\$ 34,118</u> |



IV. Detail Notes on All Funds (continued)

G. Long-term Debt (continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|------------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 415,370 | \$ 89,750 | \$ 24,305 | \$ 480,815 | \$ 26,830 |
| Plus: premium on bonds | 20,298 | 3,826 | 4,314 | 19,810 | - |
| Total bonds payable | <u>435,668</u> | <u>93,576</u> | <u>28,619</u> | <u>500,625</u> | <u>26,830</u> |
| Other long-term liabilities: | | | | | |
| Refundable contracts | 1,192 | - | 7 | 1,185 | - |
| Estimated claims and judgments | 3,045 | 2,976 | - | 6,021 | 6,021 |
| Estimated landfill closure | 7,072 | 733 | - | 7,805 | - |
| Note payable | 1,219 | - | 96 | 1,123 | 31 |
| Lease liabilities | 440 | 60 | 217 | 283 | 193 |
| Compensated absences | 4,358 | 3,086 | 2,686 | 4,758 | 2,741 |
| Net pension liability | 1,560 | 14,041 | 3,317 | 12,284 | - |
| Total other long-term liabilities | <u>18,886</u> | <u>20,896</u> | <u>6,323</u> | <u>33,459</u> | <u>8,986</u> |
| Business-type activity long-term liabilities | <u>\$ 454,554</u> | <u>\$ 114,472</u> | <u>\$ 34,942</u> | <u>\$ 534,084</u> | <u>\$ 35,816</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$916,280, \$4,042,728, \$647,612, \$360,118 of internal service funds' compensated absences, estimated claims and judgments, leases, and subscriptions respectively, are included in the above governmental amounts. Also, for the governmental activities, compensated absences, net pension liability, other post-employment benefits, and leases are generally liquidated by the general fund. Refundable contracts are liquidated by the street and drainage refundable contracts debt service fund.

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

| | |
|----------------------------------|-----------------------|
| Customer deposits | \$ 3,682,522 |
| Bond construction account | 228,226,707 |
| Capital grants and contributions | <u>737,642</u> |
| Total restricted assets | <u>\$ 232,646,871</u> |

IV. Detail Notes on All Funds (continued)

I. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance and participates in a joint self-insured program. The City has established the insurance fund and health insurance fund (internal services funds) to account for and finance its risk management activities. All funds participate in these programs and make payments to these funds based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish reserves for catastrophic losses. The reserves for catastrophic losses were approximately \$9,700,000 at September 30, 2023.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, federal and state mandated programs, changes in legal doctrines, damage awards (including frequency and amount of payouts), and economic and social trends. Accordingly, claims are reevaluated periodically to consider the effects of such factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

The insurance fund provides coverage for up to a maximum of \$750,000 for each non-civil service workers' compensation claim and \$600,000 for each civil service workers' compensation claim. The City purchases commercial insurance for workers' compensation claims in excess of coverage provided by the fund. For general liability claims prior to fiscal year 2002, the insurance fund provided coverage for up to \$250,000 for each individual and \$500,000 aggregate for general liability claims and up to \$100,000 for each property damage claim. Beginning with fiscal year 2002, the insurance fund participates in a joint self-insured program for each general liability or property damage claim. The City purchases coverage for claims in excess of \$50,000. The commercial liability coverage limits are \$1,000,000 per occurrence for general liability with a \$2,000,000 annual aggregate, except for law enforcement liability for which the limits are \$5,000,000 per occurrence and \$10,000,000 annual aggregate. The coverage limits for the City's property are: \$10,000,000 aggregate for automobile catastrophe, \$591,971,000 aggregate for real and personal property, \$15,239,790 aggregate for mobile equipment and \$5,000,000 per accident for boiler and machinery.

Effective January 1, 2006, the City began to self-insure for health insurance claims. The City purchases unlimited stop-loss protection for individual claims exceeding \$250,000. Additionally, the City purchases \$1,000,000 of aggregate protection for claims exceeding 125% of expected annual claims.

There have been no claim settlements in excess of the insurance and stop loss coverages that have been procured in 2023, 2022, or 2021. Changes in the amounts of estimated unpaid liability, workers' compensation and health insurance claims during the past two years are as follows (shown in thousands of dollars):

| | 2023 | 2022 |
|---|-----------|----------|
| Unpaid claims, beginning of fiscal year | \$ 6,548 | \$ 3,253 |
| Incurred claims (including IBNRs) | 24,692 | 21,556 |
| Claim payments | (21,176) | (18,261) |
| Unpaid claims, end of fiscal year | \$ 10,064 | \$ 6,548 |



IV. Detail Notes on All Funds (continued)

J. Contingent Liabilities

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

There are currently several claims and lawsuits pending against the City. It is the opinion of the City Attorney and management that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City or that would exceed the contingency amounts set aside for such purpose.

K. Commitments

The City Council has approved \$1,047,306 to be refunded to subdivision developers for certain costs for the construction of water improvements once applicable contract requirements are met. During 2015, the City Council determined that the City shall not enter into any new water refund contracts for any subdivisions or developments for which construction plans had not been submitted to the City by May 12, 2015.

During 2022, the City Council approved project/financing plan amendments and agreements committing funds from Tax Increment Reinvestment Zone Number One (the Zone) to provide partial funding of \$34,000,000 to fund land acquisition and to incentivize the location of the new Paul and Alejandra Foster Basketball Pavilion mixed-use entertainment facility in the downtown riverfront. This funding, will be provided by tax increment revenue, is expected to be provided as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------------|
| 2024 | \$ 6,740,000 |
| 2025 | 6,740,000 |
| 2026 | 6,740,000 |
| 2027 | 6,740,000 |
| 2028 | <u>6,740,000</u> |
| Total | <u>\$ 33,700,000</u> |

IV. Detail Notes on All Funds (continued)

L. Postemployment Benefits Other Than Pensions (OPEB)

Benefits provided. The City administers a single-employer defined benefit life insurance plan. The plan provides \$2,500 of life insurance to each qualified retiree. Optional \$3,500 or \$5,000 in life insurance is available at the retiree’s expense. According to the City’s personnel policy, retirees who have retired under the Texas Municipal Retirement System (TMRS) with a minimum of twenty years of service are eligible for postretirement life insurance benefits. There are no plan assets, as this is a pay-as you go plan.

Employees covered by benefit terms. At December 31, 2021, the following employees were covered by the benefit terms:

| | |
|---|--------------|
| Inactive plan members or beneficiaries currently receiving benefits | 616 |
| Active plan members | 1,477 |
| | <u>2,093</u> |

Total OPEB Liability

The actuarial valuation was performed as of December 31, 2021 and was rolled forward to December 31, 2022.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------|---|
| Valuation Date: | December 31, 2021 and rolled forward to December 31, 2022 |
| Methods and Assumptions: | |
| Actuarial Cost Method | Individual Entry Age Normal |
| Discount Rate | 4.05% as of December 31, 2022 |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Demographic Assumptions | Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. |
| Mortality | 100% of eligible retirees will choose to receive the employer paid life benefit; 45% of those with coverage are assumed to elect optional coverage of \$5,000. |
| Participation Rates | |
| Other Information | |
| Notes | Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period: |

| | |
|------|-------|
| 2022 | 4.05% |
| 2021 | 1.84% |
| 2020 | 2.00% |
| 2019 | 2.75% |
| 2018 | 3.71% |
| 2017 | 3.31% |



IV. Detail Notes on All Funds (continued)

L. *Postemployment Benefits Other Than Pensions (OPEB) (continued)*

The discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|-----------------------------|
| Balance at 12/31/2021 | \$ 2,356,046 |
| Changes for the year: | |
| Service cost | 32,122 |
| Interest | 43,143 |
| Difference between expected and actual experience of the total OPEB liability | (1,965) |
| Changes in assumptions or other inputs | (782,005) |
| Benefit payments | (54,787) |
| Net changes | (763,492) |
| Balance at 12/31/2022 | <u>\$ 1,592,554</u> |

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

| | 1% Decrease (3.05%) | Discount Rate (4.05%) | 1% Increase (5.05%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | <u>\$ 1,889,926</u> | <u>\$ 1,592,554</u> | <u>\$ 1,361,796</u> |

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$80,555. At September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$ 49,172 | \$ 1,881 |
| Changes in assumptions or other inputs | 302,072 | 674,727 |
| Contributions subsequent to the measurement date | 44,713 | - |
| Totals | <u>\$ 395,957</u> | <u>\$ 676,608</u> |

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$44,713 will be recognized as a reduction of the OPEB liability for the year ended September 30, 2024.

IV. Detail Notes on All Funds (continued)

L. *Postemployment Benefits Other Than Pensions (OPEB) (continued)*

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

| Measurement Year Ended December 31, | |
|-------------------------------------|--------------|
| 2024 | \$ (12,221) |
| 2025 | (2,563) |
| 2026 | (62,666) |
| 2027 | (112,509) |
| 2028 | (128,813) |
| Thereafter | (6,592) |
| | \$ (325,364) |

M. *Defined Benefit Pension Plan*

Plan Description

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

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

Benefits Provided

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions with interest, the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive 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.

Employees covered by benefit terms:

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

| | |
|--|-------|
| Inactive employees or beneficiaries current receiving benefits | 1,205 |
| Inactive employees entitled to but not yet receiving benefits | 767 |
| Active employees | 1,530 |
| | 3,502 |

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member’s total compensation, and the city matching ratios 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.

IV. Detail Notes on All Funds (continued)

M. Defined Benefit Pension Plan (continued)

Employees for the City of Waco were required to contribute 7.0% of their annual compensation during the fiscal year. The contribution rates for the City of Waco were 14.34% and 13.67% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 were \$17,399,086 and were in excess of the required contributions.

Net Pension Liability

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

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

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year, adjusted down for population declines, if any |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

IV. Detail Notes on All Funds (continued)

M. Defined Benefit Pension Plan (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Public Equity | 35.00% | 7.70% |
| Core Fixed Income | 6.00% | 4.90% |
| Non-Core Fixed Income | 20.00% | 8.70% |
| Other Public and Private Markets | 12.00% | 8.10% |
| Real Estate | 12.00% | 5.80% |
| Hedge Funds | 5.00% | 6.90% |
| Private Equity | 10.00% | 11.80% |
| Total | 100.00% | |

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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|---|-----------------------------|---------------------------------|---------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at December 31, 2021 | \$ 571,550,660 | \$ 560,401,689 | \$ 11,148,971 |
| Changes for the year: | | | |
| Service cost | 15,578,411 | - | 15,578,411 |
| Interest | 38,004,152 | - | 38,004,152 |
| Difference between expected and actual experience | 5,491,169 | - | 5,491,169 |
| Contributions - employer | - | 15,866,907 | (15,866,907) |
| Contributions - employee | - | 7,404,082 | (7,404,082) |
| Net investment income | - | (40,859,607) | 40,859,607 |
| Benefit payments, including refunds of employee contributions | (32,630,782) | (32,630,782) | - |
| Administrative expense | - | (353,988) | 353,988 |
| Other changes | - | 422,413 | (422,413) |
| Net changes | 26,442,950 | (50,150,975) | 76,593,925 |
| Balance at December 31, 2022 | \$ 597,993,610 | \$ 510,250,714 | \$ 87,742,896 |

IV. Detail Notes on All Funds (continued)

M. Defined Benefit Pension Plan (continued)

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% Decrease (5.75%) | Discount Rate (6.75%) | 1% Increase (7.75%) |
|--------------------------------------|------------------------|--------------------------|------------------------|
| City’s net pension liability (asset) | \$ 161,475,436 | \$ 87,742,896 | \$ 26,118,615 |

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

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

For the year ended September 30, 2023, the City recognized pension expense of \$21,085,308.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 4,590,210 | \$ - |
| Changes in actuarial assumptions | 21,085 | - |
| Net difference between projected and actual earnings on pension plan investments | 35,007,280 | - |
| Contributions subsequent to the measurement date | 13,270,700 | - |
| Total | <u>\$ 52,889,275</u> | <u>\$ -</u> |

\$13,270,700 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 Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement Year Ended December 31: | |
|-------------------------------------|----------------------|
| 2023 | \$ 3,066,824 |
| 2024 | 10,210,518 |
| 2025 | 10,603,892 |
| 2026 | 15,737,341 |
| 2027 | - |
| Thereafter | - |
| | <u>\$ 39,618,575</u> |

IV. Detail Notes on All Funds (continued)

N. Fire and Police One-half Pay Pension

The City funded on a pay-as-you-go basis and administered a one-half single employer defined benefit pension plan for employees who were not eligible to participate when TMRS was adopted. Any policeman, fireman or fire alarm operator employed by the City prior to September 12, 1950, and their named dependents are entitled to benefits under this plan. Employees were able to retire after 25 years of service. The City Council passed an ordinance for pension pay equal to one-half of the salary for each employee at the time of retirement.

There are two retired firemen’s dependents remaining under this plan.

An actuarial valuation has not been performed on this plan due to its small relative size. The estimated unfunded liability based on the present value of future benefits with a 4.63 percent interest rate assumption (the prevailing 20-year municipal bond rate as of the measurement date) is \$67,743 at September 30, 2023.

These benefits are budgeted and recorded in the general fund as expenditures in the year paid. Total costs of these paid benefits for the three years ended September 30, are as follows:

| | | |
|------|----|--------|
| 2023 | \$ | 18,444 |
| 2022 | | 18,444 |
| 2021 | | 18,444 |

O. Deferred Compensation Plans

The City offers its employees deferred compensation plans, considered to be a defined contribution pension plan, created in accordance with Internal Revenue Code Section 457. The plans, available to employees at their option, permits participants to defer a portion of their salary until future years. In fiscal year 2023, the City contributed \$20,000 which was the City’s required contribution amount. Employees are immediately vested in their contributions and those that the City is required to contribute towards in accordance with Internal Revenue Code Section 457 requirements. The City does not report any liability related to the plan beyond the annual contribution; there is no assurance on available funds upon an employee’s retirement or termination. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City’s fiduciary responsibility for the plan is that of exercising “due care” in selecting a third-party administrator. Federal legislation requires that Section 457 plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan assets are held in trust for employees. Employee assets held in Section 457 plans are not the property of the City and are not subject to claims of the City’s general creditors.

P. Solid Waste Landfill Closure and Post-closure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of usage of the landfill to date. The estimated liability for landfill closure and post-closure care costs included in accrued liabilities is \$7,805,256 as of September 30, 2023, which is based on 96.88% usage (filled) of the landfill. It is estimated that an additional \$251,206 will be recognized as closure and post-closure care expenses between the date of the statement of net position and the date the landfill is expected to be filled to capacity (2025). The estimated total current cost of the landfill closure and post closure care \$8,056,462 is based on the amount that would be paid if

IV. Detail Notes on All Funds (continued)

P. Solid Waste Landfill Closure and Post-closure Care Cost (continued)

all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of September 30, 2023. However, the actual cost of closure and postclosure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

Q. Related Organization

Waco Education Finance Corporation is a related organization to which the City appoints board members but for which the City has no significant financial accountability.

R. Tax Abatements

Property tax abatements

The City of Waco negotiates property tax abatements on an individual basis. All abatements are governed by Section 312 of the Texas Tax Code and the City of Waco Guidelines and Policy Statement which are revised and adopted every two years in accordance with state law. These guidelines permit the City to abate property taxes for a variety of economic development purposes such as business relocation, retention, and expansion and include abatements for real and personal property improvements.

City guidelines generally limit abatements to periods of five to seven years. Abatements may be granted for 5% to 90% of taxable values through a direct reduction of the applicant’s property tax bill based upon the location of the property, square footage of the property, and/or the type of economic development commitments made to the City. Each abatement is supported by an agreement that enumerates the criteria under which compliance will be assessed annually and the manner in which tax revenue may be recaptured if the stated criteria are not met. Examples of compliance requirements and related commitments by recipients include addition of total minimum number of full-time jobs and minimum number of jobs for residents of the City as well as property improvement values.

The City has not made any commitments as part of the agreements other than to reduce taxes, and they are not subject to any tax abatement agreements entered into by other governmental entities or by component units. Gross dollar amounts by which the City’s tax revenues were reduced during the fiscal year as a result of tax abatement agreements were as follows:

| Abatement Program | Abatements Granted |
|-------------------------------|-----------------------|
| Commercial -real property | \$ 48,517,064 |
| Commercial -personal property | 21,131,271 |
| Residential | 3,585,142 |
| | \$ 73,233,477 |

Sales Tax and Hotel Occupancy Tax Abatements

Pursuant to Chapter 380 of the Local Government Code, the City has entered into agreements with commercial and industrial businesses to promote economic development and stimulate business and commercial activity in the City by granting rebates of City sales taxes and hotel occupancy taxes generated by agreed upon development projects. These agreements have been entered for periods ranging from 5 to 15 years, and for various percentages of City sales taxes and hotel occupancy taxes generated. As of September 30, 2023, the City has accrued \$433,072 for estimated rebates payable under these agreements.

IV. Detail Notes on All Funds (continued)

S. Adoption of Accounting Pronouncement

Effective October 1, 2022, the City adopted the provisions of the following accounting standards:

GASB Statement No. 91, *Conduit Debt Obligations* (issued May 2019) - the objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (Issued March 2020) - the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information technology arrangements (SBITAs)* (issued June 2017) - the objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain SBITA liabilities that are currently not reported. It will enhance comparability of financial statements among governments that have entered into SBITAs. The statement requires notes to financial statements related to the timing, significance, and purpose of a government's SBITAs. The effect of this statement as of September 30, 2023 are that the City now reports Subscription assets, net of accumulated amortization of \$1,005,829, and Subscription liabilities of \$944,760. These changes effectively increased the net position of the City by \$61,069 for the year ended September 30, 2023.

GASB Statement No. 99, *Omnibus 2022* (issued April 2022) - the objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements related to derivative instruments, leases, public-private and public-public partnerships, subscription-based information technology arrangements (SBITA), use of the London Interbank Offered Rate (LIBOR), Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenues, clarification related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and terminology related to resource flow statements from Statement No. 53 and (2) accounting and financial reporting for financial guarantees. The requirements related to LIBOR, SNAP, nonmonetary transactions, pledges of future revenues, clarification related to the focus of the government-wide financial statements, and terminology updates related to Statements No. 63 and 53 were implemented as part of the current financial statement reporting period.

T. Changes in Reporting Units

Changes in reporting units consisted of the following:

| | Reporting Units Affected by Adjustments to and Restatements of Beginning Balances | | | |
|---|---|-----------------------------|-----------------------|---------------------------|
| | Funds | | | |
| | Tax Increment Fund No.1 | Nonmajor Governmental Funds | Cameron Park Zoo Fund | Nonmajor Enterprise Funds |
| 09/30/22, as previously reported | \$ - | \$ 110,276,111 | \$ - | \$ 93,253,273 |
| Change within reporting entity (from nonmajor to major funds) | 43,595,798 | (43,595,798) | 9,730,996 | (9,730,996) |
| 09/30/22, as restated | \$ 43,595,798 | \$ 66,680,313 | \$ 9,730,996 | \$ 83,522,277 |

IV. Detail Notes on All Funds (continued)***U. Subsequent Events***

On December 14, 2023 the Baylor Waco Stadium Authority passed a resolution to dissolve. The resolution went into effect December 31, 2023. The Stadium Authority is a discretely presented component unit for the City since 2014. Baylor University assumed all of the Authority's assets and liabilities.

V. Authoritative Pronouncements Not Yet Effective

This summary of pronouncements issued by the Governmental Accounting Standards Board (GASB) which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 101, *Compensated Absences* (issued June 2022) - the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for the City's financial statements for the fiscal year beginning on October 1, 2024.

GASB Statement No. 102, *Certain Risk Disclosures* (issued December 2023) - the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for the City's financial statements for the fiscal year beginning on October 1, 2024.





REQUIRED SUPPLEMENTAL INFORMATION





**Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Measurement Dates**

| | December 31, | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2020 | 2019 |
| Total Pension Liability | | | | |
| Service cost | \$ 15,578,411 | \$ 14,106,380 | \$ 13,485,534 | \$ 12,631,699 |
| Interest (on the Total Pension Liability) | 38,004,152 | 36,620,216 | 35,331,031 | 33,835,653 |
| Difference between expected and actual experience | 5,491,169 | 772,515 | 467,755 | 2,546,787 |
| Change in assumptions | - | - | - | 1,426,701 |
| Benefit payments, including refunds of employee contributions | (32,630,782) | (30,833,961) | (30,157,451) | (27,270,560) |
| Net change in Total Pension Liability | 26,442,950 | 20,665,150 | 19,126,869 | 23,170,280 |
| Total Pension Liability - beginning | 571,550,660 | 550,885,510 | 531,758,641 | 508,588,361 |
| Total Pension Liability - ending (a) | \$ 597,993,610 | \$ 571,550,660 | \$ 550,885,510 | \$ 531,758,641 |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 15,866,907 | \$ 14,376,751 | \$ 13,774,969 | \$ 13,084,126 |
| Contributions - employee | 7,404,082 | 6,709,917 | 6,432,786 | 6,105,921 |
| Net investment income | (40,859,607) | 65,741,181 | 36,300,324 | 65,178,854 |
| Benefit payments, including refunds of employee contributions | (32,630,782) | (30,833,961) | (30,157,451) | (27,270,560) |
| Administrative expense | (353,988) | (304,437) | (235,076) | (368,538) |
| Other | 422,413 | 2,085 | (9,170) | (11,069) |
| Net change in Plan Fiduciary Net Position | (50,150,975) | 55,691,536 | 26,106,382 | 56,718,734 |
| Plan Fiduciary Net Position - Beginning | 560,401,689 | 504,710,153 | 478,603,771 | 421,885,037 |
| Plan Fiduciary Net Position - ending (b) | \$ 510,250,714 | \$ 560,401,689 | \$ 504,710,153 | \$ 478,603,771 |
| Net Pension Liability - ending (a) - (b) | \$ 87,742,896 | \$ 11,148,971 | \$ 46,175,357 | \$ 53,154,870 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 85.33% | 98.05% | 91.62% | 90.00% |
| Covered payroll | \$ 105,759,750 | \$ 95,831,384 | \$ 91,738,327 | \$ 87,115,165 |
| Net Pension Liability as a percentage of covered payroll | 82.96% | 11.63% | 50.33% | 61.02% |

Note: Effective October 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. This schedule is intended to show information for ten years. Information for years prior to 2014 is not available; however, additional years will be included as they become available.

See accompanying independent auditor's report.

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 12,098,625 | \$ 11,780,852 | \$ 11,202,475 | \$ 10,455,324 | \$ 9,662,721 |
| | 32,475,392 | 31,314,896 | 30,078,486 | 29,600,291 | 28,296,862 |
| | 2,542,969 | (378,999) | 280,568 | (2,438,332) | 1,770,413 |
| | - | - | - | 7,544,258 | - |
| | (27,192,449) | (24,173,783) | (22,893,267) | (22,685,162) | (20,326,595) |
| | 19,924,537 | 18,542,966 | 18,668,262 | 22,476,379 | 19,403,401 |
| | 488,663,824 | 470,120,858 | 451,452,596 | 428,976,217 | 409,572,816 |
| \$ | <u>508,588,361</u> | <u>\$ 488,663,824</u> | <u>\$ 470,120,858</u> | <u>\$ 451,452,596</u> | <u>\$ 428,976,217</u> |
| \$ | 12,489,042 | \$ 11,357,317 | \$ 9,999,248 | \$ 9,928,219 | \$ 10,444,097 |
| | 5,828,911 | 5,705,023 | 5,401,710 | 5,284,986 | 5,371,982 |
| | (13,303,463) | 54,977,759 | 25,606,114 | 569,868 | 21,154,751 |
| | (27,192,449) | (24,173,783) | (22,893,267) | (22,685,162) | (20,326,595) |
| | (257,236) | (284,984) | (289,241) | (347,125) | (220,877) |
| | (13,441) | (14,442) | (15,583) | (17,145) | (18,160) |
| | (22,448,636) | 47,566,890 | 17,808,981 | (7,266,359) | 16,405,198 |
| | 444,333,673 | 396,766,783 | 378,957,802 | 386,224,161 | 369,818,963 |
| \$ | <u>421,885,037</u> | <u>\$ 444,333,673</u> | <u>\$ 396,766,783</u> | <u>\$ 378,957,802</u> | <u>\$ 386,224,161</u> |
| \$ | 86,703,324 | \$ 44,330,151 | \$ 73,354,075 | \$ 72,494,794 | \$ 42,752,056 |
| | 82.95% | 90.93% | 84.40% | 83.94% | 90.03% |
| \$ | 83,209,253 | \$ 81,079,501 | \$ 77,045,909 | \$ 75,489,706 | \$ 76,730,734 |
| | 104.20% | 54.67% | 95.21% | 96.03% | 55.72% |

**Schedule of Pension Contributions
Last Ten Fiscal Years Ended**

| | September 30, | | | |
|--|----------------|----------------|---------------|---------------|
| | 2023 | 2022 | 2021 | 2020 |
| Actuarially determined contribution | \$ 15,867,291 | \$ 14,671,341 | \$ 14,212,473 | \$ 12,999,559 |
| Contributions in relation to the actuarially determined contribution | 17,399,086 | 15,306,766 | 14,660,849 | 13,700,810 |
| Contribution deficiency (excess) | \$ (1,531,795) | \$ (635,425) | \$ (448,376) | \$ (701,251) |
| Covered payroll | \$ 116,073,817 | \$ 101,735,595 | \$ 97,364,217 | \$ 91,247,898 |
| Contributions as a percentage of covered payroll | 14.99% | 15.05% | 15.06% | 15.01% |

Notes to Schedule of Pension Contributions

Valuation Date:

Note 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 | 23 years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee Table used for females. The rates are projected on a fully generational basis with scale UMP. |
| Mortality | |
| Other Information | There were no benefit changes during the year. |

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, An Amendment of GASE Statement No. 27, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|----|------------|---------------|---------------|---------------|---------------|
| \$ | 12,034,470 | \$ 11,797,668 | \$ 10,942,485 | \$ 9,918,113 | \$ 9,999,116 |
| | 12,836,559 | 12,249,630 | 10,942,485 | 9,918,113 | 9,999,116 |
| \$ | (802,089) | \$ (451,962) | \$ - | \$ - | \$ - |
| \$ | 85,461,415 | \$ 82,982,040 | \$ 79,821,678 | \$ 76,215,914 | \$ 75,315,307 |
| | 15.02% | 14.76% | 13.71% | 13.01% | 13.28% |

**Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Measurement Dates**

| | December 31, | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability | | | | | | |
| Service cost | \$ 32,122 | \$ 29,183 | \$ 19,735 | \$ 11,927 | \$ 14,881 | \$ 11,106 |
| Interest | 43,143 | 44,710 | 52,625 | 55,780 | 53,178 | 55,396 |
| Difference between expected and actual experience | (1,965) | 26,125 | (265) | 94,095 | (563) | - |
| Changes in assumptions or other inputs | (782,005) | 63,449 | 302,958 | 303,781 | (112,575) | 137,980 |
| Benefit payments | (54,787) | (56,632) | (59,206) | (59,493) | (53,608) | (53,860) |
| Net change in Total OPEB Liability | (763,492) | 106,835 | 315,847 | 406,090 | (98,687) | 150,622 |
| Total OPEB Liability - beginning | 2,356,046 | 2,249,211 | 1,933,364 | 1,527,274 | 1,625,961 | 1,475,339 |
| Total OPEB Liability - ending | \$ 1,592,554 | \$ 2,356,046 | \$ 2,249,211 | \$ 1,933,364 | \$ 1,527,274 | \$ 1,625,961 |
| Covered-employee payroll | \$105,998,966 | \$ 96,929,150 | \$ 91,635,627 | \$ 87,115,165 | \$ 83,209,248 | \$ 76,362,199 |
| Total OPEB liability as a percentage of covered-employee payroll | 1.50% | 2.43% | 2.45% | 2.22% | 1.84% | 2.13% |

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios

| | | | | | | | | | | | | | |
|---------------------------------|---|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|
| Valuation Date: | December 31, 2021 | | | | | | | | | | | | |
| Methods and Assumptions: | | | | | | | | | | | | | |
| Actuarial Cost Method | Individual Entry Age Normal | | | | | | | | | | | | |
| Discount Rate | 4.05% as of December 31, 2022 | | | | | | | | | | | | |
| Inflation | 2.50% | | | | | | | | | | | | |
| Salary Increases | 3.50% to 11.50%, including inflation | | | | | | | | | | | | |
| Demographic Assumptions | Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. | | | | | | | | | | | | |
| Mortality | 100% of eligible retirees will choose to receive the employer paid life benefit; 45% of those with coverage are assumed to elect optional coverage of \$5,000. | | | | | | | | | | | | |
| Participation Rates | | | | | | | | | | | | | |
| Other Information: | Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period: | | | | | | | | | | | | |
| Notes | <table> <tr> <td>2022</td> <td>4.05%</td> </tr> <tr> <td>2021</td> <td>1.84%</td> </tr> <tr> <td>2020</td> <td>2.00%</td> </tr> <tr> <td>2019</td> <td>2.75%</td> </tr> <tr> <td>2018</td> <td>3.71%</td> </tr> <tr> <td>2017</td> <td>3.31%</td> </tr> </table> | 2022 | 4.05% | 2021 | 1.84% | 2020 | 2.00% | 2019 | 2.75% | 2018 | 3.71% | 2017 | 3.31% |
| 2022 | 4.05% | | | | | | | | | | | | |
| 2021 | 1.84% | | | | | | | | | | | | |
| 2020 | 2.00% | | | | | | | | | | | | |
| 2019 | 2.75% | | | | | | | | | | | | |
| 2018 | 3.71% | | | | | | | | | | | | |
| 2017 | 3.31% | | | | | | | | | | | | |

For the December 31, 2021 measurement date, the participation rates were updated to better reflect plan experience.

For the December 31, 2019 measurement date, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study.

There are no assets accumulated in a trust to pay related benefits.

The City implemented GASB Statement No. 75, Accounting and Financial Reporting/or Postemployment Benefits Other than Pensions, effective October 1, 2017. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

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BRACEWELL

June 27, 2024

\$202,670,000
CITY OF WACO, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024A

We have represented the City of Waco, Texas (the “Issuer”), as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF WACO, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024A, dated June 15, 2024.

The Certificates mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Certificates and in the Ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Certificate Ordinance”), and the Pricing Certificate executed by an authorized officer of the Issuer (the “Pricing Certificate,” and, together with the Certificate Ordinance, the “Ordinance”).

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas (the “State”) and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. 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.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript of proceedings contains certified copies of certain proceedings of the Issuer; customary certificates and other documents executed by officers, agents and representatives of the Issuer, the Issuer’s financial advisor, and other parties involved with the issuance of the Certificates. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we

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BRACEWELL

June 27, 2024

Page 2

have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

Based on such examination, and in reliance on such representations and certifications and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within the City of Waco, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of the surplus revenues of the Issuer's waterworks and sewer system as provided in the Ordinance.
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Certificates or, except as stated as above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State and, to the extent applicable, the laws of the United States of America. Further, in the event that the information submitted to us or the representations of the Issuer and other parties are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants in the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

The opinions set forth above speak only as of the date of this letter and only in connection with the Certificates and may not be applied to any other transaction. Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

BRACEWELL

June 27, 2024

\$43,585,000
CITY OF WACO, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
TAXABLE SERIES 2024B

We have represented the City of Waco, Texas (the “Issuer”), as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF WACO, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
TAXABLE SERIES 2024B, dated June 15, 2024.

The Certificates mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Certificates and in the Ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Certificate Ordinance”), and the Pricing Certificate executed by an authorized officer of the Issuer (the “Pricing Certificate,” and, together with the Certificate Ordinance, the “Ordinance”).

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas (the “State”). We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. 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.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript of proceedings contains certified copies of certain proceedings of the Issuer; customary certificates and other documents executed by officers, agents and representatives of the Issuer, the Issuer’s financial advisor, and other parties involved with the issuance of the Certificates. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed No. T-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance.

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BRACEWELL

June 27, 2024

Page 2

Based on such examination and in reliance on such representations and certifications and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within the City of Waco, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of the surplus revenues of the Issuer's waterworks and sewer system as provided in the Ordinance.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We note that the Issuer has taken no action with respect to qualification of interest on the Certificates as excludible from gross income for federal income tax purposes.

We express no opinion as to the amount or timing of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State and, to the extent applicable, the laws of the United States of America.

The opinions set forth above speak only as of the date of this letter and only in connection with the Certificates and may not be applied to any other transaction. Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

BRACEWELL

June 27, 2024

\$28,890,000
CITY OF WACO, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024

We have represented the City of Waco, Texas (the “Issuer”), as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF WACO, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024, dated June 15, 2024.

The Bonds mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Bonds and in the bond ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Bond Ordinance”) and a pricing certificate executed pursuant to the authority delegated in the Bond Ordinance (the “Pricing Certificate,” and, together with the Bond Ordinance, the “Ordinance”).

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas (the “State”) and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript of proceedings contains certified copies of certain proceedings of the Issuer; an escrow agreement (the “Escrow Agreement”) between the Issuer and The Bank of New York Mellon Trust Company, N. A., as escrow agent (the “Escrow Agent”); a report of Robert Thomas, CPA, LLC (the “Report”), verifying the sufficiency of the deposits made for the defeasance of the Refunded Obligations; customary certificates and other documents executed by officers, agents and representatives of the Issuer, the Issuer’s financial advisor, and other parties involved with the issuance of the Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed No. T-1 of this issue.

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June 27, 2024

Page 2

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination, and in reliance on such representations and certifications and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State presently effective and that therefore the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax, within the limits prescribed by law, has been levied on all taxable property in the City of Waco and pledged irrevocably to the payment of the principal of and interest on the Bonds; and
- (C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement and, therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.
- (D) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State and, to the extent applicable, the laws of the United States of America. Further, in the event that the information submitted to us or the representations of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

BRACEWELL

June 27, 2024

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Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, actions, taken or omitted, after the date hereof.

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