



THE CITY COUNCIL OF THE CITY OF HENDERSON, TEXAS, WILL MEET ON TUESDAY, THE 24 DAY OF MARCH 2026, AT 6:00 P.M. FOR A REGULAR RESCHEDULED COUNCIL MEETING, IN THE THOMAS WARD COUNCIL CHAMBERS AT THE MUNICIPAL SERVICES COMPLEX, 300 W. MAIN STREET, FOR THE FOLLOWING PURPOSES:

Mayor:

Henry Pace

Mayor Pro Tem

Gina Juarez

Council Members:

Stephen Strong

Michael Searcy

Greg Jackson

Lee Scoggins

City Manager:

Jay Abercrombie

City Secretary

Cheryl Jimerson

CALL TO ORDER: *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

INVOCATION AND PLEDGE OF ALLEGIANCE:

CITIZENS COMMENTS

Comments shall be limited to three (3) minutes and taken in the order they are received. By State law, no action may be taken on items not on the agenda.

PRESENTATIONS/ANNOUNCEMENTS

1. Annual Audit Presentation by Gollob Morgan Peddy, PC.

CONSENT AGENDA

2. Consideration of possible action upon the minutes of February 17, 2026.

COUNCIL BUSINESS – REGULAR SESSION

3. Consideration and possible action on Resolution 2026-03-01 electing to participate in tax abatement agreements, and establishing guidelines and criteria governing tax abatement for economic development prospects in the City of Henderson. (Jimerson)
4. Consideration and possible action entering into a tax abatement agreement with Velvin Production Company Inc. (Jimerson)
5. Consideration and possible action upon renewing Ordinance 2021-05-01 extending the renewal for five years for the Industrial Park Reinvestment Zone. (Jimerson)
6. Consideration and possible action on the re-appointment of James Holmes as the Municipal Court of Record Judge for a four (4) year term expiring April 2030 for the City of Henderson. (Jimerson)
7. Consideration and possible action upon Resolution 2026-03-03 adopting a Cybersecurity Policy. (Jimerson)
8. Consideration and possible action upon Resolution 2026-03-02 denying a rate increase from CenterPoint Energy for forty-five days. (Jimerson)
9. Consideration and possible action upon updating authorized signatories on all City of Henderson accounts with all Financial Institutions by removing John Fullen, Rusty Chote, and Karen Arnall as authorized signers and adding Henry Pace as an authorized signer. (Kimbrell)
10. Consideration and possible action upon a minor plat application to replat Block 325 of the David Beard Subdivision to meet the needs of existing development at 420 and 430 US Highway 79 (Breitenberg)

11. Consideration and possible action upon the HEDCO financials for the month of January 2026. (Gardella)
12. Consider and take necessary action on Interlocal Agreement between HEDCO & Rusk County for Jet A Fuel at the Rusk County Airport. (Gardella)
13. Consideration and possible action on Performance Agreement for Old School Services. (Gardella)

DEPARTMENTAL REPORTS:

14. The City Council may deliberate and make inquiry into any item listed in the Departmental Reports.
 - A. City Manager
 - B. Fire Department
 - C. Police Department
 - D. Animal Center
 - E. Community Development
 - F. Public Services/Parks and Recreation Department
 - G. Public Utilities
 - H. Finance Department
 - I. City Secretary
 - J. Communications and Marketing
 - K. HEDCO

Sales Tax Revenue for January 2026.

- L. Director of Operations Departmental Reports below.

Civic Center

Main Street/Tourism

Municipal Court

BOARDS AND COMMISSIONS

Board of Adjustments Minutes

Planning and Zoning Minutes March meeting cancelled.

Cemetery Board Meeting Minutes-No meeting

Main Street Meeting Minutes

Preservation Minutes

HEDCO meeting minutes for February 2026.

EXECUTIVE SESSION:

15. Convene into executive session to consult with the City Attorney in accordance with Vernon's Texas Government Code Chapter 551, section 087. (Mayor)

REGULAR SESSION:

16. Convene into regular session and take necessary action as a result of the closed session.

ADJOURNMENT

17. Adjourn

The City Council reserves the right to adjourn into executive session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development).

ACCESSIBILITY STATEMENT

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (903) 657-6551.

CERTIFICATE

I certify the foregoing notice was posted on the notice board in front of the Municipal Services Complex, Henderson, Texas, on this 18th day of March 2026.

Cheryl Jimerson, City Secretary

CITY OF HENDERSON, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and OTHER
INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2025

GMP Assurance PLLC
CERTIFIED PUBLIC ACCOUNTANTS

1001 ESE Loop 323, Suite 300, Tyler, TX 75701
Tel 903-534-0088 Fax 903-581-3915 www.gmp-advisors.com
Members American Institute of Certified Public Accountants and Private Companies Practice Section

**CITY OF HENDERSON, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2025**

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-10
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	12
Statement of Activities	2	13
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	5	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Non-GAAP Budget Basis)	6	19
Statement of Net Position – Proprietary Funds	7	20-21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	22
Statement of Cash Flows – Proprietary Funds	9	23-24
Statement of Fiduciary Net Position – Fiduciary Funds	10	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	11	26
Notes to the Financial Statements		27-67
Required Supplementary Information:		
Schedule of Changes in Net Pension Liability and Related Ratios	1	69
Required Schedule of Contributions	2	70
Schedule of Changes in OPEB Liability and Related Ratios - Supplemental Death Benefits Plan	3	71
Schedule of Changes in OPEB Liability and Related Ratios – Health Plan	4	72

**CITY OF HENDERSON, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2025**

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
Additional Supplementary Information:		
Combining Statements:		
Combining Financial Statements – Nonmajor Governmental Funds		
Combining Balance Sheet	5	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6	75
Combining Financial Statements – Special Revenue Funds		
Combining Balance Sheet	7	76
Combining Statement of Revenues, Expenses and Changes in Fund Balances	8	77
Combining Financial Statements – Capital Projects Funds		
Combining Balance Sheet	9	78
Combining Statement of Revenues, Expenses and Changes in Fund Balances	10	79
Budget and Actual Schedules:		
Detailed Schedule of Revenues – Budget and Actual (Non-GAAP Budget Basis) – Water and Sewer Fund	11	80
Detailed Schedule of Expenditures – Budget and Actual (Non-GAAP Budget Basis) – Water and Sewer Fund	12	81
Compliance Section:		
Independent Auditors’ Report on Internal Control Over Financial Reporting And on Compliance and Other Matter based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		83-84



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Henderson, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Henderson, Texas' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Henderson, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10 and the schedules related to pension and OPEB activity on pages 64-67 will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Henderson, Texas' basic financial statements. The additional supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of City of Henderson, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Henderson, Texas' internal control over financial reporting and compliance.

GMP Assurance PLLC

Certified Public Accountants

Tyler, Texas
March 18, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Henderson, 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, 2025.

FINANCIAL HIGHLIGHTS

- As of the end of the current fiscal year, the assets of the City exceeded its liabilities by \$47,299,602 (net position). Of this amount, \$(1,051.813) (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total cost of the City's programs increased 3.65% from the prior year, primarily due to the continued improvements to the new City Hall and an increase in water and sewer operations.
- The general fund reported a fund balance this year of \$1,694,830, of which \$65,500 was non-spendable, \$35,180 was restricted, and \$1,594,150 was unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statements No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

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 includes other supplementary information in addition to the basic financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Henderson'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, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other nonfinancial factors must also be considered.

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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Henderson that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, sanitation, streets, culture and recreation, and debt service. The business-type activities include water and sewer services.

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

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. These 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 funds 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 the City'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 City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fourteen individual governmental funds. Information is presented separately in the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. A budgetary comparison schedule has been provided for the general fund on page 19 to demonstrate compliance with the annual appropriated budget. Data from the other eleven governmental funds are combined into a single, aggregates presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the additional supplemental information section.

The basic governmental fund financial statements can be found on pages 14-17 of the report.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

The City maintains two different 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 an enterprise fund to account for its water and sewer utility. The City also maintains an Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the Internal Service Fund to account for its self-insured health insurance activities (the collection of payments by the City and its employees for health insurance premiums and the payment of health insurance claims of City employees). Because this service predominately benefits the governmental rather than business-type functions of the City, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer.

The basic proprietary fund financial statements can be found on pages 20-24 of this report.

Fiduciary funds. The City is the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 25-26 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 at pages 27-67 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund financial statements for the non-major governmental funds. The combining and individual fund financial statements may be found on pages 74-79 of this report.

The report also presents the detailed budget and actual amounts for the Water and Sewer Fund at pages 80-81.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$47,960,940 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (99.68%) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, and its water and wastewater distribution system), less the related debt to acquire those assets that is still outstanding. This amount increased \$423,725 during the current year primarily due to new asset additions. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The amount of net position that is unrestricted, (\$1,051,813) decreased by \$1,438,539 during the year.

City of Henderson's Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 6,398,187	\$ 8,151,863	\$ 1,328,077	\$ 1,479,641	\$ 7,726,264	\$ 9,631,504
Capital assets	39,065,063	39,517,196	24,745,773	25,334,553	63,810,836	64,851,749
Total Assets	45,463,250	47,669,059	26,073,850	26,814,194	71,537,100	74,483,253
Deferred outflows of resources	3,320,723	4,398,790	904,710	1,146,111	4,225,433	5,544,901
Total Deferred Outflows of Resources	3,320,723	4,398,790	904,710	1,146,111	4,225,433	5,544,901
Current liabilities	2,750,195	2,451,187	1,327,000	1,160,203	4,077,195	3,611,390
Non current liabilities	9,631,844	12,754,949	10,867,438	12,405,848	20,499,282	25,160,797
Total Liabilities	12,382,039	15,206,136	12,194,438	13,566,051	24,576,477	28,772,187
Deferred outflows of resources	3,220,312	2,745,640	666,142	549,387	3,886,454	3,295,027
Total Deferred Outflows of Resources	3,220,312	2,745,640	666,142	549,387	3,886,454	3,295,027
Net investment in capital assets	32,653,187	31,912,470	14,497,351	14,814,343	47,150,538	46,726,813
Restricted	1,008,311	769,014	192,566	78,387	1,200,877	847,401
Unrestricted	(479,876)	1,434,589	(571,937)	(1,047,863)	(1,051,813)	386,726
Total Net Position	\$ 33,181,622	\$ 34,116,073	\$ 14,117,980	\$ 13,844,867	\$ 47,299,602	\$ 47,960,940

The City had a \$273,113 increase in net position for its business-type activities during the current year. This increase comes from an increase in charges for services due to rate increases.

City of Henderson's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 4,280,339	\$ 4,482,878	\$ 7,716,848	\$ 6,209,888	\$ 11,997,187	\$ 10,692,766
General revenue:						
Property taxes	5,273,573	4,876,752	-	-	5,273,573	4,876,752
Sales taxes	6,466,519	6,835,926	-	-	6,466,519	6,835,926
Operating grants	441,311	476,741	-	-	441,311	476,741
Capital grants & donations	-	-	-	-	-	-
Franchise and other taxes	802,519	780,624	-	-	802,519	780,624
Interest income	195,958	268,091	30,072	69,129	226,030	337,220
Loss on sale of assets	-	-	-	-	-	-
Other	356,602	1,031,913	43,733	14,562	400,335	1,046,475
Total revenues	17,816,821	18,752,925	7,790,653	6,293,579	25,607,474	25,046,504
Expenses:						
General government	4,145,445	3,846,021	-	-	4,145,445	3,846,021
Public safety	7,184,327	7,410,500	-	-	7,184,327	7,410,500
Sanitation	1,991,437	1,887,412	-	-	1,991,437	1,887,412
Public services	5,254,081	5,424,786	-	-	5,254,081	5,424,786
Debt issuance costs	-	-	-	-	-	-
Interest	252,008	234,609	326,416	343,923	578,424	578,532
Water and sewer operations	-	-	7,115,098	6,195,720	7,115,098	6,195,720
Total expenses	18,827,298	18,803,328	7,441,514	6,539,643	26,268,812	25,342,971
Transfers	76,026	(203,682)	(76,026)	203,682	-	-
Change in net position	(934,451)	(254,085)	273,113	(42,382)	(661,338)	(296,467)
Net position beginning of year	34,116,073	34,370,158	13,844,867	13,887,249	47,960,940	48,257,407
Net position end of year	\$ 33,181,622	\$ 34,116,073	\$ 14,117,980	\$ 13,844,867	\$ 47,299,602	\$ 47,960,940

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,511,624, a decrease of \$1,970,113 in comparison with the prior year. A significant reason for the decrease was a one time insurance claim in the prior year of \$726,000.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,594,150, while total fund balance was \$1,694,830. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.90% of total general fund expenditures, while total fund balance represents 10.52% of that same amount.

	Governmental Activities	
	2025	2024
Nonspendable:		
Cemetary endowment	\$ 65,500	\$ 65,500
Restricted:		
Municipal court	19,737	19,737
Debt service	651,899	480,319
Fire department	12,663	14,544
Police department	2,780	2,780
Law enforcement	125,268	106,059
Tourism	231,144	182,636
Civic center	-	85
Committed:		
Main street	9,606	14,949
Cemetary	101,950	85,407
Street and drainage	228,673	2,060,075
Animal shelter	57,191	53,823
General construction	411,063	221,323
Unassigned:		
General fund	1,594,150	2,174,500
Total Fund Balances	<u>\$ 3,511,624</u>	<u>\$ 5,481,737</u>

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

Unrestricted net position of the water & sewer enterprise fund at the end of the year amounted to (\$571,937). Overall, net position for the fund increased \$475,926. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities above.

The City's other proprietary fund is the self-insurance internal service fund. Unrestricted net position at the end of the current year amounted to (\$31,017).

General Fund Budgetary Highlights

The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Additionally, transfers from other funds and carryovers from prior years are budgeted as revenue.

Over the course of the year, the City revised its budget. Differences between the original budget and the final amended budget were a net increase in budgeted appropriations of \$40,500.

Differences between the final amended budget and actual general fund expenditures were a net favorable variance of \$592,009. Budgeted revenues for the year were \$18.7 million and actual revenues were \$17.5 million which was an unfavorable variance of \$1.15 million. The biggest differences that made of this variance was with sales tax revenues.

Overall, the City budgeted for a net decrease to fund balance of 37,572, and its actual decrease on a budgetary basis came to be \$423,652.

Capital Assets and Debt Administration

Capital Assets. The City of Henderson's investment in capital assets for the governmental and business-type activities as of September 30, 2025, amounts to \$63,810,836 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, water and wastewater distribution system, infrastructure, and construction in progress. The biggest changes during the current year came infrastructure additions. The prior year saw large increases from the acquisition and improvements to the new City Hall. The total net decrease in the City's investments in fixed assets for the current year was \$1,040,913.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,578,679	\$ 2,578,679	\$ 410,131	\$ 410,131	\$ 2,988,810	\$ 2,988,810
Buildings and improvements	11,199,170	11,619,324	-	-	11,199,170	11,619,324
Machinery and equipment	1,882,268	2,607,938	557,710	647,460	2,439,978	3,255,398
Improvements other than buildings	560,146	1,100,667	-	-	560,146	1,100,667
Water and wastewater distribution	-	-	19,303,612	19,850,714	19,303,612	19,850,714
Infrastructure	22,626,899	21,564,937	-	-	22,626,899	21,564,937
Right-of-use asset	122,763	45,651	-	-	122,763	45,651
Construction in progress	95,138	-	4,474,320	4,426,248	4,569,458	4,426,248
Total	\$ 39,065,063	\$ 39,517,196	\$ 24,745,773	\$ 25,334,553	\$ 63,810,836	\$ 64,851,749

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-Term Debt. At year-end, the City had \$22,157,562 in bonds, certificates of obligation, and other long-term liabilities outstanding after principal payments of \$1,310,993 were made against debt during the year. The significant change in long-term debt during the year came from an decrease in net pension liability in the amount of 2,588,327.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
Certificates of obligation payable	5,875,000	6,580,550	6,515,000	6,809,450	12,390,000	13,390,000
Notes payable	320,006	506,086	3,718,026	3,981,136	4,038,032	4,487,222
Lease liability	124,743	45,600	-	-	124,743	45,600
Add: Premium on issue	92,127	114,549	15,396	17,928	107,523	132,477
Net OPEB liability	705,918	745,307	182,998	191,878	888,916	937,185
Compensated absences	279,214	362,168	76,498	72,555	355,712	434,723
Net pension liability	3,206,862	5,323,034	1,045,774	1,517,929	4,252,636	6,840,963
Total	\$ 10,603,870	\$ 13,677,294	\$ 11,553,692	\$ 12,690,876	\$ 22,157,562	\$ 26,368,170

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

Economic Factors and Next Year's Budgets and Rates

After the budget was prepared for 2026, the following tax rate was approved:

- \$.529139 per \$100 valuation Total Tax Rate

The City budgeted less for capital outlay costs due to the less needs in the current fiscal year.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances. In addition, it provides evidence of accountability for funds the City receives.

Complete financial statements for HEDCO, the City's component unit may be obtained at HEDCO's administrative offices at 300 W. Main, Henderson, Texas 75652.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, at City of Henderson, Texas, 300 West Main Street, Henderson, Texas 75652.

BASIC FINANCIAL STATEMENTS

CITY OF HENDERSON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HEDCO
ASSETS				
Cash and cash equivalents	\$ 1,670,961	\$ 589,508	\$ 2,260,469	\$ 4,455,389
Investments	1,230,999	158,706	1,389,705	-
Receivables (net of allowance for doubtful accounts)				
Taxes	2,015,108	-	2,015,108	343,530
Accounts	396,386	797,342	1,193,728	-
Leases	509,202	-	509,202	-
Special assessments	30,306	-	30,306	-
Other	15,845	-	15,845	661
Internal balances	410,045	(410,045)	-	-
Note receivable	113,970	-	113,970	687,000
Restricted Assets:				
Temporarily restricted				
Cash and cash equivalents	5,365	192,566	197,931	-
Capital Assets (net of accumulated depreciation):				
Land	2,578,679	410,131	2,988,810	10,142,507
Buildings and improvements	11,199,170	-	11,199,170	1,872,575
Machinery and equipment	1,882,268	557,710	2,439,978	-
Intangible assets	-	-	-	11,042
Leasehold improvements	-	-	-	28,008
Improvements other than buildings	560,146	-	560,146	504,350
Water and sewer system	-	19,303,612	19,303,612	-
Infrastructure	22,626,899	-	22,626,899	-
Right-of-use asset	122,763	-	122,763	-
Construction in progress	95,138	4,474,320	4,569,458	967,034
Total Assets	45,463,250	26,073,850	71,537,100	19,012,096
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	227,713	55,861	283,574	-
Deferred charge on TMRS pension	3,093,010	848,849	3,941,859	-
Total Deferred Outflows of Resources	3,320,723	904,710	4,225,433	-
LIABILITIES				
Accounts payable and accrued liabilities	1,296,106	62,681	1,358,787	149,126
Accrued interest	44,917	43,994	88,911	-
Due to component unit	343,530	-	343,530	-
Due to other governments	10,001	-	10,001	-
Unearned revenue	83,615	-	83,615	-
Customer deposits	-	538,014	538,014	-
Non-current liabilities:				
Due within one year	972,026	682,311	1,654,337	-
Due in more than one year	5,719,064	9,638,666	15,357,730	-
Net OPEB liability	705,918	182,998	888,916	-
Net pension liability	3,206,862	1,045,774	4,252,636	-
Total Liabilities	12,382,039	12,194,438	24,576,477	149,126
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - leases	470,651	-	470,651	-
Deferred charge on OPEB	182,429	43,375	225,804	-
Deferred charge on TMRS pension	2,567,232	622,767	3,189,999	-
Total Deferred Inflows of Resources	3,220,312	666,142	3,886,454	-
NET POSITION				
Net investment in capital assets	32,653,187	14,497,351	47,150,538	13,525,516
Restricted for:				
Debt service	651,899	192,566	844,465	-
Construction	356,412	-	356,412	-
Unrestricted	(479,876)	(571,937)	(1,051,813)	5,337,454
Total Net Position	\$ 33,181,622	\$ 14,117,980	\$ 47,299,602	\$ 18,862,970

**CITY OF HENDERSON, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2025**

EXHIBIT 2

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION				COMPONENT UNIT
		PRIMARY GOVERNMENT								
PROGRAM ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HEDCO		
PRIMARY GOVERNMENT:										
Governmental activities:										
General government	\$ 4,145,445	\$ 1,218,492	\$ 406,390	\$ -	\$ (2,520,563)	\$ -	\$ (2,520,563)			
Public safety	7,184,327	148,079	34,921	-	(7,001,327)	-	(7,001,327)			
Sanitation	1,991,437	2,126,474	-	-	135,037	-	135,037			
Public services	5,254,081	787,294	-	-	(4,466,787)	-	(4,466,787)			
Interest on debt	252,008	-	-	-	(252,008)	-	(252,008)			
Total governmental activities	18,827,298	4,280,339	441,311	-	(14,105,648)	-	(14,105,648)			
Business-type activities:										
Water and sewer	7,115,098	7,716,848	-	-	-	601,750	601,750			
Interest on debt	326,416	-	-	-	-	(326,416)	(326,416)			
Total business-type activities	7,441,514	7,716,848	-	-	-	275,334	275,334			
Total primary government	26,268,812	11,997,187	441,311	-	(14,105,648)	275,334	(13,830,314)			
Component units:										
Economic development	\$ 666,200	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ (1,730,713)		
General revenues:										
Taxes:										
	Property taxes				5,273,573	-	5,273,573	-		
	Franchise taxes				802,519	-	802,519	-		
	Sales and use taxes				6,466,519	-	6,466,519	2,144,990		
	Other taxes				356,602	-	356,602	-		
	Investment earnings				195,958	30,072	226,030	274,981		
	Gain (Loss) on sale of assets				-	-	-	-		
	Insurance claimnes				-	-	-	-		
	Miscellaneous				-	43,733	43,733	-		
	Transfers				76,026	(76,026)	-	-		
	Total general revenues and transfers				13,171,197	(2,221)	13,168,976	2,419,971		
	Change in net position				(934,451)	273,113	(661,338)	689,258		
	Net position - beginning of year				34,116,073	13,844,867	47,960,940	18,173,712		
	Net position - end of year				\$ 33,181,622	\$ 14,117,980	\$ 47,299,602	\$ 18,862,970		

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

CITY OF HENDERSON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	GENERAL	STREET AND DRAINAGE FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 255,323	184,932	\$ 1,230,706	\$ -	\$ 1,670,961
Investments	923,666	45,853	261,480	-	1,230,999
Receivables:					
Taxes:					
Sales	1,374,121	-	-	-	1,374,121
Property	428,722	-	-	-	428,722
Franchise	116,255	64,977	-	-	181,232
Lease receivable	509,202	-	-	-	509,202
Hotel/Motel	-	-	31,033	-	31,033
Accounts:					
Warrants	171,349	-	-	-	171,349
Sanitation	83,635	-	-	-	83,635
Other	-	-	141,402	-	141,402
Special Assessments	-	30,306	-	-	30,306
Other	15,845	-	-	-	15,845
Due from other funds	410,045	-	5,944	(5,944)	410,045
Total Assets	<u>4,288,163</u>	<u>326,068</u>	<u>1,670,565</u>	<u>(5,944)</u>	<u>6,278,852</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued expenses	1,163,410	68,599	27,625	-	1,259,634
Due to component unit	343,530	-	-	-	343,530
Unearned revenue	-	28,796	54,819	-	83,615
Due to other funds	5,944	-	-	(5,944)	-
Due to other governments	10,001	-	-	-	10,001
Total Liabilities	<u>1,522,885</u>	<u>97,395</u>	<u>82,444</u>	<u>(5,944)</u>	<u>1,696,780</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	428,448	-	-	-	428,448
Unavailable revenue - leases	470,651	-	-	-	470,651
Unavailable revenue - fines	171,349	-	-	-	171,349
Total Deferred Inflows of Resources	<u>1,070,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,070,448</u>
Fund Balances:					
Nonspendable	65,500	-	-	-	65,500
Restricted	35,180	-	1,008,311	-	1,043,491
Committed	-	228,673	579,810	-	808,483
Unassigned	1,594,150	-	-	-	1,594,150
Total Fund Balances	<u>1,694,830</u>	<u>228,673</u>	<u>1,588,121</u>	<u>-</u>	<u>3,511,624</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,288,163</u>	<u>\$ 326,068</u>	<u>\$ 1,670,565</u>	<u>\$ (5,944)</u>	<u>\$ 6,278,852</u>

CITY OF HENDERSON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 3,511,624
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	39,065,063
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	713,767
An Internal Service Fund is used by management to charge the cost of claims to individual funds The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	(31,107)
Long term liabilities, including bonds payable , are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(6,736,007)
Recognition of the City's net pension and OPEB liability and related deferred resource inflows and outflows occurs in the Statement of Net Position but is not reported in the funds.	(3,341,718)
Net position of governmental activities	\$ 33,181,622

CITY OF HENDERSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	GENERAL	STREET AND DRAINAGE FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Sales	\$ 6,466,519	\$ -	\$ -	\$ -	\$ 6,466,519
Property	4,123,385	-	1,084,705	-	5,208,090
Franchise	614,757	187,762	-	-	802,519
Hotel/Motel	-	-	356,602	-	356,602
Permits and fees	102,104	-	-	-	102,104
Charges for services	2,190,513	61,660	559,491	-	2,811,664
Fines and forfeitures	159,315	-	-	-	159,315
Intergovernmental revenues	406,390	-	-	-	406,390
Interest	95,576	52,539	47,523	-	195,638
Grant income	34,921	-	-	-	34,921
Donations	-	-	5,000	-	5,000
Miscellaneous	1,169,738	-	43,754	-	1,213,492
Total Revenues	15,363,218	301,961	2,097,075	-	17,762,254
EXPENDITURES					
Current:					
General government:					
Administration	1,450,353	-	-	-	1,450,353
Finance	434,348	-	-	-	434,348
Municipal court	251,374	-	-	-	251,374
Nondepartmental	1,644,251	-	-	-	1,644,251
Public safety:					
Police	4,678,776	-	300	-	4,679,076
Fire	2,218,176	-	-	-	2,218,176
Sanitation	1,991,437	-	-	-	1,991,437
Public services:					
Tourism	-	-	202,950	-	202,950
Civic center	-	-	240,414	-	240,414
Main street	-	-	14,339	-	14,339
Streets	1,397,472	237,602	50,888	-	1,685,962
Parks	604,916	-	8,360	-	613,276
Activity center	14,794	-	-	-	14,794
Cemeteries	19,333	-	943	-	20,276
Community development	418,302	-	30,096	-	448,398
Animal Shelter	439,278	-	6,711	-	445,989
Capital outlay	319,713	1,895,761	175,880	-	2,391,354
Debt service:					
Bond principal	-	-	705,550	-	705,550
Lease payments	19,317	-	-	-	19,317
Note principal	184,051	-	-	-	184,051
Interest and fees	15,015	-	234,124	-	249,139
Total Expenditures	16,100,906	2,133,363	1,670,555	-	19,904,824
Revenues Over (Under) Expenditures	(737,688)	(1,831,402)	426,520	-	(2,142,570)

CITY OF HENDERSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	GENERAL	STREET AND DRAINAGE FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)					
Transfers in	169,540	\$ -	\$ 17,000	\$ (17,000)	\$ 169,540
Transfers out	(110,514)	-	-	17,000	(93,514)
Lease Proceeds	96,431	-	-	-	96,431
Total Other Financing Sources (Uses)	155,457	-	17,000	-	172,457
Net Change in Fund Balances	(582,231)	(1,831,402)	443,520	-	(1,970,113)
Fund Balance, October 1, 2024	2,277,061	2,060,075	1,144,601	-	5,481,737
Fund Balance, September 30, 2025	<u>\$ 1,694,830</u>	<u>\$ 228,673</u>	<u>\$ 1,588,121</u>	<u>\$ -</u>	<u>\$ 3,511,624</u>

CITY OF HENDERSON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2025

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (1,970,113)
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 depreciation exceeded capital outlay in the current period.	(452,133)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.	54,247
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the 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.	809,618
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	630,340
Internal Service Funds are used by management to charge the costs of health insurance to individual funds.	(6,410)
Change in net position of governmental activities	<u>\$ (934,451)</u>

CITY OF HENDERSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes:				
Sales	\$ 9,795,000	\$ 9,795,000	\$ 8,735,321	\$ (1,059,679)
Property	4,172,000	4,172,000	4,123,385	(48,615)
Franchise	658,000	658,000	614,757	(43,243)
Licenses and permits	120,000	120,000	102,104	(17,896)
Charges for services	2,372,762	2,372,762	2,188,924	(183,838)
Fines and forfeitures	189,500	189,500	159,315	(30,185)
Intergovernmental	412,500	412,500	406,390	(6,110)
Interest income	163,000	163,000	58,998	(104,002)
Grant income	-	-	34,921	34,921
Miscellaneous income	862,800	862,800	1,170,386	307,586
Total Revenues	18,745,562	18,745,562	17,594,501	(1,151,061)
EXPENDITURES				
General administration	1,109,006	1,109,006	1,328,672	(219,666)
Treasury and financial	462,056	462,056	432,034	30,022
Municipal court	261,953	261,953	250,616	11,337
Nondepartmental	1,941,050	1,941,050	1,655,383	285,667
Police	4,954,988	4,995,488	4,698,263	297,225
Fire	2,226,650	2,226,650	2,187,544	39,106
Sanitation	1,920,000	1,920,000	1,991,437	(71,437)
Streets	1,509,131	1,509,131	1,407,332	101,799
Parks	616,960	616,960	616,475	485
Activity center	26,300	26,300	27,822	(1,522)
Cemeteries	20,000	20,000	27,183	(7,183)
Community development	460,020	460,020	409,721	50,299
Animal control	473,058	473,058	436,463	36,595
Equipment replacement	179,000	179,000	139,718	39,282
Total Expenditures	16,160,172	16,200,672	15,608,663	592,009
Revenues Over (Under) Expenditures	2,585,390	2,544,890	1,985,838	(559,052)
OTHER FINANCING SOURCES (USES)				
Transfers in	168,892	168,892	168,892	-
Transfers out	(110,514)	(110,514)	(110,514)	-
Sales tax payments to HEDCO	(2,441,250)	(2,441,250)	(2,268,802)	172,448
Note payments	(199,590)	(199,590)	(199,066)	524
Total Other Financing Sources (Uses)	(2,582,462)	(2,582,462)	(2,409,490)	172,972
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses - Budget Basis	2,928	(37,572)	(423,652)	(386,080)
Budget Basis to GAAP Basis Adjustment (Note A)	-	-	(158,579)	(158,579)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses - GAAP Basis	2,928	(37,572)	(582,231)	(544,659)
Fund Balance, October 1, 2024	-	37,572	2,277,061	2,239,489
Fund Balance, September 30, 2025	\$ 2,928	\$ -	\$ 1,694,830	\$ 2,506,488

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP

Basis Presentation:

Uses/Outflows of Resources:

Differences - Budget to GAAP	
Increase in accrued revenues	53,108
Lease proceeds from GASB 87	96,431
Capital outlay from GASB 87 leases	(96,431)
Increase in accrued expenses	(252,687)
Capital outlay transferred into water and sewer fund	41,000

Net Change in Budget Basis Presentation and GAAP Basis Presentation \$ (158,579)

CITY OF HENDERSON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Self-Insurance Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 589,508	\$ -
Investments	158,706	-
Accounts receivable (net)	797,342	-
Total Current Assets	1,545,556	-
Restricted Current Assets:		
Temporarily Restricted		
Cash and cash equivalents	192,566	5,365
Investments	-	-
Total Restricted Current Assets	192,566	5,365
Capital Assets:		
Land	410,131	-
Construction in progress	4,474,320	-
Motor vehicles	631,717	-
Machinery and equipment	1,740,089	-
Water and sewer system	40,095,044	-
Less: Accumulated depreciation	(22,605,528)	-
Total Capital Assets Net of Accumulated Depreciation	24,745,773	-
Total Assets	26,483,895	5,365
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding (net of amortization)	-	-
Deferred outflows on OPEB	55,861	-
Deferred outflows on TMRS pension	848,849	-
Total Deferred Outflows of Resources	904,710	-
	(continued)	(continued)

CITY OF HENDERSON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Self-Insurance Fund
LIABILITIES		
Current Liabilities:		
Unrestricted current liabilities:		
Accounts payable	\$ 29,295	\$ -
Claims payable	-	36,472
Accrued expenses	33,386	-
Current portion of compensated absences payable	7,650	-
Due to other funds	410,045	-
Total Unrestricted Current Liabilities	480,376	36,472
Current Liabilities Payable from Restricted Assets:		
Accrued interest	43,994	-
Customer deposits	538,014	-
Notes payable	269,661	-
Bonds payable	405,000	-
Total Current Liabilities Payable from Restricted Assets:	1,256,669	-
Total Current Liabilities	1,737,045	36,472
Noncurrent Liabilities:		
Bonds payable	6,125,396	-
Notes payable	3,448,365	-
Net OPEB liability	182,998	-
Compensated absences payable	64,905	-
Net pension liability	1,045,774	-
Total Noncurrent Liabilities	10,867,438	-
Total Liabilities	12,604,483	36,472
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on OPEB	43,375	-
Deferred charge on TMRS pension	622,767	-
Total Deferred Inflows of Resources	666,142	-
NET POSITION		
Net investment in capital assets	14,497,351	-
Restricted for:		
Debt service	192,566	-
Unrestricted	(571,937)	(31,107)
Total Net Position	\$ 14,117,980	\$ (31,107)

CITY OF HENDERSON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Self-Insurance Fund
OPERATING REVENUES		
Water sales	\$ 4,045,260	\$ -
Sewer charges	3,529,197	-
Charges for other services	142,391	-
Total Operating Revenues	7,716,848	-
OPERATING EXPENSES		
Administration	838,900	6,730
Cost of sales and services	4,779,344	-
Depreciation and amortization	1,496,854	-
Total Operating Expenses	7,115,098	6,730
Operating Income (Loss)	601,750	(6,730)
NON-OPERATING REVENUES (EXPENSES)		
Interest and fiscal charge expense	(326,416)	-
Other income (expense)	43,733	-
Interest income	30,072	320
Total Non-Operating Revenue (Expenses)	(252,611)	320
INCOME BEFORE TRANSFERS	349,139	(6,410)
Transfers in	-	-
Transfers out	(76,026)	-
Total Transfers	(76,026)	-
Change in Net Position	273,113	(6,410)
Net Position, October 1, 2024	13,844,867	(24,697)
Net Position, September 30, 2025	\$ 14,117,980	\$ (31,107)

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

CITY OF HENDERSON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Water and Sewer Fund	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 7,660,142	\$ -
Cash paid to suppliers for goods and services	(3,768,043)	(6,730)
Cash paid to employees for services	(2,227,648)	-
Net cash provided by operating activities	1,664,451	(6,730)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Amounts paid on interfund loans	213,013	-
Transfers out	(76,026)	-
Net cash used in non-capital financing activities	136,987	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases or construction of capital assets	(904,044)	-
Sale of investments	347,663	-
Interest paid	(281,923)	-
Principal paid on notes	(263,110)	-
Principal paid on bonds	(394,450)	-
Net cash used in capital and related financing activities	(1,495,864)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	30,072	320
Net cash provided by investing activities	30,072	320
Net increase (decrease) in cash	335,646	(6,410)
Cash, beginning of period	446,428	11,775
Cash, end of period	\$ 782,074	\$ 5,365
Reconciliation to Exh 7		
Cash and cash equivalents - current asset	\$ 589,508	\$ -
Cash and cash equivalents - temporarily restricted	192,566	5,365
Total cash, end of period	\$ 782,074	\$ 5,365

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

**CITY OF HENDERSON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Water and Sewer Fund</u>	<u>Self-Insurance Fund</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:		
Operating income (loss)	\$ 601,750	\$ (6,730)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	1,496,854	-
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(73,466)	-
Decrease (increase) in deferred outflows of resources	241,401	-
Increase (decrease) in accounts payable	(254,568)	-
Increase (decrease) in net pension liabilities	(472,155)	-
Increase (decrease) in postemployment benefits liabilities	(8,880)	-
Increase (decrease) in customer deposits	16,760	-
Increase (decrease) in deferred inflows of resources	116,755	-
Total adjustments	<u>1,062,701</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,664,451</u>	<u>\$ (6,730)</u>

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

**CITY OF HENDERSON, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2025**

	FIREMEN RETIREMENT PENSION TRUST
ASSETS	
Cash and cash equivalents	\$ 1,552
Total Assets	1,552
LIABILITIES	
Accounts payable	460
Total Liabilities	460
NET POSITION	
Held in trust for pension benefits	1,092
Total Net Position	\$ 1,092

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

CITY OF HENDERSON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	FIREMEN RETIREMENT PENSION TRUST
ADDITIONS	
Contributions:	
Employer	\$ 2,000
Investment income:	
Interest and dividend income	28
Total Additions	2,028
DEDUCTIONS	
Benefits	2,367
Total Deductions	2,367
Change in net position	(339)
Net Position - beginning of year	1,431
Net Position - end of year	\$ 1,092

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

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City, a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, adopted its first charter on April 1, 1947, and is operating under a charter amendment date of April 6, 1985. The City operates under a council-manager form of government and, as authorized by its charter, provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Henderson, Texas ("City") have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the government's accounting policies are described below.

B. Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Henderson, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39, "Determining Whether a Certain Organizations are Component Units – an amendment of GASB No. 14," and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

C. Discretely Presented Component Unit

Henderson Economic Development Corporation (HEDCO) is a nonprofit corporation organized to promote and develop new or expanding employment roles within the City of Henderson or adjacent areas of Rusk County. The economic benefits provided by the corporation will benefit the City by stimulating the need for housing, retail sales, entertainment, etc. within the City. The Directors of the corporation are appointed by the City Council. Its budget must also be approved by the City Council. The ½ percent sales tax that funds HEDCO is received by the City from the State and is passed to HEDCO. (Refer to Note 9 for more information.)

Complete financial statements for HEDCO may be obtained at the entity's administrative offices at 300 W. Main, Henderson, Texas 75652.

D. Blended Component Unit

Henderson Main Street Advisory Board, Inc. (Main Street) is a nonprofit corporation organized to create a program to revitalize the downtown business City into a regional marketplace, increase capital investment downtown, attract new business, and improve the business mix, restore downtown to its earlier social significance, and preserve the historic buildings on the square. Members of the Board are appointed by the City Council. Main Street's primary source of funding is from the City. Main Street is reported in the City's financial statements as a Special Revenue Fund "Main Street."

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

E. 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 unit. For the most part, the effects of the interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 the legally separate component unit 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 function activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions 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. Major individual government funds are reported as separate columns in the financial statements. Nonmajor governmental funds are reported in a single column in the basic financial statements. A combining statement is presented after the notes with detail information for each fund.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days of the end of the fiscal year. 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.

Property taxes, franchise taxes, sales taxes, hotel-motel taxes, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 and Drainage Fund accounts for the street and infrastructure improvements using the proceeds from the 2023 Series Bond.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income, change in net position, financial position, and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the statement of net position.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for bonds and certificates of obligation when due throughout the year. All costs are financed through user charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Fund.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specific purposes.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The Internal Service Fund accounted for health insurance services provided to other departments of the City on a cost-reimbursement basis.

The Firemen Retirement Pension Trust Fund accounts for the accumulation of resources for pension benefits payments to qualified volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided and (2) 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 non-operating 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 Water and Sewer Fund are charges to customers for sales and services. Operating expenses for the Water and Sewer Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

Cash includes currency on hand and demand deposits with banks or other financial institutions. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. State statutes and the City's investment policy authorize the City to invest in U.S. Government obligations, certificates of deposit, money market mutual funds, and public funds investment pools. Accounting pronouncement GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, is applied to investments in external investment pools.

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, investments are recorded at fair value. Consistent with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the City is disclosed in Note 4 to the financial statements.

2. Restricted Assets

Proceeds from bonds and other financing arrangements, as well as resources set aside for bond repayment, are classified as restricted assets on the statement of net position when their use is limited by applicable covenants. Other restricted assets include funds restricted for construction from bond proceeds, contractual obligation debt service funds, and customer deposits. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

3. 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 non-current 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". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balance between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible. The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The City bills and collects its own property taxes. In the government-wide financial statements, City property tax revenue is recognized when levied, and in the fund financial statements, City property tax revenue is recognized when collected.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Assets, Liabilities, and Net Position or Equity - Continued

An allowance is established for delinquent taxes to the extent that their collectability is improbable. The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value.

5. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources".

6. Capital Assets

Capital assets, which include property, plant, equipment, water and wastewater distribution systems, and infrastructure (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City, a Phase 3 government as defined by GASB Statement No. 34, chose not to report infrastructure retroactively but only prospectively.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Vehicles	5
Improvements	5-20
Equipment	3-5
Water & Wastewater System	40-60
Infrastructure	60

7. Construction in Progress

Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

8. Bond Premiums and Issue Costs

Bond premiums in the Enterprise Fund are amortized over the term of the bonds using the effective interest amortization method. The City has implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Assets, Liabilities, and Net Position or Equity - Continued

9. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned, but unused, personal time off. Upon separation from City employment, a regular employee who has completed at least one year of continuous employment will be paid for accrued and unused vacation leave up to the limit of his or her maximum allowable accumulation. No more than 320 hours for regular full-time employees and 480 hours for firefighters can be carried over to the next year. On the employee's anniversary date, any personal time off balance in excess of the appropriate maximum is reduced to the maximum without compensation.

Compensatory time off (comp time) may be granted by the City in lieu of overtime pay to non-exempt employees. The maximum accrual of comp time that may be accumulated by regular full-time employees is 60 hours and by firefighters is 120. Upon termination of employment, any accrued comp time is paid to the terminated employee.

Accumulated unpaid personal time off amounts and comp time are accrued as a current liability in the period they are earned in proprietary funds (using the accrual basis of accounting) and the government-wide financial statements. In governmental funds, the cost of vacation and comp time is recognized when payments are due. The General Fund and the Water and Sewer Enterprise Fund are used to liquidate the accrued compensated absences liability.

10. 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 and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as expenses in the year incurred.

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following three items that qualify for reporting in this category: unamortized deferred amount on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related other postemployment benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable Deferred Revenue related to unavailable property taxes and unavailable citations receivable are reported only in the governmental fund balance sheet. Additionally, the City also reflects as unearned revenue, resources that have been received, but not earned, such as deposits and law enforcement seizure funds. In the statement of financial position the City reports deferred inflows of resources related to pensions/other postemployment benefits.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Assets, Liabilities, and Net Position or Equity - Continued

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement (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.

13. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment employment benefits, and OPEB expense, have been determined on the same basis as they are reported by TMRS under the Supplemental Death Benefits Fund. These items are also recorded for the City's Health Plan. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

14. Fund Balances Classification

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Fund balances of the governmental funds are classified as follows:

Nonspendable - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution or ordinance prior to the end of the fiscal year, commit fund balance. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. The City Council has authorized the City Manager or his/her designee to assign fund balance. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Assets, Liabilities, and Net Position or Equity – Continued

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

15. Net Position

The City has adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consist of those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

16. Tax Abatements

The City adopted GASB Statement No. 77, Tax Abatement Disclosures. The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

17. Estimates

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

18. Implementation of New Standards

In June 2022, GASB issued Statement No. 101 Compensated Absences requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The City implemented this statement as applicable for the fiscal year ending September 30, 2025. The change did not have a material effect on the City's financial statements.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

Assets, Liabilities, and Net Position or Equity – Continued

In December 2023, GASB issued Statement No. 102 Certain Risk Disclosures which requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentration, as defined by Statement 102, is a lack of diversity related to an aspect of a significant inflow or outflow of resources, for example, as small number of companies that represent a majority of employment I a government’s jurisdiction, or a government that relies on one revenue source for most of its revenue. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority, such as voter-approved property tax cap or a state-imposed debt limit. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. The City implemented this statement as applicable for the fiscal year ending September 30, 2025. The change did not have a material effect on the City’s financial statements.

19. Future Implementation of New Standards

In April 2024, GASB issued Statement No. 103 Financial Reporting Model Improvements to improve key components of financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This statement is effective for fiscal years beginning after June 15, 2025. The City is evaluating the impact of this statement on its financial statements

In September 2024, GASB issued Statement No. 104, Disclosure of certain Capital Assets to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements – and Management’s Discussions and Analysis – for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. This statement is effective for fiscal years beginning after June 15, 2025. The City is evaluating the impact of this statement on its financial statements.

In December 2025, GASB issued Statement No. 105, Subsequent Events, to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting in the information needs of financial statement users. This statement is effective for fiscal years beginning after June 15, 2026. The City is evaluating the impact of this statement on its financial statements.

NOTE 2 — 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

Exhibit 3 on page 14 is a reconciliation between Total Fund Balances-Total Governmental Funds and Net Position-Governmental Activities. One element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$713,767 difference are as follows:

Delinquent Property Taxes Receivable	\$ 428,448
Outstanding Warrants Receivable	171,349
Note Receivable	<u>113,970</u>
Net Adjustment to <i>Increase</i> Total Fund Balances-Total Governmental Funds	
to Arrive at Net Position-Governmental Activities	<u><u>\$ 713,767</u></u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

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

Another element of the reconciliation states that “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(6,736,007) difference are as follows:

Certificates of Obligation Payable	\$ (5,875,000)
Accrued Interest	(44,917)
Unamortized Premium on Issue	(92,127)
Notes Payable	(320,006)
Lease Payable	(124,743)
Accrued Compensated Absences	<u>(279,214)</u>
Net Adjustment to <i>Decrease</i> Total Fund Balances-Total Governmental Funds to Arrive at Net Position-Governmental Activities	<u><u>\$ (6,736,007)</u></u>

The reconciliation states that “Recognition of the City’s net pension liability and OPEB liability and related deferred resource inflows and outflows occurs in the Statement of Net Position but is not reported in the funds.” The details of this \$(3,341,718) difference are as follows:

Net Pension Liability	\$ (3,206,862)
Net OPEB Liability	(705,918)
Deferred Resource Inflow	(2,749,661)
Deferred Resource Outflow	<u>3,320,723</u>
Net Adjustment to <i>Decrease</i> Total Fund Balances-Total Governmental Funds to Arrive at Net Position-Governmental Activities	<u><u>\$ (3,341,718)</u></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

Exhibit 5 on page 18 is 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 that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(452,133) difference are as follows:

Capital Outlay Expenditures, net of disposals	\$ 2,391,354
Depreciation Expense	<u>(2,843,487)</u>
Net Adjustment to <i>Increase</i> Net Changes in Fund Balances-Total Governmental Funds to Arrive at Changes in Net Position-Governmental Activities	<u><u>\$ (452,133)</u></u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

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 the reconciliation states that “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 \$54,247 difference are as follows:

Current Year Increase/(Decrease) in Net Property Taxes Receivable	\$ 65,483
Current Year Increase/(Decrease) in Net Outstanding Warrants Receivable	<u>(11,236)</u>
Net Adjustment to <i>Decrease</i> Net Changes in Fund Balances-Total Governmental Funds	
to Arrive at Changes in Net Position-Governmental Activities	<u>\$ 54,247</u>

Another element of the reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) 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.” The details of this \$809,618 difference are as follows:

Principal Payments on Certificates of Obligation	\$ 705,550
Principal Payments on Notes Payable	186,080
Principal Payments on Leases Payable	17,288
Current Year (Increase)/Decrease in Accrued Interest Payable	(25,291)
Proceeds from Leases	(96,431)
Amortization of Bond Premium	<u>22,422</u>
Net Adjustment to <i>Decrease</i> Net Changes in Fund Balances-Total Governmental Funds	
to Arrive at Changes in Net Position-Governmental Activities	<u>\$ 809,618</u>

Another element of the reconciliation states that “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 \$630,340 difference are as follows:

Increase in Compensated Absences	\$ 82,594
Net OPEB Liability Expenses	(10,648)
Net Pension Liability Expenses	<u>558,394</u>
Net Adjustment to <i>Decrease</i> Net Changes in Fund Balances-Total Governmental Funds	
to Arrive at Changes in Net Position-Governmental Activities	<u>\$ 630,340</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for all governmental funds except the Street Renovation Fund, Task Force Fund, Civic Center Fund, and 2012 Bond Fund. Additionally, the Water and Sewer Enterprise Fund is budgeted. Encumbrance accounting is employed in all funds. Encumbrances outstanding at year-end are cancelled. All annual appropriations lapse at fiscal year-end.

The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Additionally, transfers from other funds and carryovers from prior years are budgeted as revenue. During the year ended September 30, 2025, the City revised its budget.

Total appropriations for all departments of the City may not exceed the reasonable and anticipated revenues of the City in excess of fixed charges for the year. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and Special Revenue Funds, as well as the Water and Sewer Enterprise Fund. For the year ended September 30, 2025, actual expenditures were below budgeted amounts in every department except for the Sanitation department and Nondepartmental expenditures.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2025 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 2,260,469
Restricted cash and cash equivalents	197,931
Investments	1,389,705
Restricted investments	-
Fiduciary Funds	
Cash and cash equivalent	1,552
Restricted cash and cash equivalents	-
Total Cash and Investments	<u>\$ 3,849,657</u>
Cash on hand	\$ 3,710
Cash and cash equivalents held in investment account	716,043
External Investment pools	655,293
Savings and checking accounts	<u>2,474,611</u>
Total Cash and Investments	<u>\$ 3,849,657</u>

At September 30, 2025, the carrying amount of the City's deposits with financial institutions, including time deposits and certificates of deposits, was \$3,849,657 and the bank balance was \$3,975,722. The bank balance was fully covered by federal depository insurance or collateral held by the pledging financial institution's agent in the City's name.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

A. Deposits and Investments – Continued

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

During the year ended September 30, 2025, the City invested in certificates of deposit with its depository bank and a public funds investment pool. The City's investment in the public funds investment pool as of September 30, 2025, is shown below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
Certificates of Deposit	\$ 716,043	0.53	N/A
TexSTAR	655,293	0.04384	AAAm
	<u>\$ 1,371,336</u>		

GASB Statement No. 77, Fair Value Measurement and Application, establishes a fair value hierarchy for inputs used in the measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk.)

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

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

A. Deposits and Investments – Continued

A summary of the City’s investments under the requirements of the fair value hierarchy as of September 30, 2025 are as follows:

	Assets at Fair Value as of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Primary Government:				
Certificates of Deposit	\$ -	\$ 716,043	\$ -	\$ 716,043
Texas Government Investment Pool	-	655,293	-	655,293
Total Primary Government	<u>\$ -</u>	<u>\$ 1,371,336</u>	<u>\$ -</u>	<u>\$ 1,371,336</u>

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City’s investment policy limits its investments to U.S. government securities, investment pools, certificates of deposit, and money market funds. The City was not significantly exposed to credit risk.

At September 30, 2025, the City’s investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. The City was not exposed to custodial credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City’s investment policy limits the concentration of its investments by investment type. The City was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City does not engage in foreign currency transactions. The City was not exposed to foreign currency risk.

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

A. Deposits and Investments – Continued

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

TexSTAR – The City invests in the Texas Short Term Asset Reserve Program (TexSTAR), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer Agency Services are provided by Boston Financial Data Services, Inc. The business affairs managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

B. Receivables

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

	General Fund	Street and Drainage Fund	Water & Sewer Enterprise	Other Governmental Funds	Total
Receivables:					
Accounts	\$ 611,845	\$ 2,300	\$ 826,102	\$ 141,402	\$ 1,581,649
Taxes	1,971,782	-	-	31,033	2,002,815
Assessments	-	28,006	-	-	28,006
Lease Receivable	509,202	-	-	-	509,202
Note Receivable	113,970	-	-	-	113,970
Miscellaneous	80,439	-	-	-	80,439
Gross receivables	3,287,238	30,306	826,102	172,435	4,316,081
Less: Allowance for Uncollectables	(409,162)	-	(28,760)	-	(437,922)
Net Receivables	<u>\$ 2,878,076</u>	<u>\$ 30,306</u>	<u>\$ 797,342</u>	<u>\$ 172,435</u>	<u>\$ 3,878,159</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

B. Receivables – Continued

The only receivables not expected to be collected within one year are \$30,306 of Special Assessment receivables in the Street and Drainage Special Revenue Fund. During the year, the City had a note receivable in the amount of \$113,970 to Henderson Village, LTD, which will be collected in full in January 2034. The original amount of the receivable is \$140,000 with an interest rate of 3.00%.

Governmental funds report deferred revenue (deferred inflows of resources) in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

C. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,578,679	\$ -	\$ -	\$ 2,578,679
Construction in progress	-	95,138	-	95,138
Total Capital Assets, Not Being Depreciated	<u>2,578,679</u>	<u>95,138</u>	<u>-</u>	<u>2,673,817</u>
Capital Assets, Being Depreciated				
Buildings	14,405,391	72,002	-	14,477,393
Improvements other than buildings	5,215,231	-	-	5,215,231
Motor Vehicles	2,687,016	149,538	198,328	2,638,226
Equipment	6,119,611	63,849	-	6,183,460
Infrastructure	26,630,513	1,914,396	-	28,544,909
Right-of-use Asset	72,674	96,431	-	169,105
Total Capital Assets, Being Depreciated	<u>55,130,436</u>	<u>2,296,216</u>	<u>198,328</u>	<u>57,228,324</u>
Less Accumulated Depreciation For:				
Buildings	2,786,065	492,158	-	3,278,223
Improvements other than buildings	4,114,564	540,521	-	4,655,085
Motor Vehicles	1,482,726	386,462	198,328	1,670,860
Equipment	4,715,963	552,595	-	5,268,558
Infrastructure	5,065,576	852,434	-	5,918,010
Right-of-use Asset	27,025	19,317	-	46,342
Total Accumulated Depreciation	<u>18,191,919</u>	<u>2,843,487</u>	<u>198,328</u>	<u>20,837,078</u>
Net Total Assets Being Depreciated	<u>36,938,517</u>	<u>(619,273)</u>	<u>-</u>	<u>36,391,246</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,517,196</u>	<u>\$ (452,133)</u>	<u>\$ -</u>	<u>\$ 39,065,063</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

C. Capital Assets – Continued

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 410,131	\$ -	\$ -	\$ 410,131
Construction in Progress	4,426,248	91,822	43,750	4,474,320
Total Capital Assets, Not Being Depreciated	4,836,379	91,822	43,750	4,884,451
Capital Assets, Being Depreciated				
Water and Sewer System	39,400,680	694,364	-	40,095,044
Machinery and Equipment	2,265,653	167,428	-	2,433,081
Total Capital Assets, Being Depreciated	41,666,333	861,792	-	42,528,125
Less Accumulated Depreciation For:				
Water and Sewer System	19,549,966	1,241,466	-	20,791,432
Machinery and Equipment	1,618,193	257,178	-	1,875,371
Total Accumulated Depreciation	21,168,159	1,498,644	-	22,666,803
Net Total Assets Being Depreciated	20,498,174	(636,852)	-	19,861,322
Business-Type Activities Capital Assets, Net	\$ 25,334,553	\$ (545,030)	\$ 43,750	\$ 24,745,773

Right-of-Use Assets

A lease is defined as a contract that conveys control of the right of use of another entity's nonfinancial asset as specified in a contract for a period of time in an exchange or exchange-like transaction. The City is party to a variety of lease contracts as lessee for which this right-of-use (ROU) has been recognized as an asset on the balance sheet.

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 398,046
Public Safety	792,462
Public Services	1,652,979
Total depreciation expense, governmental activities	<u>\$ 2,843,487</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 1,498,644</u>

As of September 30, 2025, the City has various active construction projects. The projects are for street and water and sewer construction. At year-end the City's commitment with contractors are as follows:

Project	Spent To-Date	Estimated Remaining Construction
Water meter upgrades	4,474,320	126,213
City Hall Emergency Generator	87,818	32,182
Police Department Gun Range	7,320	60,680

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2025, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer	410,045
Tourism Fund	General Fund	4,685
Drug Seizure	General Fund	1,185
Cemetery Fund	General Fund	74
		<u>74</u>
Total		<u><u>\$ 415,989</u></u>

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

The composition of interfund transfers as of September 30, 2025, is as follows:

	<u>Transfers In</u>			
	<u>General</u>	<u>Main Street</u>	<u>Water & Sewer</u>	<u>Total</u>
<u>Transfers Out:</u>				
General	\$ -	\$ 17,000	\$ 93,514	\$ 110,514
General Construction	-	-	-	-
Water and Sewer	<u>169,540</u>	<u>-</u>	<u>-</u>	<u>169,540</u>
Total transfers out/in	<u><u>\$ 169,540</u></u>	<u><u>\$ 17,000</u></u>	<u><u>\$ 93,514</u></u>	<u><u>\$ 280,054</u></u>

E. Long-Term Debt

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2025:

	<u>GENERAL OBLIGATION</u>	<u>REVENUE</u>	<u>TOTAL</u>
Bonds payable - October 1, 2024	\$ 100,000	\$ 13,390,000	\$ 13,490,000
Additions	-	-	-
Retirements	<u>(100,000)</u>	<u>(1,000,000)</u>	<u>(1,100,000)</u>
Bonds payable - September 30, 2025	<u><u>\$ -</u></u>	<u><u>\$ 12,390,000</u></u>	<u><u>\$ 12,390,000</u></u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

E. Long-Term Debt- Continued

Original issue amounts currently outstanding are as follows:

Purpose	Interest Rates	Original Issue Amount
Governmental Activities:		
2011 Tax & Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation	2.25% - 4.0%	\$ 90,000
2012 Tax & Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation	0.88% - 3.16%	-
2019 Tax & Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation	3.25% - 4.50%	4,370,000
2023 Tax Revenue Certificates of Obligation	4.44%	1,415,000
Business-Type Activities:		
2012 Tax & Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation	0.88% - 3.16%	-
2014 General Obligation Refunding Bonds	2.00% - 2.50%	-
2018 Tax & Waterworks and Sewer System Limited Pledge Revenue Certificates of Obligation	3.125% - 4.0%	6,515,000
Total General Obligation Bonds and Certificates of Obligation		<u>\$ 12,390,000</u>

Annual debt service requirements to maturity for the City for general obligation bonds, certificates of obligation, and revenue bonds are as follows:

Year Ending September 30	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2026	730,000	206,048	405,000	217,631	\$ 1,558,679
2027	765,000	173,696	425,000	201,431	1,565,127
2028	790,000	146,747	440,000	184,431	1,561,178
2029	820,000	118,899	455,000	171,231	1,565,130
2030	850,000	89,929	470,000	157,581	1,567,510
2031-2035	1,920,000	146,988	2,565,000	558,444	5,190,432
2036-2039	-	-	1,755,000	123,544	1,878,544
Total	<u>\$ 5,875,000</u>	<u>\$ 882,307</u>	<u>\$ 6,515,000</u>	<u>\$ 1,614,294</u>	<u>\$ 14,886,601</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

E. Long-Term Debt- Continued

Changes in Long-Term Liabilities

Long term liability activity for the year ended September 30, 2025 was as follows:

	Beginning Balance 10/01/24	Additions	Reductions	Ending Balance 09/30/25	Due Within One Year
Governmental Activities:					
Certificates of Obligation	6,580,550	-	705,550	5,875,000	730,000
Add: Premium on Issue	114,549	-	22,422	92,127	-
Total Bonds Payable	<u>6,695,099</u>	<u>-</u>	<u>727,972</u>	<u>5,967,127</u>	<u>730,000</u>
Lease liability	45,600	96,431	17,288	124,743	30,055
Notes Payable	506,086	-	186,080	320,006	184,050
OPEB Liability	745,307	-	39,389	705,918	-
Compensated Absences	362,168	-	82,954	279,214	27,921
Net Pension Liability	<u>5,323,034</u>	<u>-</u>	<u>2,116,172</u>	<u>3,206,862</u>	<u>-</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 13,677,294</u>	<u>\$ 96,431</u>	<u>\$ 3,169,855</u>	<u>\$ 10,603,870</u>	<u>\$ 972,026</u>
Business-Type Activities:					
General Obligation Bonds	100,000	-	100,000	-	-
Add: Premium on Issue	41	-	41	-	-
Certificates of Obligation	6,809,450	-	294,450	6,515,000	405,000
Add: Premium on Issue	<u>17,887</u>	<u>-</u>	<u>2,491</u>	<u>15,396</u>	<u>-</u>
Total Bonds Payable	<u>6,927,378</u>	<u>-</u>	<u>396,982</u>	<u>6,530,396</u>	<u>405,000</u>
Notes Payable	3,981,136	-	263,110	3,718,026	269,661
OPEB Liability	191,878	-	8,880	182,998	-
Compensated Absences	72,555	3,943	-	76,498	7,650
Net Pension Liability	<u>1,517,929</u>	<u>-</u>	<u>472,155</u>	<u>1,045,774</u>	<u>-</u>
Business-Type Activity					
Long-Term Liabilities	<u>\$ 12,690,876</u>	<u>\$ 3,943</u>	<u>\$ 878,017</u>	<u>\$ 11,553,692</u>	<u>\$ 682,311</u>

The liabilities listed above for compensated absences are liquidated by the General Fund or the Water & Sewer Enterprise Fund, depending upon which fund records the employee's salary.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

F. Leases

The City has various copiers and public safety radios under lease, along with leases to third parties for property and equipment. With the implementation of GASB Statement No. 87 Leases, effective for the fiscal year ended September 30, 2022, all leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions. With this implementation, a respective receivable or payable is recognized.

Lessor Leases Receivable

During the current year, the City has entered into a new lease agreement for land with Sparklight. Lease receivables additions for the year ended September 30, 2025, were \$0 and lease revenue for the year then ended was \$51,831. Annual payments range from \$11,000 to \$24,000 at an interest rate of 4.06%. Future annual lease receivables as of September 30, 2025, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2026	\$ 41,512	\$ 19,979	\$ 61,491
2027	43,676	18,265	61,941
2028	33,451	16,699	50,150
2029	37,060	15,282	52,342
2030	39,094	13,754	52,848
2031-2035	133,424	50,244	183,668
2036-2040	124,306	23,744	148,050
2041-2045	56,679	3,344	60,023
Total Future Receipts	<u>\$ 509,202</u>	<u>\$ 161,311</u>	<u>\$ 670,513</u>

Lessee Leases Payable

In March of 2022, the City entered into a lease with UT Health for radios for the police and fire departments. Lease payable payments were \$7,908. Annual payments for the lease are based on the number of radios in use at the beginning of each year. For the year ended September 30, 2025, the City had 87 radios in use at a rate of \$100 per radio. The City expects this number to remain constant for the foreseeable future. Annual payments for the radios are \$8,700 at an interest rate of 2.39%.

During 2025, the City was party to four additional leases for office equipment. Lease payable payments were \$2,138 for 2025 per month with an interest rate ranging from 3.85% to 4.32%. The future annual lease payables as of September 30, 2025, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 30,055	\$ 1,385	\$ 31,440
2026	31,132	1,010	32,142
2027	23,549	623	24,172
2028	22,196	222	22,418
2029	17,332	53	17,385
Thereafter	479	4	483
Total Future payments	<u>\$ 124,743</u>	<u>\$ 3,297</u>	<u>\$ 128,040</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 5 — DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

C. Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2024</u>	<u>12/31/2023</u>
Inactive employees or beneficiaries currently receiving benefits	95	93
Inactive employees entitled to but not yet receiving benefits	76	78
Active employees	<u>136</u>	<u>134</u>
	307	305

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

D. Contributions

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

Employees for the City of Henderson were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.88% for calendar year 2025. The contribution rate for the 2024 calendar year was 16.71%. The City's contributions to TMRS for the year ended September 30, 2025, were \$1,589,473 and exceeded the required contributions by \$7.

E. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- 15 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

F. Actuarial Assumptions - Continued

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%

G. Discount Rate

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

H. Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 45,361,597	\$ 38,520,634	\$ 6,840,963
Changes for the year:			
Service Cost	1,565,516	-	1,565,516
Interest	3,010,105	-	3,010,105
Change in benefit terms	(473,834)	-	(473,834)
Difference between expected/actual experience	(623,096)	-	(623,096)
Changes in assumptions	-	-	-
Contributions - employer	-	1,474,698	(1,474,698)
Contributions - employee	-	617,767	(617,767)
Net investment income	-	4,000,821	(4,000,821)
Benefits payments, including refunds of employee contributions	(2,152,755)	(2,152,755)	-
Administrative expenses	-	(25,668)	25,668
Other charges	-	(600)	600
Net changes	1,325,936	3,914,263	(2,588,327)
Balance at 12/31/2024	\$ 46,687,533	\$ 42,434,897	\$ 4,252,636

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

I. 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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 13,750,717	\$ 4,252,636	\$ 1,242,305

J. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

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

For the year ended September 30, 2025, the city recognized pension expense in the amount of \$914,518.

At September 30, 2025, 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 economic experience	\$ 606,263	\$ 475,791
Changes in actuarial assumptions	-	181,139
Differences between projected and actual investment earnings	2,111,268	2,533,069
Contributions subsequent to the measurement date	1,224,328	-
Total	<u>\$ 3,941,859</u>	<u>\$ 3,189,999</u>

The City had \$1,224,328 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2025	\$ 94,081
2026	441,816
2027	(694,365)
2028	(314,011)
2029	-
Thereafter	-
	<u>\$ (472,479)</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 6 — POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

1. Health Plan

A. Plan Description

In addition to the pension benefits previously described, the City makes available health care benefits to eligible employees, and their spouses and children, who retire from the City. The plan is a single-employer defined benefit healthcare plan that is self-funded by the City.

The plan does not issue a stand-alone report.

B. Benefits Provided

In addition to providing pension benefits, the City allows eligible retirees and dependents the option to continue participation in the same health plans available to active employees until they become eligible for Medicare coverage.

To be eligible for retiree health benefits, employees must meet the following criteria:

- An employee must be eligible to retire under the standards of retirement as established by TMRS to qualify for benefits.
- An employee and their dependents covered under the City's health plan at the effective date of the employee's retirement and not eligible for Medicare.
- An employee must have completed 15 years of consecutive service prior to retirement with the City.

Dental and vision benefits may be continued with the retiree paying 100% of the full active employee cost.

C. Employees Covered by Benefit Terms

At the September 30, 2025 measurement date the following employees were covered by the benefit terms:

	<u>9/30/2025</u>
Inactive employees currently receiving benefits	9
Active employees	<u>128</u>
	137

D. Contributions

The City contributions consists of monthly premium contributions. Effective October 1, 2013, the City provides a monthly subsidy to retirees with 15 or more years of service with the City at retirement. The monthly subsidy ranges from \$150 with 15-19 years of City service at retirement to \$350 years with 35 or more years of City service.

Medical benefits are available with four coverage tiers depending on dependent status. The dental and vision benefits, and dependent coverage do not have a subsidy by the City, so are not included by the actuaries in the valuation.

	<u>Employee</u>	<u>Emp/Child(ren)</u>	<u>Emp/Spouse</u>	<u>Emp/Family</u>
<u>Medical</u>				
Total Premium	\$ 502.83	\$ 1,111.90	\$ 1,011.12	\$ 1,620.19
City Pays	502.83	878.40	839.23	1,182.74

The City's contributions for the year ended September 30, 2025, were \$56,262 (includes \$23,400 in subsidy contributions made by the employer).

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

E. Total OPEB Liability

The City's total OPEB liability was measured as of September 30, 2025 and was determined by an actuarial valuation as of September 30, 2024.

F. Actuarial Assumptions

The total OPEB liability in the September 30, 2025, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50%
Discount rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Healthcare cost trend rates	Level 4.50%

The actuarial cost method being used is known as the Entry Age Normal Method assuming Service Cost is determined as a level percent of pay that would fully fund the benefit promise by the time of retirement. Service cost is determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination. Termination and retirement rates were developed from assumptions used in the 2017 actuarial valuation report for the Texas Municipal Retirement System ("TMRS").

Salary increases were based on a service-related table. Mortality rate for active members, retirees, and beneficiaries were based on the RPH-2014 Total Table with Projection MP-2021. The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients.

The discount rate used to determine the plan liabilities for retiree healthcare benefits is based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust, the Bond Buyer GO Bond 20 Index is used for determining the discount rate of 4.77%.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of September 30, 2024	\$ 584,009
Changes for the year:	
Service cost	9,265
Interest	22,945
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(56,262)
Employer contributions	-
Net investment income	-
Administrative expenses	-
Other	
Net Changes	<u>(24,052)</u>
Balances as of September 30, 2025	<u>\$ 559,957</u>

H. Sensitivity of the Total OPEB Liability to Changes in the Discount and Healthcare Trend Rates

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.06%, would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current rate:

	1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
Total OPEB Liability	\$ 608,726	\$ 559,957	\$ 516,739

The following presents the total OPEB liability of the City, calculated using the assumed healthcare trend rate of 4.50%, would be if it were calculated using a trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.5%) than the current rate:

	1% Decrease in Trend Rate (3.50%)	Current Trend Rate (4.50%)	1% Increase in Trend Rate (5.50%)
Total OPEB Liability	\$ 512,586	\$ 559,957	\$ 615,354

I. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$66,579.

Components of OPEB Expense	
Service cost	\$ 9,265
Interest on total OPEB liability	22,945
Differences between expected and actual experience	26,279
Changes in assumptions	8,090
Projected earnings on OPEB plan investments	-
Differences between projected and actual earnings on plan investments	-
OPEB plan administrative expenses	-
Total OPEB expense	<u>\$ 66,579</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

J. Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in OPEB Expense in Future Years

At the September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 156,161	\$ 11,109
Changes in actuarial assumptions	59,256	50,590
Total	<u>\$ 215,417</u>	<u>\$ 61,699</u>

At the September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended September 30
2026	\$ 34,369
2027	34,369
2028	17,525
2029	14,320
2030	27,131
Thereafter	26,004
	<u>\$ 153,718</u>

2. Supplemental Death Benefits Plan

A. Plan Description

The City also participates in the single-employer defined benefit group-term life insurance plan. Texas Municipal Retirement System (TMRS) administers this defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). Like the Defined Benefit Pension Plan, the OPEB plan is under the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

B. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

C. Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2024</u>
Inactive employees currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>136</u>
	215

D. Contributions

The member cities contribute to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to prefund retiree life insurance during the employee's entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar year 2025, the total SDB contributions rate for the City was 0.27%, while the retiree portion of the SDB contribution was 0.13%. The City's contributions for the year ended September 30, 2025, were \$12,350 for the retiree portion, and \$25,618 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

E. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

F. Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.60% to 11.85% including inflation
Discount rate *	4.08%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due

F. Actuarial Assumptions (continued)

to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2023	\$ 353,176
Changes for the year:	
Service cost	16,739
Interest	13,381
Change of benefit terms	-
Difference between expected and actual experience	(22,645)
Changes of assumptions or other inputs	(18,477)
Benefit payments	(13,215)
Net changes	(24,217)
Balance at 12/31/2024	<u>\$ 328,959</u>

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (2.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	\$ 394,365	\$ 328,959	\$ 278,072

I. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$7,452.

Components of OPEB Expense	
Service cost	\$ 16,739
Interest on total OPEB liability	13,381
Effect of plan changes	-
Employer administration costs	-
Recognition of deferred outflows/inflows of resources:	
Recognition of economic/demographic gains or losses	(14,773)
Recognition of assumption changes or inputs	(7,895)
Total OPEB expense	<u>\$ 7,452</u>

At the September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,753	\$ 43,449
Changes in actuarial assumptions	60,742	113,484
Contributions made subsequent to the measurement date	9,076	-
Total	<u>\$ 82,571</u>	<u>\$ 156,933</u>

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

I. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB - Continued

The City had \$9,076 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31		
2025	\$	(27,183)
2026		(23,823)
2027		(27,101)
2028		(17,759)
2029		(5,098)
Thereafter		(928)
	\$	<u>(101,892)</u>

NOTE 7 — DEFICIT NET POSITION OR FUND BALANCE

At September 30, 2025, the City's Internal Service Fund has a deficit net position in the amount of \$31,107.

NOTE 8 — CONTINGENCIES AND COMMITMENTS

On November 16, 2006, the City entered into an agreement with Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 ("District") to acquire the option to purchase from the District up to four (4) million gallons of water per day. In consideration for the option granted by the District, the City shall pay \$150,000 annually for each year of the option. The option is for a term commencing as of the date executed and terminating on the earlier of (1) the date the parties enter into a water supply agreement, or (2) September 30, 2026, unless extended pursuant to a written agreement executed by the parties. The annual payment is reported by the City's Water and Sewer Fund as an operating expense.

On April 12, 2011, the City entered into an additional agreement with Angelina and Nacogdoches Water Control and Improvement District No. 1 ("District") to acquire the option to purchase from the District an additional three million four hundred thousand gallons of water per day. In consideration for the option granted by the District, the City shall pay \$150,000 annually for each year of the option. The option is for a term commencing as of the date executed and terminating on the earlier of (1) the date the parties enter into a water supply agreement, or (2) September 30, 2026, unless extended pursuant to a written agreement executed by the parties. The annual payment is reported by the City's Water and Sewer Fund as an operating expense.

On February 11, 1994, the City contracted with the Sabine River Authority ("Authority") to build and maintain a water collection facility. The Authority owns and operates all necessary equipment and devices of the water collection facility. The raw water collected from this facility is then sold and transported to the City. The City pays their proportionate part of the Annual Requirement to the Authority in monthly installments. In one year, the debt component will not be included in monthly installments. The water rights applicable to the City are not considered material as of September 30, 2025.

In May of 2019, the City signed a Memorandum of Understanding with the City of Kilgore, Texas ("Kilgore") for the rehabilitation of the pump station of the Authority. This agreement lasts for the duration of construction plus one year, as established by a Certificate of Final Completion. As part of this agreement, Henderson must fund 50% of the improvements, including engineering, construction, and any other contingencies associated with the improvements.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 — CONTINGENCIES AND COMMITMENTS - Continued

Effective September 9, 2003, the City signed a contract with Waste Connections for the collection and disposal of garbage within city limits. The service will be paid for in accordance with the rates set forth in the contract. As part of the contract, Waste Connections pays the City a monthly Street Rental Charge for the privilege of the use and occupancy of public streets and alleys of the City. Said Street Rental Charge shall be equal to 10% of the gross monthly revenues for refuse collection, hauling, and disposal collected under this contract. The most recent amendment of the contract was effective January 1, 2016. The term of the contract is for five years, ending December 31, 2020. This contract has been extended for an additional 5 years through December 31, 2025.

NOTE 9 — HENDERSON ECONOMIC DEVELOPMENT CORPORATION

The financial statements of Henderson Economic Development Corporation, (“HEDCO”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described in the following notes to the financial statements.

A. Reporting Entity

Henderson Economic Development Corporation is a nonprofit corporation created and organized under the constitution and laws of the State of Texas, particularly the Development Corporation Act of 1979, Article 5190.6 (the “Act”), Vernon’s Annotated Texas Civil Statutes, as amended for the promotion and/or development of new and/or expanding employment rolls within the City of Henderson, and/or Rusk County, Texas, and/or adjacent areas that will provide economic benefits to the City, and/or creation of jobs within Rusk County and, in some instances, adjoining counties that will stimulate the need for housing, retail sales, entertainment, etc. with the City. HEDCO is governed by Section 4A of the Act and is a constituted authority and instrumentality of the City of Henderson, Texas (the “City”).

HEDCO was created in January 1992 with revenue generated from a ½ of 1% sales tax passed by vote of the citizens of the City of Henderson with the proceeds dedicated to economic development. All directors are appointed by the City Council. The City Council must also approve HEDCO’s budget and all amendments.

During the year ended September 30, 2022, citizens voted to change HEDCO from a Type A economic development corporation to a Type B. With this change, the Board increased to seven directors. As of September 30, 2024, the transition from a Type A to a Type B economic development corporation was complete. HEDCO will complete current projects authorized as Type A projects before beginning Type B projects.

HEDCO is exempt from federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code.

As required by generally accepted accounting principles, these financial statements present HEDCO and do not include any component units, entities for which HEDCO is considered to be financially accountable. HEDCO did not have any entities which meet the component unit criteria. However, HEDCO is considered to be, and is reported as, a component unit of the City of Henderson, Texas.

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 activities of the government. Governmental activities are supported by sales taxes and investment revenue.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

include (1) charges to customers, citizens, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

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

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

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, HEDCO considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Taxes and interest income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by HEDCO.

HEDCO reports the following major Governmental fund:

The *General Fund* is HEDCO's primary operating fund. It accounts for all financial resources of HEDCO. There are no other funds.

When both restricted and unrestricted resources are available for use, it is HEDCO's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

HEDCO's cash is considered to be cash on hand, demand deposits, and money market accounts. State statutes and HEDCO's investment policy authorize HEDCO to invest in certificates of deposit.

2. Restricted Assets

During a previous fiscal year HEDCO finalized the conversion from a Type A Economic Development Corporation to a Type B. Restricted assets previously included the cash attributable to the Type A collections. During the year ended September 30, 2025, HEDCO expended the remaining Type A funds. Restricted assets are no longer required to be reported.

3. Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by HEDCO as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at date of acquisition where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

4. Long-term Obligations

In the Government-wide financial statements, long-term debt and other long-term obligations of the governmental funds are reported as liabilities in the governmental activities Statement of Net Position. In the fund financial statements, governmental fund types report the face amount of debt issued as Other Financing Sources and debt payments as Expenditures.

5. Deferred Inflows of Resources

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 position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

6. Net Position

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

7. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amount that can only be used for a specific purpose because of a formal action by HEDCO's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the HEDCO intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of HEDCO itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, HEDCO considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, HEDCO considers amounts to have been spent first out of committed funds, the assigned funds, and finally unassigned funds.

8. *Implementation of New Standards*

In the current fiscal year, HEDCO did not implement any new standards from the Governmental Accounting Standards Board (GASB).

9. *Estimates*

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

II. Stewardship, Compliance and Accountability

Budgetary Information

HEDCO's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), except that HEDCO budgets a portion of its fund balance as "contingency funds" available for appropriation, and loans made to other entities are reported as expenditures.

The original budget is adopted by the Board of Directors prior to the beginning of the fiscal year. The legal level of control is the total approved budget for the General fund. All amendments to the budget must be approved by the Board. In addition, HEDCO's budget and any amendments must be approved by the City of Henderson. During the year ended September 30, 2025, HEDCO revised its budget as needed. Appropriations lapse at the end of the year.

III. Detailed Notes on All Funds

A. Deposits and Investments

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

1. Deposits:

At September 30, 2025, the carrying amount of HEDCO's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,455,389 and the bank balance was \$4,471,742. HEDCO's cash deposits at September 30, 2025 and during the period ended September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by HEDCO's agent bank in HEDCO's name.

2. Investments:

HEDCO is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2)

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, HEDCO adhered to the requirements of the Act. Additionally, investment practices of HEDCO were in accordance with local policies.

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

During the year ended September 30, 2025, HEDCO had no investments. All HEDCO's deposits were in a demand deposit account and a money market accounts.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, HEDCO was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in HEDCO's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in HEDCO's name.

At year end, HEDCO was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, HEDCO was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, HEDCO was not exposed to interest rate risk.

e. Foreign Currency Risk

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

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

B. Receivables

Receivables at September 30, 2025 are as follows:

Sales Taxes (from City of Henderson)	\$ 343,530
Notes Receivable - Local Business (Incentive)	7,000
Notes Receivable - Rail District 2009	680,000
Misc. Receivables	<u>661</u>
Total	<u><u>\$ 1,031,191</u></u>

Notes Receivable:

On November 13, 2009, HEDCO loaned the Rusk County Rural Rail District ("Rail District") the sum of \$1,200,000 to assist the Rail District in securing the Henderson-Overton Railroad. The loan is interest free and was originally scheduled to be repaid to HEDCO over a fifteen (15) year period, beginning on the first day after the thirty-seventh (37th) month after the execution of the agreement, which was December 1, 2012. The monthly payment was originally \$6,667; in 2014 the Rail District requested that their monthly payments be reduced to \$3,333 for 12 months. The Rail District resumed their regular monthly payments on October 1, 2015.

On December 10, 2020, the HEDCO board approved the suspension of note payments from the Rail District for a period of one year, beginning January 2020. Payments resumed January 2021.

On January 13, 2022 the Board approved deferring the payments from the Rusk County Rural Rail District 2009 loan for 15 years.

On March 25, 2021, a note in the amount of \$30,000 was executed between HEDCO and a local business entity as an economic incentive. The agreement provides for five (5) \$6,000 annual payments beginning one year from the execution of this agreement. However, in the agreement HEDCO has agreed to forgive the repayment of the loan if the entity hires and retains six (6) full-time employees for a period of not less than five (5) years. In the event the entity fails to uphold the agreement, HEDCO reserves the right to demand repayment of the loan balance outstanding after its receipt of a notice of default and a thirty (30) day opportunity to cure. In no event will HEDCO forgive more than \$6,000 of the loan balance in any given year. As of the year ended September 30, 2025, \$23,000 has been forgiven by HEDCO, leaving the balance at \$7,000.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

C. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and Investment Property	\$ 9,052,334	\$ 1,099,935	\$ 9,762	\$ 10,142,508
Construction in Progress	190,540	1,929,426	1,152,933	967,034
Total capital assets not being depreciated	<u>9,242,875</u>	<u>3,029,362</u>	<u>1,162,695</u>	<u>11,109,542</u>
Capital assets being depreciated:				
Buildings and Improvements	1,610,445	352,497	-	1,962,942
Land Improvements	-	504,350	-	504,350
Intangible Asset	-	15,000	-	15,000
Leasehold Improvements	-	28,483	-	28,483
Right-to-Use Asset	4,195	-	4,195	-
Total capital assets being depreciated	<u>1,614,640</u>	<u>900,330</u>	<u>4,195</u>	<u>2,510,775</u>
Less accumulated depreciation for:				
Buildings and Improvements	(40,261)	(50,106)	-	(90,367)
Land Improvements	-	-	-	-
Intangible Asset	-	(3,958)	-	(3,958)
Leasehold Improvements	-	(475)	-	(475)
Right-to-Use Asset	(2,850)	(950)	(3,800)	-
Total accumulated depreciation	<u>(43,111)</u>	<u>(55,489)</u>	<u>(3,800)</u>	<u>(94,800)</u>
Total capital assets being depreciated, net	<u>1,571,529</u>	<u>844,841</u>	<u>395</u>	<u>2,415,975</u>
Governmental activities capital assets, net	<u>\$ 10,814,404</u>	<u>\$ 3,874,202</u>	<u>\$ 1,163,090</u>	<u>\$ 13,525,516</u>

Depreciation was charged to functions as follows:

General Government	\$ 950
Economic Development	54,539
Total	<u>\$ 55,489</u>

D. Long-Term Obligations

Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2025 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital Financing Activities	\$ 1,441	\$ -	\$ 1,441	\$ -	\$ -

During the year ended September 30, 2022, HEDCO entered into a leasing agreement for a copy machine totaling \$4,195 payable in monthly installments of \$88 at an assumed interest rate of 4.68 percent, which was completed the year ended September 30, 2025. Variable payments are not included in the measurement of the lease.

During the year ended September 30, 2025, the City of Henderson entered into a lease agreement for copy machines and printers. HEDCO reimburses the City of Henderson for a portion of the payment to have use of one of the machines.

CITY OF HENDERSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED SEPTEMBER 30, 2025

IV. Other Information

A. Risk Management

HEDCO is exposed to various risks of loss related to torts, injury to persons on HEDCO property, errors and omissions and injuries to employees. HEDCO carries commercial insurance for injuries to employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

HEDCO is covered by the City of Henderson through its coverage with the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in general liability and errors and omissions liability.

B. Contingencies and Commitments

1. HEDCO has entered into incentive agreements with various entities to encourage economic growth in the City of Henderson and the surrounding area. Generally, the agreements provide money and facilities to new and existing entities in the area for economic development and creating and maintaining jobs. In the agreements, the entities must maintain a certain level of employment or invest in their facilities in order to receive the incentives.

2. Construction Commitments

HEDCO has an active construction project for site grading and electrical improvements at Henderson Innovation Park as of September 30, 2025. At year-end, HEDCO's commitments related to the projects are as follows:

Project	<u>Spent to Date</u>	<u>Remaining Contract</u>
Henderson Innovation Park		
Site Grading & Electrical Improvements	\$ 868,034	\$ 114,215
	\$ 868,034	\$ 114,215

NOTE 10 — RISK MANAGEMENT

The City of Henderson, Texas is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended September 30, 2025. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Also, the City of Henderson, Texas is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage and real and personal property coverages.

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the Plan). The City contributes 100% of the cost for employee coverage and 50% of the cost for dependent coverage to the Plan and, employees electing dependent coverage authorize payroll withholding to pay the balance of contributions for their dependents.

NOTE 11 — SUBSEQUENT EVENTS

Subsequent events were evaluated through March 18, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015
Total Pension Liability										
Service Cost	\$ 1,565,516	\$ 1,411,840	\$ 1,189,689	\$ 1,150,324	\$ 1,126,479	\$ 1,063,363	\$ 1,011,452	\$ 934,893	\$ 897,939	\$ 870,520
Interest (on the Total Pension Liability)	3,010,105	2,847,076	2,701,418	2,537,296	2,412,081	2,291,080	2,217,636	2,123,017	1,995,617	1,956,707
Changes in benefit terms	(473,834)	917,039	106,570	365,425	(310,723)	(73,290)	577,038	(886,715)	291,787	(24,907)
Difference between expected and actual results	(623,096)	(326,053)	-	-	-	132,130	(563,934)	-	-	76,020
Change of assumptions	(2,152,755)	(1,922,589)	(1,979,109)	(1,312,473)	(1,465,963)	(1,838,517)	(1,367,586)	(1,401,900)	(1,230,942)	(1,329,666)
Benefit payments, including refunds of employee contributions	1,325,936	2,927,313	2,018,568	2,749,572	1,761,874	1,574,766	1,874,606	769,295	1,954,401	1,548,674
Net Change in Total Pension Liability	45,361,597	42,434,284	40,415,716	37,666,144	35,904,270	34,329,504	32,454,898	31,685,603	29,731,202	28,182,528
Total Pension Liability - Beginning	\$ 46,687,533	\$ 45,361,597	\$ 42,434,284	\$ 40,415,716	\$ 37,666,144	\$ 35,904,270	\$ 34,329,504	\$ 32,454,898	\$ 31,685,603	\$ 29,731,202
Total Pension Liability - Ending (a)										
Plan Fiduciary Net Position										
Contributions - Employer	\$ 1,474,698	\$ 1,400,988	\$ 1,139,707	\$ 1,132,268	\$ 1,062,570	\$ 1,059,111	\$ 1,031,851	\$ 943,858	\$ 883,082	\$ 881,591
Contributions - Employee	617,767	601,283	487,007	473,470	462,032	452,088	435,188	418,430	402,971	407,874
Net Investment Income	4,000,821	3,990,122	(2,742,401)	4,300,737	2,324,026	4,147,962	(825,940)	3,363,955	1,534,069	33,532
Benefit payments, including refunds of employee contributions	(2,152,755)	(1,922,589)	(1,979,109)	(1,312,473)	(1,465,963)	(1,838,517)	(1,367,586)	(1,401,900)	(1,230,942)	(1,329,666)
Administrative Expense	(25,668)	(23,385)	(23,730)	(19,900)	(15,042)	(23,436)	(15,962)	(17,430)	(17,322)	(20,423)
Other	(600)	(178)	28,316	136	(587)	(704)	(834)	(883)	(933)	(1,009)
Net Change in Plan Fiduciary Net Position	3,914,263	4,044,241	(3,090,210)	4,574,238	2,367,036	3,796,504	(743,283)	3,306,030	1,570,925	(28,101)
Plan Fiduciary Net Position - Beginning	38,520,634	34,476,393	37,566,603	32,992,365	30,625,329	26,828,825	27,572,108	24,266,078	22,695,153	22,723,254
Plan Fiduciary Net Position - Ending (b)	\$ 42,434,897	\$ 38,520,634	\$ 34,476,393	\$ 37,566,603	\$ 32,992,365	\$ 30,625,329	\$ 26,828,825	\$ 27,572,108	\$ 24,266,078	\$ 22,695,153
Net Pension Liability - Ending (a)-(b)	4,252,636	6,840,963	7,957,891	2,849,113	4,673,779	5,278,941	7,500,679	4,882,790	7,419,525	7,036,049
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.89%	84.92%	81.25%	92.95%	87.59%	85.30%	78.15%	84.96%	76.58%	76.33%
Covered Payroll	\$ 8,809,882	\$ 8,290,311	\$ 6,957,243	\$ 6,763,853	\$ 6,595,311	\$ 6,448,533	\$ 6,209,037	\$ 5,977,575	\$ 5,748,651	\$ 5,826,773
Net Pension Liability as a Percentage of Covered Payroll	48.27%	82.52%	114.38%	42.12%	70.87%	81.86%	120.80%	81.69%	129.07%	120.75%

CITY OF HENDERSON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 1,613,086	\$ 1,431,953	\$ 1,370,328	\$ 1,122,677	\$ 1,137,481	\$ 1,073,635	\$ 1,065,616	\$ 984,706	\$ 933,672	\$ 876,745
Contributions in relation to the actuarially determined contributions	(1,589,473)	(1,431,960)	(1,377,690)	(1,124,397)	(1,137,481)	(1,073,635)	(1,065,616)	(984,658)	(933,672)	(876,745)
Contribution deficiency (excess)	\$ 23,613	\$ (7)	\$ (7,362)	\$ (1,720)	\$ -	\$ -	\$ -	\$ 48	\$ -	\$ -
Covered payroll	\$ 9,164,590	\$ 8,617,954	\$ 8,397,233	\$ 6,825,578	\$ 6,863,337	\$ 6,631,071	\$ 6,386,222	\$ 6,095,122	\$ 5,960,397	\$ 5,670,442
Contributions as a percentage of covered payroll	17.34%	16.62%	16.41%	16.47%	16.57%	16.19%	16.69%	16.15%	15.66%	15.46%

NOTES TO SCHEDULE OF CONTRIBUTIONS**Valuation Date:**

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	231 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. 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.
Other Information:	Adopted 70% non-retroactive repeating COLA.

CITY OF HENDERSON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFITS PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
Total OPEB Liability								
Service Cost	\$ 16,739	\$ 13,264	\$ 24,350	\$ 20,968	\$ 15,169	\$ 10,963	\$ 10,555	\$ 8,369
Interest	13,381	12,822	8,444	8,666	10,478	14,754	11,028	11,036
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(22,645)	5,077	(1,161)	(10,090)	(26,793)	(99,500)	68,894	-
Change of assumptions and other inputs	(18,477)	17,452	(158,875)	13,646	57,256	58,599	(22,376)	24,369
Benefit payments	(13,215)	(10,777)	(8,349)	(10,146)	(3,298)	(3,869)	(3,725)	(3,587)
Net Change in Total OPEB Liability	(24,217)	37,838	(135,591)	23,044	52,812	(19,053)	64,376	40,187
Total OPEB Liability - Beginning	353,176	315,338	450,929	427,885	375,073	394,126	329,750	289,563
Total OPEB Liability - Ending (a)	\$ 328,959	\$ 353,176	\$ 315,338	\$ 450,929	\$ 427,885	\$ 375,073	\$ 394,126	\$ 329,750
Covered Payroll	\$ 8,809,882	\$ 8,290,311	\$ 6,957,243	\$ 6,763,853	\$ 6,595,311	\$ 6,448,533	\$ 6,209,037	\$ 5,977,575
Total OPEB Liability as a Percentage of Covered Payroll	3.73%	4.26%	4.53%	6.67%	6.49%	5.82%	6.35%	5.52%

NOTES TO SCHEDULE**Valuation Date:**

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

Methods and Assumptions Used to Determine Rates:

Actuarial Cost Method

Entry Age Normal

Supplemental Death Benefit

Contribution rate is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees.

Retiree's share of benefit-related costs

\$0.00

Inflation

2.50%

Salary Increases

3.60% to 11.85% including inflation

Discount Rate

4.08%

Administrative Expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality Rates - Service Retirees

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality Rates - Disabled Retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

The Supplemental Death Benefits Fund is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF HENDERSON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
HEALTH PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service Cost	\$ 9,265	\$ 8,906	\$ 8,906	\$ 15,497	\$ 15,497	\$ 11,859	\$ 11,859
Interest	22,945	17,373	18,328	11,770	12,082	15,708	15,682
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	-	197,994	-	(21,841)	-	31,563	-
Change of assumptions and other inputs	-	32,564	-	(99,466)	-	132,034	-
Benefit payments	(56,262)	(56,262)	(38,240)	(38,240)	(44,709)	(44,709)	(32,825)
Net Change in Total OPEB Liability	(24,052)	200,575	(11,006)	(132,280)	(17,130)	146,455	(5,284)
Total OPEB Liability - Beginning	584,009	383,434	394,440	526,720	543,850	397,395	402,679
Total OPEB Liability - Ending (a)	\$ 559,957	\$ 584,009	\$ 383,434	\$ 394,440	\$ 526,720	\$ 543,850	\$ 397,395
Covered Payroll	\$ 7,881,978	\$ 7,881,978	\$ 6,851,654	\$ 6,851,654	\$ 6,335,820	\$ 5,400,705	\$ 5,137,898
Total OPEB Liability as a Percentage of Covered Payroll	7.10%	7.41%	5.60%	5.76%	8.31%	10.07%	7.73%

NOTES TO SCHEDULE

Valuation Date:

September 30, 2024. Rolled forward to September 30, 2025 valuation date.

Methods and Assumptions Used to Determine Rates:

Actuarial Cost Method	Individual Entry Age Normal - Level Percentage of Projected Salary
Inflation	2.50%
Salary Increases	3.50%
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Health Care Cost Trend	Level 4.50%
Eligibility	25 years of service without regard to age
Postretirement Contributions	The retiree pays the full active employee contribution rate. Effective October 1, 2013 the City provides a monthly subsidy to retirees with 15 or more years of service with the City at retirement. The monthly subsidy ranges from \$150 with 15-19 years of City service at retirement to \$350 years with 35 or more years of City service.
Mortality	RPB-2014 Total Table with Projection MP-2021
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.
Disability	None assumed.
Retiree Contributions	Retiree pays 100% of the active employee contribution rates. Retirees with 15 or more years of active service with the City may receive a monthly subsidy based on years of service with the City.
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 25% of all actives who currently have healthcare coverage will continue coverage at eligible retirement.
Other Benefits	Dental and vision benefits may be continued with the retiree paying 100% of the full active employee cost.
Other Information:	There are no plan assets held in trust. There were no benefit changes during the year.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ADDITIONAL SUPPLEMENTARY INFORMATION

**CITY OF HENDERSON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 548,474	\$ 416,716	\$ 265,518	\$ 1,230,708
Investments	7,362	235,183	18,935	261,480
Receivables:				
Taxes:				
Franchise	-	-	-	-
Hotel/Motel	31,033	-	-	31,033
Accounts	-	-	141,402	141,402
Due from Other Funds	5,944	-	-	5,944
Total Assets	<u>\$ 592,813</u>	<u>\$ 651,899</u>	<u>\$ 425,855</u>	<u>\$ 1,670,567</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,835	\$ -	\$ 14,792	\$ 27,627
Unearned revenue	54,819	-	-	54,819
Total Liabilities	<u>67,654</u>	<u>-</u>	<u>14,792</u>	<u>82,446</u>
Fund Balances:				
Restricted	356,412	651,899	-	1,008,311
Committed	168,747	-	411,063	579,810
Total Fund Balances	<u>525,159</u>	<u>651,899</u>	<u>411,063</u>	<u>1,588,121</u>
Total Liabilities and Fund Balances	<u>\$ 592,813</u>	<u>\$ 651,899</u>	<u>\$ 425,855</u>	<u>\$ 1,670,567</u>

CITY OF HENDERSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property	\$ -	\$ 1,084,705	\$ -	\$ 1,084,705
Hotel/Motel	356,602	-	-	356,602
Charges for services	141,489	-	418,002	559,491
Intergovernmental revenues	-	-	-	-
Interest	12,820	26,549	8,154	47,523
Miscellaneous	40,149	-	3,605	43,754
	<u>551,060</u>	<u>1,111,254</u>	<u>429,761</u>	<u>2,092,075</u>
Total Revenues				
EXPENDITURES				
Public safety	300	-	-	300
Sanitation	-	-	-	-
Public services:				
Tourism	202,950	-	-	202,950
Civic Center	218,452	-	-	218,452
Main Street	22,991	-	-	22,991
Streets	-	-	55,500	55,500
Parks	-	-	13,484	13,484
Cemeteries	943	-	-	943
Animal Shelter	6,711	-	-	6,711
Community Development	-	-	30,096	30,096
Capital outlay	33,428	-	146,026	179,454
Debt service:				
Principal	-	705,550	-	705,550
Interest and fees	-	234,124	-	234,124
	<u>485,775</u>	<u>939,674</u>	<u>245,106</u>	<u>1,670,555</u>
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>65,285</u>	<u>171,580</u>	<u>184,655</u>	<u>421,520</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	17,000	-	-	17,000
Transfers out	-	-	-	-
	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Total Other Financing Sources (Uses)				
Net change in fund balances	82,285	171,580	184,655	438,520
Fund Balance - October 1, 2024	<u>442,874</u>	<u>480,319</u>	<u>221,408</u>	<u>1,144,601</u>
Fund Balance - September 30, 2025	<u>\$ 525,159</u>	<u>\$ 651,899</u>	<u>\$ 406,063</u>	<u>\$ 1,583,121</u>

SCHEDULE 7

CITY OF HENDERSON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2025

	DRUG SEIZURE	TASK FORCE	TOURISM	MAIN STREET	CEMETERY	ANIMAL SHELTER	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS							
Cash and cash equivalents	\$ 143,582	\$ 14,252	\$ 227,415	\$ 10,081	\$ 96,445	\$ 56,699	\$ 548,474
Investments	575	-	862	-	5,433	492	7,362
Receivables:							
Hotel/Motel Taxes	-	-	31,033	-	-	-	31,033
Due from other funds	1,185	-	4,687	-	72	-	5,944
Total Assets	\$ 145,342	\$ 14,252	\$ 263,997	\$ 10,081	\$ 101,950	\$ 57,191	\$ 592,813
LIABILITIES							
Accounts payable	-	-	3,665	475	-	-	4,140
Accrued salaries	-	-	8,695	-	-	-	8,695
Unearned revenue	24,767	9,559	20,493	-	-	-	54,819
Total Liabilities	24,767	9,559	32,853	475	-	-	67,654
FUND BALANCES							
Restricted	120,575	4,693	231,144	-	-	-	356,412
Committed	-	-	-	9,606	101,950	57,191	168,747
Total Fund Balances	120,575	4,693	231,144	9,606	101,950	57,191	525,159
Total Liabilities and Fund Balances	\$ 145,342	\$ 14,252	\$ 263,997	\$ 10,081	\$ 101,950	\$ 57,191	\$ 592,813

CITY OF HENDERSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	DRUG SEIZURE	TASK FORCE	TOURISM	MAIN STREET	CEMETERY	ANIMAL SHELTER	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES							
Hotel/Motel occupancy tax	\$ -	\$ -	\$ 356,602	\$ -	\$ -	\$ -	\$ 356,602
Charges for services	-	-	141,489	-	-	-	141,489
Interest	3,059	-	5,227	341	2,685	1,508	12,820
Miscellaneous	16,450	-	20	307	14,801	8,571	40,149
Total Revenues	19,509	-	503,338	648	17,486	10,079	551,060
EXPENDITURES							
Public Safety	300	-	-	-	-	-	300
Public Services:							
Tourism	-	-	202,950	-	-	-	202,950
Civic Center	-	-	218,452	-	-	-	218,452
Main Street	-	-	-	22,991	-	-	22,991
Cemeteries	-	-	-	-	943	-	943
Animal Shelter	-	-	-	-	-	6,711	6,711
Capital Outlay	-	-	33,428	-	-	-	33,428
Total Expenditures	300	-	454,830	22,991	943	6,711	485,775
Excess (deficiency) of revenues over (under) expenditures	19,209	-	48,508	(22,343)	16,543	3,368	65,285
OTHER FINANCING SOURCES/(USES):							
Transfers in	-	-	-	17,000	-	-	17,000
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	17,000	-	-	17,000
Net change in fund balances	19,209	-	48,508	(5,343)	16,543	3,368	82,285
Fund Balance - October 1, 2024	101,366	4,693	182,636	14,949	85,407	53,823	442,874
Fund Balance - September 30, 2025	\$ 120,575	\$ 4,693	\$ 231,144	\$ 9,606	\$ 101,950	\$ 57,191	\$ 525,159

**CITY OF HENDERSON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2025**

	GENERAL CONSTRUCTION	CIVIC CENTER	TOTAL NONMAJOR CAPITAL PROJECT FUNDS
ASSETS			
Cash and cash equivalents	265,518	\$ -	\$ 265,518
Investments	18,935	-	18,935
Receivables:			
Franchise taxes	-	-	-
Accounts	141,402	-	141,402
Special assessments	-	-	-
Due from Other Funds	-	-	-
Total Assets	<u>\$ 425,855</u>	<u>\$ -</u>	<u>\$ 425,855</u>
LIABILITIES			
Accounts payable	14,792	-	14,792
Unearned revenue	-	-	-
Total Liabilities	<u>14,792</u>	<u>-</u>	<u>14,792</u>
FUND BALANCES			
Restricted	-	-	-
Committed	411,063	-	411,063
Total Fund Balances	<u>411,063</u>	<u>-</u>	<u>411,063</u>
Total Liabilities and Fund Balances	<u>\$ 425,855</u>	<u>\$ -</u>	<u>\$ 425,855</u>

CITY OF HENDERSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	GENERAL CONSTRUCTION	CIVIC CENTER	TOTAL NONMAJOR CAPITAL PROJECT FUNDS
REVENUES			
Charges for services	\$ 418,002	\$ -	\$ 418,002
Interest	8,154	-	8,154
Donations	5,000	-	5,000
Miscellaneous	3,605	-	3,605
Total Revenues	434,761	-	434,761
EXPENDITURES			
Public Services:			
Streets	55,500	-	55,500
Parks	13,484	-	13,484
Community Development	30,011	85	30,096
Capital Outlay	146,026	-	146,026
Total Expenditures	245,021	85	245,106
Excess (deficiency) of revenues over (under) expenditures	189,740	(85)	189,655
Net change in fund balances	189,740	(85)	189,655
Fund Balance - October 1, 2024	221,323	85	221,408
Fund Balance - September 30, 2025	\$ 411,063	\$ -	\$ 411,063

CITY OF HENDERSON, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL -
(NON-GAAP BUDGET BASIS)
WATER AND SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		TOTAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
			WATER	SEWER		
REVENUES						
Water charges	\$ 4,466,000	\$ 4,466,000	\$ 3,970,641	\$ -	\$ 3,970,641	\$ (495,359)
Sewer charges	2,904,000	2,904,000	-	3,526,997	3,526,997	622,997
Water connections	3,000	3,000	5,420	-	5,420	2,420
Sewer connections	2,000	2,000	-	2,200	2,200	200
Water service charges	12,000	12,000	6,458	-	6,458	(5,542)
Water Reconnect charges	25,000	25,000	28,850	-	28,850	3,850
Penalty	80,000	80,000	86,338	-	86,338	6,338
Miscellaneous income	2,000	2,000	43,733	-	43,733	41,733
Other operating revenues	35,000	35,000	27,203	-	27,203	(7,797)
Interest income	40,600	40,600	23,611	-	23,611	(16,989)
TOTAL REVENUES - BUDGET BASIS	\$ 7,569,600	\$ 7,569,600	\$ 4,192,254	\$ 3,529,197	7,721,451	\$ 151,851
Financial Statement Adjustments:						
Adjustment to revenue and accounts receivable					62,741	
Interest income on bond funds recorded in W&S Construction Fund					6,461	
TOTAL REVENUES - GAAP BASIS					\$ 7,790,653	

CITY OF HENDERSON, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
(NON-GAAP BUDGET BASIS)
WATER AND SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2025

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>WATER & SEWER DEPARTMENT</u>				
Water & Sewer Operations:				
Personnel services - Water	\$ 1,621,094	\$ 1,621,094	\$ 1,486,816	\$ 134,278
Personnel services - Sewer	343,720	343,720	340,951	2,769
Personnel services - Admin	209,009	209,009	207,350	1,659
Supplies and materials	573,120	573,120	859,466	(286,346)
Contractual	1,033,200	1,033,200	1,071,200	(38,000)
Maintenance	537,900	537,900	631,262	(93,362)
Capital outlay	186,725	186,725	196,754	(10,029)
Other administrative costs	1,070,120	1,070,120	962,524	107,596
Total Water & Sewer Operations	<u>5,574,888</u>	<u>5,574,888</u>	<u>5,756,323</u>	<u>(181,435)</u>
Water & Sewer Construction	911,020	1,225,474	864,714	360,760
Other Expenses:				
Operating transfers out	75,378	75,378	76,026	(648)
Bond principal	657,560	657,560	657,560	-
Bond interest and charges	328,726	328,726	326,416	2,310
Total Other Expenses	<u>1,061,664</u>	<u>1,061,664</u>	<u>1,060,002</u>	<u>1,662</u>
Total Water & Sewer Department	<u>7,547,572</u>	<u>7,862,026</u>	<u>7,681,039</u>	<u>180,987</u>
TOTAL EXPENSES-BUDGET BASIS	<u>\$ 7,547,572</u>	<u>\$ 7,862,026</u>	7,681,039	<u>\$ 180,987</u>
Financial Statement Adjustments:				
Capital outlay capitalized			(481,742)	
Reclassify principal paid on bonds			(657,560)	
Depreciation expense			1,498,644	
Amortization of bond premiums/refundings			(2,408)	
Increase in accrued expenses			(9,382)	
Record transfers to other funds			(387,427)	
OPEB expense adjustment under GASB 75			963	
Pension expense adjustment under GASB 68			(124,587)	
TOTAL EXPENSES-GAAP BASIS			<u>\$ 7,517,540</u>	

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Henderson, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Henderson, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Henderson, Texas's basic financial statements, and have issued our report thereon dated March 18, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Henderson, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Henderson, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Henderson, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Henderson, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GMP Assurance PLLC

Certified Public Accountants

Tyler, Texas
March 18, 2026

MINUTES OF THE
HENDERSON CITY COUNCIL
Regular Scheduled Meeting

February 17, 2026

CALL TO ORDER: *The Mayor will call the meeting to order, declare a quorum if present, and declare notices legally posted pursuant to Open Meetings Act.*

Mayor Pace called the meeting to order at 5:30 p.m.

Council members present were Stephen Strong, Michael Searcy, Greg Jackson, Lee Scoggins, and Gina Juarez.

Staff members present were City Manager Jay Abercrombie, City Secretary Cheryl Jimerson, City Attorney Russell Brown, Chief of Police Chad Taylor, Fire Chief Sonny Yabarra, Director of Operations Davis Brown, Director of Utilities Randy Boyd, Director of Utility Infrastructure and Delivery David Hortman, Community Development Manager/Building Official Cliff McElfresh, Finance Director Stephanie Kimbrell, Animal Center Director Charissa Blake, Civic Center Manager Christina Gray, Executive Leadership Assistant/HR Specialist Hillary Faulkner, Communications and Marketing Coordinator Phedra Johnson, and HEDCO Director Bret Gardella.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Council Member Michael Searcy led the invocation and Council Member Lee Scoggins led the pledges.

CITIZENS COMMENTS

Comments shall be limited to three (3) minutes and taken in the order they are received. By State law, no action may be taken on items not on the agenda.

Representatives from Christus EMS asked Council not to make a decision on the EMS contract for the city until they have had a chance to present to the Council what they have to offer the city.

PRESENTATIONS/ANNOUNCEMENTS

Mayor Pace issued a proclamation for American Healthy Heart Month. Three Rusk County 4-H Healthy Texas Youth Ambassadors accepted the proclamation.

EXECUTIVE SESSION:

1. Convene into executive session to consult with the City Attorney in accordance with Vernon's Texas Government Code, Chapter 551, section 087.

Mayor Pace convened into executive session at 5:37 p.m.

REGULAR SESSION:

2. Convene into regular session and take necessary action as a result of the closed session.

Mayor Pace reconvened into regular session at 6:44 p.m. asking the council if they had items from the executive session to consider.

Council member Michael Searcy made a motion to move the March 17th Council meeting to March 24th, duly seconded by Council Member Greg Jackson. The vote was unanimous.

3. Consideration and possible action upon a Chapter 312 tax abatement agreement for Velvin Productions located in the reinvestment zone known as the Henderson Industrial Park.

HEDCO Director Bret Gardella stated HEDCO has been working with Velvin Production Company, Inc. on a Performance Agreement for the development of a new production facility within the Henderson Industrial Park. Under the Agreement, HEDCO will convey approximately 29.16 acres to Velvin in exchange for a \$500,000 promissory note, payable over five years and subject to annual forgiveness contingent upon compliance with job creation and operational benchmarks.

Velvin will invest approximately \$2 million in the project, commence operations within twelve months, and create a minimum of fourteen full-time positions by 2030, with average wages of at least \$20 per hour. The Agreement includes provisions related to rail access, employment verification, insurance, indemnification, and statutory compliance, along with standard enforcement, dispute resolution, and venue provisions.

Council Member Michael Searcy made a motion to approve the agreement, duly seconded by Council Member Stephen Strong. The vote was unanimous.

4. Consideration and possible action upon an amendment to the UT EMS renewal contract with the City of Henderson.

Council Member Lee Scoggins made a motion to approve an amendment to the UT EMS contract for an additional three (3) years, duly seconded by Council Member Gina Juarez. Council Member Michael Searcy abstained due to the working relationship he has with the emergency services. The vote was four for and none against.

CONSENT AGENDA

5. Consideration of possible action upon the minutes of January 20, 2026, Council Meeting. (Jimerson)
6. Consideration and possible action upon a request for street closures downtown on Saturday, March 14, 2026 (Duke)
7. Consideration and possible action upon the HEDCO financial's for the month of December 2025. (Gardella)
8. Consideration and possible action upon the annual Statement of Compliance for West Fraser Wood Products located at 600, 700 and 800 Blocks of Industrial Drive. (Jimerson)

Council Member Michael Searcy made a motion to approve the consent agenda, duly seconded by Council Member Stephen Strong. The vote was unanimous.

REGULAR COUNCIL BUSINESS

9. Consideration and possible action upon the Amended Performance Agreement for First Methodist Church Preschool. (Gardella)

HEDCO Director Bret Gardella explained there was a change in the performance agreement with the First Methodist Church. The proposed agreement was for repairing the part of the retainer wall that was falling. The Church has now decided to replace the entire wall due to the longevity of the repair versus replacement.

Council Member Gina Juarez made a motion to approve the amended agreement, duly seconded by Council Member Greg Jackson. Council Member Lee Scoggins abstained due to him presenting this item to HEDCO on behalf of the Church. The vote was four for and none against.

10. Consideration and possible action upon the HEDCO 2026 By-Law Amendments. (Gardella)

HEDCO Director Bret Gardella stated the Board defined the bank executive as the council asked and recommended the council approve the amendments to the HEDCO by-laws.

Council Member Gina Juarez made a motion to approve the by-laws as submitted, duly seconded by Council Member Stephen Strong. The vote was unanimous.

11. Consideration and possible action to approve the waiver and release for Brasso Development & Construction, LLC. (Gardella)

HEDCO Director Bret Gardella stated there is a minor adjustment to the contractor's name. Secondly, there is no commitment to the property on Evenside. The cost of the infrastructure will push the price of the homes higher than what HEDCO wants them to be at. They want to see the homes sold at the lower end of the market value. The construction of homes will start on the Whippoorwill property because the infrastructure is already in place.

Council Member Stephen Strong made a motion to approve the release for Brasso Development & Construction, LLC, duly seconded by Council Member Lee Scoggins. The vote was unanimous.

12. Consideration and possible action on approval of the City of Henderson becoming a member of Sourcewell. (Hortman)

Director of Utility Infrastructure and Delivery David Hortman explained that Sourcewell is a company similar to Buy Board. After pricing the collection system cameras, they have better pricing, and we would like to use them but we must become members in order to do this. Council Member Stephen Strong asked how much it costs to become a member. David stated nothing, it is free.

Council Member Stephen Strong made a motion to approve the membership, duly seconded by Council Member Michael Searcy. The vote was unanimous.

13. Consideration and possible action upon a minor plat application to combine two lots at 418 Broadway St for purposes of development (Breitenberg)

Health and Code Enforcement Officer Wes Breitenberg recommended approval of a minor plat combining two lots into one for the purpose of building a multi-family structure.

Council Member Michael Searcy made a motion to approve the minor plat, duly seconded by Council Member Greg Jackson. The vote was unanimous.

14. Consideration and possible action upon the Main Street Advisory Board By-Law Amendments. (Duke)

Main Street Coordinator Alexa Duke recommended approval on the By-law changes to the Main Street Board. Changes were ex-officio officer definition, serve two consecutive terms then a one-term break from the board, members can be removed if three meetings out of a year are missed, a physical year same as the city's physical year, and any expenditure over 500 dollars; a board member can ask for financial reports at any time.

Council Member Gina Juarez made a motion to approve the changes to the by-laws, duly seconded by Council Member Michael Searcy. The vote was unanimous.

DEPARTMENTAL REPORTS:

15. The City Council may deliberate and make inquiry into any item listed in the Departmental Reports.

- A. City Manager
- B. Fire Department
- C. Police Department
 - PD Racial Profile Report
- D. Animal Center
- E. Community Development
- F. Public Services/Parks and Recreation Department
- G. Public Utilities
- H. Finance Department
- I. City Secretary
- J. Communications and Marketing
- K. HEDCO
 - Sales Tax Revenue for December 2025.
- L. Director of Operations Departmental Reports below.
 - Civic Center
 - Main Street/Tourism
 - Municipal Court

Council had no questions or comments on the monthly reports.

BOARDS AND COMMISSIONS

Board of Adjustments Minutes
Planning and Zoning Minutes
Cemetery Board Meeting Minutes
Main Street Meeting Minutes
Preservation Minutes
HEDCO meeting minutes for January 2026.

Council had no questions or comments on the Board meeting minutes.

ADJOURNMENT

16. Adjourn

Council Member Lee Scoggins made a motion to adjourn at 7:05 p.m., duly seconded by Council Member Michael Searcy. The vote was unanimous.

ATTEST:

APPROVED:

Cheryl Jimerson, City Secretary

Henry Pace, Mayor



City Council

Agenda Item # 3.

SUBJECT: Consideration and possible action on Resolution 2026-03-01 electing to participate in tax abatement agreements, and establishing guidelines and criteria governing tax abatement for economic development prospects in the City of Henderson. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: City Secretary

CONTACT:

RECOMMENDED CITY COUNCIL ACTION: Staff recommends approval of a resolution allowing the city to participate in tax abatement agreements

ITEM SUMMARY: The governing body of a taxing unit must call a public hearing on the proposed guidelines. The guidelines and criteria are in effect for two years after adoption and can be modified with a three-fourths vote of the governing body. The last time the guidelines and criteria were adopted was July 2022.

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 2026-03-01 Resolution of Intent to enter a Tax Abatement

RESOLUTION NO. 2026-03-01

A RESOLUTION OF THE CITY COUNCIL OF HENDERSON, TEXAS ELECTING TO PARTICIPATE IN TAX ABATEMENT AGREEMENTS, AND ESTABLISHING GUIDELINES AND CRITERIA GOVERNING TAX ABATEMENT FOR ECONOMIC DEVELOPMENT PROSPECTS IN THE CITY OF HENDERSON.

WHEREAS, §312.002, Texas Tax Code, requires a taxing unit to adopt a resolution establishing guidelines and criteria governing tax abatement agreements and stating that the taxing unit elects to become eligible to participate in tax abatement; and

WHEREAS, the City Council of the City of Henderson has previously expressed its intent to consider tax abatements and adopted Tax Abatement Guidelines and Criteria; and

WHEREAS, these Tax Abatement Guidelines and Criteria were most recently adopted on August 2, 2022; and

WHEREAS, PURSUANT TO §312.002, the Tax Abatement Guidelines and Criteria are effective for two years unless amended or repealed by a vote of three-fourths of the City Council; and

WHEREAS, the Henderson City Council desires to once again adopt Tax Abatement Guidelines and Criteria; and,

WHEREAS, the Henderson City Council elects to continue to be eligible to participate in tax abatements.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF HENDERSON, TEXAS:

PART 1: The City of Henderson elects to participate in tax abatement agreements pursuant to Chapter 312 of the Texas Tax Code, that the guidelines and criteria for granting tax abatements adopted in 2022 are hereby amended, and that the amended Guidelines and Criteria attached as Exhibit "A" to this resolution for granting tax abatements in designated Tax Abatement Reinvestment Zones are hereby adopted.

PART 2: That this resolution shall be effective immediately from and after its passage.

APPROVED AND ADOPTED at a Regular Council Meeting, this 24th day of March, 2026

ATTEST:

Cheryl Jimerson, City Secretary

APPROVED AS TO FORM:

APPROVED:

Henry Pace, Mayor

RESOLUTION NO. 2022-08-02

A RESOLUTION OF THE CITY OF HENDERSON CITY COUNCIL
ESTABLISHING GUIDELINES AND CRITERIA GOVERNING TAX
ABATEMENT AGREEMENTS BY THE CITY OF HENDERSON, TEXAS

WHEREAS, Texas Tax Code Section 312.002 provides that no municipality or county may designate an area as a reinvestment zone and that no taxing unit may execute a tax abatement agreement under Texas Tax Code 312, unless it first (i) establishes guidelines and criteria for tax abatement agreements and (ii) adopts a resolution stating that the taxing unit elects to become eligible to participate in tax abatement; and

WHEREAS, the City of Henderson, Rusk County, Texas desires to be eligible to participate in tax abatement under certain circumstances.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Henderson, Texas that:

ARTICLE I

The City of Henderson elects to be eligible to participate in tax abatement.

ARTICLE II

The following guidelines and criteria are hereby established and shall hereafter govern tax abatement agreements by the City of Henderson, Texas:

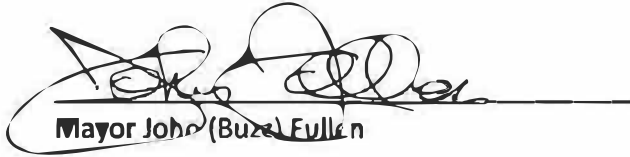
- (1) Improvements proposed as part of a tax abatement agreement for property located within a duly designated reinvestment zone shall be commenced within one (1) year of the date of said agreement.
- (2) All construction proposed as part of any such improvements shall meet applicable City of Henderson, Texas Codes and Zoning requirements.
- (3) All property included in a tax abatement shall be maintained in accordance with all applicable City of Henderson, Texas, Codes and Zoning requirements during the term of the tax abatement agreement.

- (4) Throughout the tax abatement agreement, the owner(s) or persons in possession and control of the improvements located thereon which is included within an area which is the subject of a tax abatement agreement shall pay all lawfully assessed ad valorem taxes levied on such property before the same shall become delinquent.
- (5) In the event that any improvements constructed as part of a tax abatement agreement are damaged or destroyed, regardless of the cause of such destruction or damage, the same shall be restored in a timely manner, within a time frame to be established by the City of Henderson City Council, but in no event shall such time period exceed one (1) year.
- (6) For property located in a commercial and/or industrial reinvestment zone, and proposed as the subject of a tax abatement agreement, the following criteria shall apply:
 - a. The proposed improvements must have the effect of increasing the value of the real property upon which they are located; and
 - b. The proposed improvements shall have the effect of adding to the available number of jobs and/or retaining existing jobs in the greater City of Henderson, Texas area.
- (7) For residential property located in a residential reinvestment zone and proposed as the subject of a tax abatement agreement, the following criteria shall apply:
 - a. The proposed improvements shall address the blighting or deteriorating influences on the subject property; and
 - c. The proposed improvements shall address building safety, unsanitary or unsafe conditions, or property deterioration; and
 - c. Where applicable, the improvements shall address faulty lot layout with respect to size, accessibility, or usefulness.
- (8.) All improvements proposed as part of a tax abatement agreement shall further the purposes established by the Legislature of the State of Texas in Chapter 312 of the Texas Tax Code.
- (9.) In accordance with Texas Tax Code Section 312.002, these guidelines and criteria shall not limit the discretion of the City of Henderson to decide whether to enter into a specific tax abatement agreement. Accordingly, the City may enter into a particular tax abatement agreement whenever it determines that it is in the best interest of the City to enter into such agreement and provide such abatement with respect to a particular applicant. In doing so, the City may vary from the provisions of this Tax Abatement Policy Statement in any respect that is not contrary to state law.

ARTICLE III.

This resolution shall be effective from its establishment on July 19, 2022 for the full period authorized by the law.

PASSED, APPROVED AND ADOPTED this 19th day of July 2022.


Mayor John (Buzo) Fullen

ATTEST:


Cheryl Jimerson, City Secretary



City Council

Agenda Item # 4.

SUBJECT: Consideration and possible action entering into a tax abatement agreement with Velvin Production Company Inc. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: Administration

CONTACT: Cheryl Jimerson

RECOMMENDED CITY COUNCIL ACTION: Staff recommends approval of a tax abatement agreement with Velvin Production Company Inc.

ITEM SUMMARY: Pursuant to Section 312.207 of the Texas Tax Code, the following information is provided regarding the proposed tax abatement agreement for Velvin Production Company Inc.

See public notice attached for all the details

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. Tax Abatement 30 day Public Notice
2. Velvin Productions Tax Abatement Agreement 20260217 DRAFT 1

Public Notice

CITY OF HENDERSON, TEXAS PUBLIC NOTICE OF A MEETING AT WHICH THE CITY COUNCIL OF HENDERSON, TEXAS WILL CONSIDER THE APPROVAL OF A TAX ABATEMENT AGREEMENT WITH A PROPERTY OWNER

Pursuant to Section 312.207 of the Texas Tax Code, notice is hereby given that the City Council of Henderson, Texas, will consider the approval of a tax abatement agreement with a property owner at a regularly rescheduled meeting of the City Council.

Tax Abatement Agreement Information Required by Texas Tax Code Section 312.207.

Pursuant to Section 312.207 of the Texas Tax Code, the following information is provided regarding the proposed tax abatement agreement for Velvin Production Company Inc.

1. **Name of property owner and applicant for tax abatement agreement:**
Velvin Production Company Inc.
2. **Name and location of reinvestment zone in which the property subject to the agreement is located:** Henderson Industrial Park 2021 Reinvestment Zone, comprising of real property in Rusk County, Texas, consisting of approximately 29.16 acres located on County Road 203 also known as Morris Street within the City Henderson, Texas.
3. **General description of the nature of the improvements included in the agreement:**
Construction by property owner/applicant of Velvin Production Company Inc. will develop the Property and construct a new, state-of-the-art Diesel Exhaust Fluid Plant that will increase its production capacity; grow the local market for Diesel Exhaust Fluid; significantly increase its usage of the Henderson Overton Branch Railroad
4. **Estimated cost of the improvements:**
Approximately 2.5 million and create 10-20 new, permanent employment positions and as many as 100 construction jobs with opportunities for local contractors, laborers, vendors, and suppliers.

Time and Place of the Meeting. The tax abatement agreement will be considered during the City Council regularly rescheduled meeting to start at 6:00 p.m. on March 24, 2026, in the Thomas Ward Council Chambers at the Municipal Services Complex, located at 300 W. Main Street, Henderson, Texas 75652.

The tax abatement agreement described in this notice will also appear on the agenda that is posted in accordance with the Texas Open Meetings Act for the rescheduled meeting on March 24, 2026, of the City Council Henderson, Texas. This notice is given in the manner required by the Texas Open Meetings Act and Texas State Comptroller schedule on abatements of at least 30 days before the scheduled time of the meeting described in this notice.

TAX ABATEMENT AGREEMENT 20260217

This Tax Abatement Agreement (the "Agreement") is entered into by and between the City of Henderson, a Texas home rule municipality ("the City"), and Velvin Production Company, Inc., a Texas Corporation ("Velvin Production Company, Inc.") acting by and through their authorized representatives.

WITNESSETH:

WHEREAS, Velvin Production Company, Inc. owns certain real property in Rusk County, Texas, consisting of approximately 29.16 acres located on County Road 203 within the City Henderson, Texas (the "City") as more fully depicted in Exhibit A attached hereto (the "Property");

WHEREAS, Velvin Production Company, Inc. intends to invest approximately \$2.5 million to develop the Property and construct a new, state of the art Diesel Exhaust Fluid Plant that will increase its production capacity; grow the local market for Diesel Exhaust Fluid; significantly increase its usage of the Henderson Overton Branch Railroad and create ten to twenty (10-20) new, permanent employment positions and as many as 100 construction jobs with opportunities for local contractors, laborers, vendors and suppliers;

WHEREAS, the Property is located in an area designated by the City Council as the Henderson Industrial Park 2021 Reinvestment Zone as authorized by the Property Redevelopment & Tax Abatement Act codified as Chapter 312 of the Texas Tax Code (the "Act") and more particularly described in Exhibit B attached hereto (the "Reinvestment Zone");

WHEREAS, in compliance with the Act, the City Council held a public hearing to receive comments on the creation of the Reinvestment Zone and its benefits to the City and the property in the Reinvestment Zone and notified the governing body of each taxing unit that levies real property taxes within the Reinvestment Zone of its intent to establish the Reinvestment Zone;

WHEREAS, the City adopted guidelines containing criteria governing tax abatement agreements as contemplated by the Texas Tax Code that are current under Texas Tax Code § 312.002(b) (the "Tax Abatement Guidelines") and a resolution stating that it elects to be eligible to participate in tax abatement;

WHEREAS, the City Council has determined that in order to maintain and enhance commercial and industrial development and increase the employment base of the Henderson area, it is in the best interests of the taxpayers for the City to enter into this Agreement in accordance with the Reinvestment Zone ordinance, the Tax Abatement Guidelines and the Texas Tax Code;

WHEREAS, the City Council after a public hearing has found that the contemplated use & development of the Property is consistent with encouraging development of the Reinvestment Zone and that the proposed tax abatement will comply with the Tax Abatement Guidelines, the Texas Tax Code and all other applicable laws;

WHEREAS, the Property is not owned or leased by any member of the Henderson City Council or Henderson Planning & Zoning Commission;

WHEREAS, the Property is not in an improvement project financed by tax increment bonds;

WHEREAS, this Agreement is entered into subject to the rights of the holders of outstanding City bonds;

WHEREAS, a copy of this Agreement has been furnished in the manner prescribed by the Texas Tax Code to the presiding officers of the governing bodies of each of the taxing units in which the Property is located and

WHEREAS, the City approved this Agreement at a regularly scheduled meeting of the City Council of the City.

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, including the attraction of significant investment in the Reinvestment Zone and the expansion of primary employment and economic development in the City of Henderson and the enhancement of its tax base, the Parties agree as follows —

Article I

DEFINITIONS

1.1 Wherever used in this Agreement, the following terms shall have the meanings ascribed to them:

"Abatement Period" shall mean the five calendar years following the Effective Date of this Agreement unless terminated sooner as provided herein.

"Additions & Improvements" shall mean all Tangible Personal Property as defined by § 1.04 of the Texas Tax Code placed on or affixed to the Property. The term includes all realty improvements, buildings, structures, fixed machinery & equipment, storage tanks, process units (including all integral components necessary for operations), site improvements and infrastructure.

"Bankruptcy or Insolvency" shall mean the dissolution or termination of a party's existence as a going business; insolvency; the appointment of a receiver for any part of a party's property which is not terminated within ninety (90) days after such appointment is initially made; any general assignment for the benefit of creditors or the commencement of any proceeding under any bankruptcy or insolvency laws by or against such party with is not dismissed within ninety (90) days after the filing thereof.

"City" shall mean the City of Henderson, Texas.

"Completion of Construction" shall mean the date on which Velvin Production Company, Inc., has substantially completed construction of the Improvements and the City has issued a Certificate of Occupancy for the Improvements.

"County" shall mean Rusk County, Texas.

"District" shall mean the Rusk County Central Appraisal District.

"Effective Date" shall mean the day after all parties have executed this Agreement.

"Expiration Date" shall mean _____ of the calendar year following the expiration of the last of the tax abatements provided herein.

"Force Majeure" shall mean (a) acts of God, earthquakes, tidal waves, lightning, floods and storms; (b) explosions and fires; (c) strikes and lockouts; (d) wars, riots, acts of the public enemy, civil disturbances, hostilities, sabotage, blockades, insurrections, terrorism and epidemics; (e) acts of expropriation, confiscation, nationalization, requisitioning or other taking and (f) any other event, condition or circumstance beyond the reasonable control of the party claiming relief as a consequence thereof. Financial distress and inability to make payments are not Force Majeure events.

"Project" shall mean the development and construction of a new Diesel Exhaust Fluid production plant on the Property together with such infrastructure and support structures as may be required for its operation including utilities, parking, landscaping and ancillary buildings & structures all as described in the building permit submittals filed by Velvin Production Company, Inc. with the City from time to time.

"Taxable Value" shall mean the appraised value of Tangible Personal Property as certified by the District, or its successor, as of January 1 of a given year.

Article II

OWNER RESPONSIBILITIES

- 2.1 Velvin Production Company, Inc;. shall commence the Project on or before _____ construction of the Additions & Improvements within _____ months of commencement.
- 2.2 Velvin Production Company, Inc. shall ensure that qualified local labor, vendors, suppliers and subcontractors are given a timely opportunity to bid on contracts in connection with the construction of the Project and give preference to local manufacturers, suppliers, vendors, contractors and labor except unless not reasonably possible due to significant inconvenience or sacrifice in operating efficiency.
- 2.3 Velvin Production Company, Inc., shall invoice all purchases locally to ensure that sales taxes are credited to the City of Henderson and Rusk County, Texas.
- 2.4 Velvin Production Company, Inc., shall report and certify to the City the date of Completion of Construction and the final cost of construction within _____ days after the completion of the Project.
- 2.5 Velvin Production Company, Inc., shall render the value of the Additions & Improvements to the District annually and provide a copy of the same to the City.
- 2.6 Velvin Production Company, Inc., shall use the Property in the manner that is consistent with (i) the City's Comprehensive Zoning Ordinance at the time of construction and (ii) the general purposes of encouraging development or redevelopment within the Reinvestment Zone during the period taxes are abated hereunder.
- 2.7 Velvin Production Company, Inc., shall maintain the Additions & Improvements during the term of this Agreement in accordance with all applicable state and local laws, codes & regulations and shall diligently pursue the cure of any material non-compliance.
- 2.8 Velvin Production Company, Inc., shall allow the City, its agents and employees access to the Property at reasonable times and upon reasonable notice to inspect the Additions & Improvements in order to ensure compliance with this Agreement and all applicable laws and regulations.
- 2.9 Velvin Production Company, Inc., shall certify to the City annually during the Abatement Period that it is in compliance with each term of this Agreement.

Article III

TAX ABATEMENT

- 3.1 Subject to the terms and conditions of this Agreement, the City hereby grants Velvin Production Company, Inc., an abatement of one hundred percent (100%) of City taxes on the Taxable Value of the Additions & Improvements for the five years of the Abatement Period.

ABATEMENT YEAR	ABATEMENT RATE
1	100%
2	100%
3	100%
4	100%
5	100%

- 3.2 The City will cooperate with the District to ensure that all Additions & Improvements are assigned an account number distinct from any other Tangible Personal Property for appraisal purposes and establish a mutually acceptable administrative- method to ensure compliance with this Agreement.
- 3.3 On or before April 30 of each year of this Agreement, Velvin Production Company, Inc., shall file an annual exemption application form for the Additions & Improvements with the Rusk County Chief Appraiser pursuant to § 11.43 of the Texas Tax Code. A copy of the exemption application shall be submitted to the City.
- 3.4 During the period of tax abatement herein authorized, Velvin Production Company, Inc., shall be subject to all taxation not abated herein including *ad valorem* taxation on real property; supplies; inventory; vehicles; vessels; housing; any improvements that are not integral to the operation of the new facility; deferred maintenance or any property for which abatement is not allowed by state law.

Article IV

TERMINATION: RECAPTURE OF TAX REVENUE

- 4.1 Velvin Production Company, Inc., may terminate this Agreement without cause at any time upon thirty (30) days' written notice to the City. In such event, the City shall have the right to recapture all taxes previously abated by this Agreement as provided in Article IV.
- 4.2 The City may terminate this Agreement if the Additions & Improvements are completed but discontinue production for any reason excepting fire, explosion or other casualty, accident, natural disaster for a continuous twelve-month period during the Abatement Period.
- 4.3 The City may terminate this Agreement if Velvin Production Company, Inc., fails to perform any obligation under this Agreement and fails to cure such default within thirty (30) days of its receipt of written notice of default from the City. If such default cannot reasonably be cured within thirty (30) days, Velvin Production Company, Inc., shall not be in default so long as it has commenced such cure within thirty (30) days after receiving notice of default and is diligently pursuing cure to completion.
- 4.4 In the event the City terminates this Agreement as a consequence of default by Velvin Production Company, Inc., the City may pursue any remedy available at law or in equity for breach of the Agreement and shall be entitled to recover as liquidated damages all taxes previously abated by this Agreement together with penalties and interest as provided by the Texas Tax Code.
- 4.5 The parties acknowledge that in the event of default and termination by the City, actual damages would be speculative and difficult to determine. The parties further agree that the amount of abated tax, penalties and interest shall be recoverable against Velvin Production Company, Inc., as liquidated damages and shall constitute a tax lien against the Property and Improvements.
- 4.6 For clarity, it is understood and agreed by the parties that an action not performed by the required date in the first instance but completed before the end of the applicable cure period shall be deemed to have been timely performed in the first instance with no effect given to the initial delay.
- 4.7 Upon termination of this Agreement by City, the amount of liquidated damages set forth above shall become due and payable not later than thirty (30) days after a notice of termination is provided. The City shall have all remedies for the collection of the abated tax provided generally in the Texas Tax Code for the collection of delinquent property tax.

Article V

MISCELLANEOUS

- 5.1 This Agreement contains the entire agreement of the Parties with respect to the tax abatements provided for hereunder. This Agreement cannot be modified without written agreement of the parties.
- 5.2 This Agreement is authorized by the Property Redevelopment & Tax Abatement Act and by Order of the City of Henderson City Council in accordance with the City Tax Abatement Guidelines approved by resolution of the City Council no more than two (2) years before the Effective Date of this Agreement.
- 5.3 In the event a party is unable to perform any obligation hereunder due to a Force Majeure, that party shall be released of such obligation to the extent that and for so long as it is unable to perform such obligation as a result of the Force Majeure.
- 5.4 Except as expressly stated herein, the City assumes no responsibilities or liabilities in connection with the Project. Velvin Production Company, Inc., agrees to hold the City harmless and indemnify and defend the City from any claims, losses, damages, injuries, suits or judgments arising from any third-party claims which result from Velvin Production Company, Inc., on the Property.
- 5.5 Any notice required to be given under the provisions of this Agreement shall be in writing and shall be duly served when it shall have been deposited, enclosed in a wrapper with the proper postage prepaid thereon, and duly registered or certified, return receipt requested, in a United States Post Office, addressed to the City or Velvin Production Company, Inc. If mailed, any notice or communication shall be deemed to be received three days after the date of deposit in the United States Mail. Unless otherwise provided in this Agreement, all notices shall be delivered to the following addresses -

Attn: Jay Abercrombie, City Manager
City of Henderson, Texas
300 West Main
Henderson, Texas 75652

Attn: Jared Guthrie, President
Velvin Production Company, Inc.
P.O. Box 903
Henderson, Texas 75653

- 5.6 In the event any section, subsection, paragraph, sentence, phrase or word herein is held invalid, illegal, unconstitutional or unenforceable, such invalidity, illegality, unconstitutionality or unenforceability shall not affect any other provisions. It is the intention of the Parties that in lieu of each provision that is held to be invalid, illegal, unconstitutional or unenforceable, a provision will be added to this Agreement, which is valid, legal, constitutional and enforceable and is as similar in terms as possible to the provision held to be invalid, illegal, unconstitutional or unenforceable.
- 5.7 This Agreement shall be binding on and inure to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns. This Agreement may not be assigned by Velvin Production Company, Inc., without the prior written consent of the City which shall not be unreasonably withheld, delayed or conditioned; provided that Velvin Production Company, Inc., may assign this agreement to an affiliate that is directly or indirectly controlled by or is under common control with Velvin Production Company, Inc., upon providing thirty (30) days written notice to the City. In the event of an assignment to which the City has consented, the assignee shall agree in writing to assume the obligations and liabilities of Velvin Production Company, Inc., in a form reasonably approved by the City.
- 5.8 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument. This Agreement may be executed in facsimile or electronically transmitted portable document format ("PDF") or by electronic means, and such signatures shall have the same force of law as one executed and witnessed by the parties in person.
- 5.9 This Agreement shall be governed by the laws of the State of Texas without regard to any conflict of law rules. Exclusive venue for any action under this Agreement shall be the 4th Judicial District Court of Rusk County, Texas.

[Signature pages to follow]

Article VI

RECORDATION OF AGREEMENT

A certified copy of Agreement 20220801 summarizing this agreement, in recordable form, may be recorded in the Real Property Records of Rusk County, Texas.

Article VII

EFFECTIVE DATE

This agreement may be executed by the parties in multiple originals, and by different parties on separate originals, each of which shall have full force and effect as of the date set forth at the beginning of the agreement.

City of Henderson

Henry Pace, Mayor

_____	_____	_____
Printed Name	Signature	Date

Attest:
Cheryl Jimerson, City Secretary

_____	_____	_____
Printed Name	Signature	Date

Owner: Velvin Production Company, Inc.

Jared Guthrie, President

_____	_____	_____
Printed Name	Signature	Date



City Council

Agenda Item # 5.

SUBJECT: Consideration and possible action upon renewing Ordinance 2021-05-01 extending the renewal for five years for the Industrial Park Reinvestment Zone. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: City Secretary

CONTACT:

RECOMMENDED CITY COUNCIL ACTION: Staff recommends approval renewing the Reinvest zone Ordinance

ITEM SUMMARY: A reinvestment zone has to be renewed before the expiration date of the approved five year reinvestment zone. The renewal will only need one reading and will go into effect immediately.

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 2026-03 Renewed Reinvestment Zone 2021-05-01

ORDINANCE NO. 2021-05-01

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HENDERSON, TEXAS, DESIGNATING THE HENDERSON INDUSTRIAL PARK AS A REINVESTMENT ZONE OF THE CITY OF HENDERSON, TEXAS, PROVIDING FOR THE ESTABLISHMENT OF AGREEMENTS WITHIN THE ZONE, ESTABLISHING REQUIREMENTS FOR TAX ABATEMENT AND OTHER MATTERS RELATING THERETO; PROVIDING FINDINGS OF FACT; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE FOR THE COMMENCEMENT OF THE REINVESTMENT ZONE AND THIS ORDINANCE; AND PROVIDING AN OPEN MEETINGS CLAUSE.

WHEREAS, the City Council of the City of Henderson, Texas, (the "City"), desires to promote the development or redevelopment and tax abatement of a certain contiguous geographic area within its jurisdiction by the creation of a Reinvestment Zone, as codified in Chapter 312 of the Texas Tax Code (the "Act"); and

WHEREAS, a hearing before the City Council was set for 6:00 p.m. on the 18th day of May, 2021, such date being at least seven (7) days after the date of publication of the notice of such public hearing in a newspaper of general circulation in the City of Henderson and has found that such improvements sought are feasible; and

WHEREAS, the City has called a public hearing and published notice of such public hearing, and has properly notified the presiding officer of each governing body of each taxing unit that includes in its boundaries real property that is to be included in the proposed reinvestment zone as required by the Act under Chapter 312, Sec.312.002 (a); and

WHEREAS, the City at such hearing invited any interested person, or his attorney, to appear and contend for or against the creation of the Reinvestment Zone, whether all or part of the territory, which is described by a metes and bounds description attached hereto as Exhibit "A" and depicted in the drawing attached hereto as Exhibit "B", should be included in such proposed Reinvestment Zone as provided for in Chapter 312, Sec. 312.002 (c-1); and

WHEREAS, upon such hearing being convened there was presented proper proof and evidence that notices of such hearing has been published and mailed as described above and each taxing unit that maintains an Internet website has posted the current version of the guidelines and criteria governing tax abatement agreements adopted under Chapter 312, Sec. 312.002 (c-2); and

WHEREAS, all owners of property located within the proposed Reinvestment Zone were duly notified in writing of the boundaries real property that is to be included in the proposed Reinvestment Zone and interested property owners were given the opportunity at such public hearing to protest the creation of the proposed Reinvestment Zone or accept the inclusion of their property in such Reinvestment Zone; and

WHEREAS, the proponents and/or opponents of the reinvestment zone offered evidence, both oral and documentary, in favor of and/or opposed to all of the foregoing matters relating to the creation of the reinvestment zone; and

WHEREAS, after considering all testimony and evidence offered at the public hearing, the City Council finds that improvements in the Reinvestment Zone will significantly enhance the value of all taxable real and personal property in the Zone, will be of general benefit to the City of Henderson and that it will be in the public interest to pass this ordinance creating a Reinvestment Zone;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HENDERSON, TEXAS:

SECTION 1: That the facts and recitations contained in the preamble of this ordinance are hereby found and declared to be true and correct.

SECTION 2: The City, after conducting such hearing and having heard such evidence and testimony, pursuant to Chapter 312 of the Texas Tax Code (TTC), has made the following findings and determinations based on the evidence and testimony presented to it:

- (a) That the public hearing on adoption of the Reinvestment Zone has been properly called, held and conducted and that notice of such hearing has been published as required by law.
- (b) That the City has jurisdiction to hold and conduct this public hearing on the creation of the proposed Reinvestment Zone pursuant to the Act; and
- (c) That creation of the proposed zone with boundaries as described in Exhibits "A" and "B" will result in benefits to the City, its residents and property owners, and to the property, residents and property owners in the Reinvestment Zone.
- (d) That the Reinvestment Zone, as defined in Exhibits "A" and "B", meets the criteria for the creation and designation of a Reinvestment Zone as set forth in Sections 312.201 and 312.202 of the Act in that:
 - (1) It is a contiguous geographic area located wholly within the corporate limits or extraterritorial jurisdiction of the City.
 - (2) The area will reasonably be likely, as a result of the designation, to contribute to the retention or expansion of primary employment, or to attract major investment in the Zone that would be a benefit to the property and that would contribute to the economic development of the City.
 - (3) No part of the property in the Reinvestment Zone is owned or leased by a member of the governing body of the City or by a member of a zoning or planning board or commission of the City.
 - (4) Improvements in the Reinvestment Zone will enhance significantly the value of all taxable real property in the Reinvestment Zone.

SECTION 3: That the City hereby creates a Reinvestment Zone over the area described by the description in Exhibit "A" attached hereto and depicted in a drawing attached hereto as Exhibit "B" and such Reinvestment Zone shall hereafter be identified as the City of Henderson Reinvestment Zone, Ordinance Number 2021-05-01, as of July 1, 2021, for a period of five years, which may be renewed for periods not to exceed five years or may terminate sooner by subsequent ordinance.

SECTION 4: That a written Agreement as provided in the Act, with the owners of the property located within the Reinvestment Zone is hereby authorized according to the schedule and term outlined in Exhibit "C", and the written agreement shall provide an exemption from taxation of the increased value in the real and/or personal property according to that schedule.

SECTION 5: That if any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this ordinance.

SECTION 6: Pursuant to Section 312.002 of the Texas Tax Code, the City Council hereby finds that the terms of the Tax Abatement Agreement to be executed in connection with this Ordinance meets the applicable Guidelines and Criteria for Tax Abatement previously adopted by the City Council.

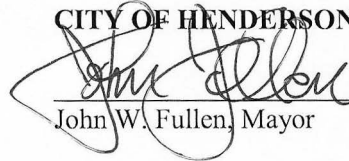
SECTION 7: That it is hereby officially found, determined, and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, et seq, of the Texas Local Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter hereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves, and confirms such written notice and the contents and posting thereof.

SECTION 8: That the contents of the notice of public hearing, which hearing was held before the City Council on May 18, 2021, and the publication of said notices, is hereby ratified, approved and confirmed.

PASSED and APPROVED on the *First Reading* on this the 18th day of May, 2021.

PASSED, APPROVED, AND ADOPTED on this *Second Reading* on this the 15th day of June, 2021.

CITY OF HENDERSON, TEXAS



John W. Fullen, Mayor

ATTEST:



Cheryl Jimerson, City Secretary

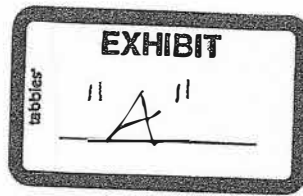
EXHIBITS TO ORDINANCE

EXHIBIT "A" – Metes and Bounds description of zone EXHIBIT "B" – Map of zone

EXHIBIT "C" – Tax Abatement Schedule

EXHIBIT "D" – Renewed Reinvestment Zone per _____

Sec. 312.203. EXPIRATION OF REINVESTMENT ZONE. The designation of a reinvestment zone for residential or commercial-industrial tax abatement expires five years after the date of the designation and may be renewed for periods not to exceed five years, except that a reinvestment zone that is a state enterprise zone is designated for the same period as a state enterprise zone as provided by Chapter 2303, Government Code. The expiration of the designation does not affect an existing tax abatement agreement made under this subchapter.



DDM, Surveying, Inc.

March 8, 2021
Henderson Industrial Park
2021 Reinvestment Zone

Being approximately 809 acres, more or less situated in the E. B. Warren Survey A-835, the T.K. Bennett Survey A-119, the W. F. Johnson Survey A-454, the J. S. Whiteman Survey A-847, the S. J. Warren Survey A-836 and the J. J. Cook Survey A-192 partially within the corporate city limits of the City of Henderson, Texas and being generally described as follows:

BEGINNING at the intersection of the Northern right-of-way line of Texas SH 64 (SH64) with the Eastern right-of-way line of the Henderson Overton Branch Railroad (HOB);

THENCE westerly with the Northern right-of-way line of said SH 64 to its intersection with the Eastern right-of-way line of Texas SH 323 (SH323);

THENCE northwesterly with the Eastern right-of-way line of said SH323 to its intersection with the northern right-of-way line of Austin Avenue (also called Rusk CR 201 (CR201);

THENCE northeasterly with the Northern right-of-way line of said Austin Avenue to its intersection with the western right-of-way line of Millard Street;

THENCE northwesterly with the western right-of-way line of said Millard Street to the Southeast corner of a Hudman Equipment called 9.515 acres recorded in Volume 3178 Page 743 of the Official Public Records of Rusk County, Texas (OPRRC);

THENCE southwesterly with the South boundary line of said 9.515 acres to its Southwest corner;

THENCE northwesterly with the West boundary line of said 9.515 acres to its Northwest corner being at the most southerly Southwest corner of a Terry Barton called 7.450 acres recorded in Volume 3334 Page 457 OPRRC;

THENCE northwesterly with the West boundary line 7.450 acres to the most easterly Southeast corner of a Texas Public Finance Authority called 99.741 acres recorded in Volume 2083 Page 482 OPRRC;

THENCE southwesterly with the South boundary line of said 99.741 acres to the most southern corner of same;

THENCE northwesterly with the Western boundary line of said 99.741 acres to the most western Northwest corner of same being in the southeastern right-of-way line of Loop 571;

THENCE northeasterly with the southeastern right-of-way line of said Loop 571 to its intersection with the North boundary line of a Leon Crim Estate called 96.26 acres recorded in Volume 865 Page 538 of the Deed Records of Rusk County, Texas (DRRC);

THENCE northeasterly with the North boundary line of said 96.26 acres to its Northeast corner;

THENCE southeasterly with the West boundary line of said 96.26 acres to its upper Southeast corner being in the North boundary line of the Henderson Economic Development Corporation (HEDCO) called 52.37 acres being at the most northerly Northeast corner of the Trinity Asphalt, Inc called 23.21 acres Lot 4A Block 558 of the HEDCO-BRADY Subdivision recorded in Volume 3318 Page 689 OPRRC;

THENCE northeasterly with the North boundary of said 52.37 acres to its Northeast corner being at the Northwest corner of a Boral Bricks, Inc. called 35.03 acres recorded in Volume 2262 Page 72 OPRRC;

THENCE northeasterly with the North boundary line of said 35.03 acres to its Northeast corner;

THENCE southwesterly with the East boundary line of said 35.03 acres to the Northwest corner of a Boral Bricks, Inc. called 21.16 acres recorded in Volume 3150 Page 505 OPRRC;

THENCE southeasterly with the North boundary line of said 21.16 acres to its Northeast corner;

THENCE southwesterly with the East boundary line of said 21.16 acres to the Northeast corner of a Boral Bricks, Inc. called 22.587 acres to recorded in Volume 3150 Page 505 OPRRC;

THENCE southwesterly with the East boundary line of said 22.587 acres to the Northwest corner of a Boral Bricks, Inc. called 0.50 acre recorded in Volume 3150 Page 505 OPRRC;

THENCE easterly with the North boundary line of said 0.50 acre to its Northeast corner;

THENCE southeasterly with the East boundary line of said 0.50 acre to its Southeast corner;

THENCE westerly with the North boundary line of said 0.50 acre to the Northeast corner of Boral Bricks, Inc. called 5.7 acres recorded in Volume 3150 Page 505 OPRRC;

THENCE southeasterly with the East boundary line of said 5.7 acres to its Southeast corner;

THENCE westerly with the South boundary line of said 5.7 acres to its Southwest corner being at the East corner of a called 0.50 acre recorded in Volume 3150 Page;

THENCE westerly with the South boundary line of said 0.50 acre to its West corner;

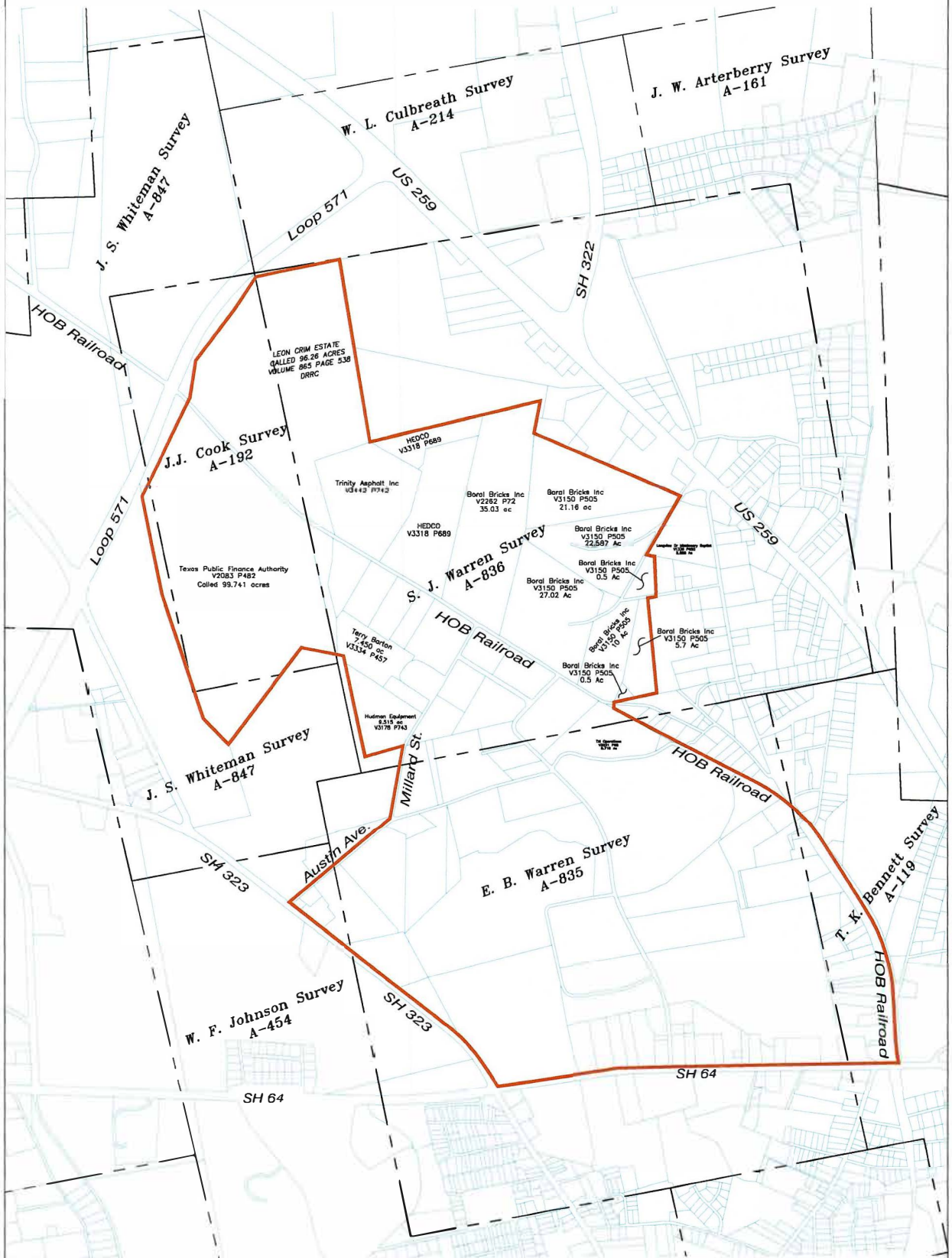
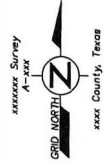
THENCE south to the North right-of-way line of said HOB Railroad;

THENCE southeasterly with the northern and then eastern right-of-way lines of said HOB Railroad to the BEGINNING and CONTAINING approximately 809 acres, more or less

F:\2020\20201212 - HEDCOM\Henderson Industrial Park Map for Reinvestment Zone.docx

EXHIBIT "B"

0 1000 2000 Feet



DDM
Surveying, Inc.

DDM SURVEYING, Inc.
P.O. Box 895 - Henderson, Texas
(800) 657-6229
www.ddmsurveying.com
Firm Reg. No. 10045900

Date: 3/8/21

Drawn by: DDM

Checked by: ceaser

DWG: 20201212

Revised:

Page 1 of 3

Henderson Economic Development Corp.
Henderson Industrial Park
2021
Re-investment Zone

EXHIBIT C

TAX ABATEMENT SCHEDULE

The tax abatement policy of the City of Henderson reflects a balance between the revenue needs of local government and the desire to provide incentives for the expansion, relocation or new industry facilities.

The City agrees to abate ad valorem taxes on real and personal property improvements of qualified businesses in Commercial/Industrial Reinvestment Zones as follows:

AD VALOREM TAX ABATEMENT SCHEDULE

Tax abatement on improvements to real and personal property may be granted to qualified businesses investing in capital improvements according to the total amount of taxable value set by the Rusk County Appraisal District per year for a period of up to five (10) years.

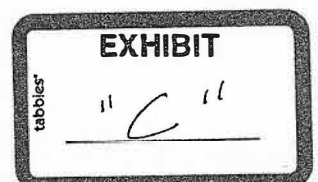


EXHIBIT "D"

RENEWAL OF THIS ORDINANCE CONSIDERED BY THE CITY COUNCIL THIS 24TH DAY OF MARCH 2026.

PASSED, APPROVED AND ADOPTED by an affirmative vote of all members of the City Council on this the 24th day of March 2026.

APPROVED:

Henry Pace, Mayor

ATTEST:

Cheryl Jimerson, City Secretary



City Council

Agenda Item # 6.

SUBJECT: Consideration and possible action on the re-appointment of James Holmes as the Municipal Court of Record Judge for a four (4) year term expiring April 2030 for the City of Henderson. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: City Secretary

CONTACT: Cheryl Jimerson

RECOMMENDED CITY COUNCIL ACTION: Staff recommends the Council reappoint James Holmes as the Municipal Court of Record Judge for a four-year term.

ITEM SUMMARY: It is time for the reappointment of a Municipal Judge for the Municipal Court of Record.

BACKGROUND INFORMATION: The Charter states that over which shall preside the Municipal Judge, whose qualifications shall be prescribed by the Laws of the State of Texas “who shall be appointed by a majority vote of the City Council on the recommendation of the City Manager or any member of the City Council.”

The Laws of the State of Texas for a Court of Record Municipal Judge term can be two or four-year terms; This is determined by the City Council.

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS: None



City Council

Agenda Item # 7.

SUBJECT: Consideration and possible action upon Resolution 2026-03-03 adopting a Cybersecurity Policy. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: City Secretary

CONTACT:

RECOMMENDED CITY COUNCIL ACTION: Staff recommends approval of a Resolution for a cybersecurity plan.

ITEM SUMMARY: The purpose of this Cybersecurity Awareness Plan is to establish a structured, practical, and scalable approach to cybersecurity awareness for the City of Henderson. This plan is designed to reduce cybersecurity risks, protect sensitive information and operational systems, and ensure continuity of water and wastewater services critical to public health and safety.

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 2026-03-03 Resolution Adopting Cybersecurity Awareness Policy
2. 2026-03-03 Resolution Exhibit A Cybersecurity Awareness Policy

RESOLUTION NO. 2026-03-03

A RESOLUTION ADOPTING A CYBERSECURITY AWARENESS POLICY FOR THE CITY OF
HENDERSON, TEXAS

BE IT RESOLVED by the City Council of the City of Henderson as follows:

SECTION 1.

The City Council acknowledges that a structured, practical, and scalable approach to cybersecurity awareness for the City of Henderson is necessary.

SECTION 2.

The City Council has reviewed and hereby adopts the Cybersecurity Awareness Policy attached as "Exhibit A".

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Henderson held on the 24th day of March 2026.

Henry Pace
Mayor

ATTEST:

Cheryl Jimerson
City Secretary

Cybersecurity Awareness Policy

Henderson, Texas

1. Purpose

The purpose of this Cybersecurity Awareness Plan is to establish a structured, practical, and scalable approach to cybersecurity awareness for the City of Henderson. This plan is designed to reduce cybersecurity risks, protect sensitive information and operational systems, and ensure continuity of water and wastewater services critical to public health and safety.

This plan emphasizes **awareness, policies, training, and preparedness**, and is intended to be appropriate for small to mid-sized Texas municipal utilities and water supply corporations.

2. Scope

This plan applies to:

- All City employees with access to any city computer
- City/Utility management
- Members of the Governing Body or Board of Directors
- Contractors and vendors with access to City systems or facilities

The plan covers both:

- **Information Technology (IT)** systems (business systems, billing, customer data)
 - **Operational Technology (OT/SCADA/ICS)** systems supporting water and wastewater operations
-

3. Governance and Responsibilities

3.1 Governing Body

The Governing Body provides oversight, adopts this plan by resolution, and supports cybersecurity awareness initiatives.

3.2 Management

City management is responsible for implementation, enforcement, and periodic review of this plan.

3.3 Cybersecurity Coordinator

The City designates a Cybersecurity Coordinator responsible for:

- Coordinating training and awareness activities
 - Maintaining documentation and records
 - Serving as the primary incident reporting contact
 - Coordinating tabletop exercises and simulations
-

4. Cybersecurity Risk Assessment and Needs Analysis

The City conducts a **periodic, qualitative cybersecurity risk assessment and needs analysis** to identify and evaluate risks to its IT and OT systems.

At a minimum, the assessment considers:

- Identification of critical assets (business systems, customer data, SCADA/ICS)
- Common threats affecting water utilities, including phishing, ransomware, unauthorized access, insider threats, and physical/cyber convergence risks
- Vulnerabilities related to staffing, remote access, vendor connectivity, and system configuration
- Potential impacts to public health, safety, regulatory compliance, and service continuity

The results of this assessment are used to:

- Develop cybersecurity policies and procedures
- Identify training and awareness priorities
- Guide tabletop exercises and incident simulations
- Support continuous improvement of this plan

Risk assessments are reviewed **at least annually** and following any significant cybersecurity incident or major system change.

5. Cybersecurity Policies and Procedures

The City adopts and maintains written cybersecurity-related policies and procedures appropriate to its size and complexity. These policies are provided in **Appendix A** and include, at a minimum:

- Acceptable Use of Technology Policy
- Password and Authentication Policy
- Access Control Policy
- Backup and Data Recovery Policy
- Incident Response Policy
- Vendor and Third-Party Access Policy
- Physical Security Policy

All employees, board members, and applicable contractors are required to acknowledge applicable policies.

6. Cybersecurity Training Program

The City maintains an ongoing cybersecurity training and awareness program.

6.1 Training Frequency

- New personnel receive cybersecurity awareness training upon onboarding
- All applicable personnel receive refresher training **at least annually**
- Role-specific training is provided as appropriate

6.2 Cybersecurity Training Modules

Training is delivered through structured modules, including:

1. **General Cybersecurity Awareness**
2. **Phishing and Social Engineering**
3. **Password Management and Authentication**
4. **Operational Technology (SCADA/ICS) Awareness** (as applicable)
5. **Incident Recognition and Reporting**

Training may be delivered through online courses, in-person sessions, safety meetings, or tabletop exercises. Completion is documented and retained.

7. Testing and Simulations

To validate readiness, the City conducts periodic testing activities, including:

- Tabletop exercises simulating cybersecurity incidents
- Phishing awareness exercises, as appropriate

Testing is conducted **at least annually** and following significant changes to systems or operations. Lessons learned are documented and incorporated into plan updates.

8. Incident Reporting and Response

All personnel are required to promptly report suspected or confirmed cybersecurity incidents.

Incidents are reported to the Cybersecurity Coordinator using established reporting mechanisms. The City maintains an incident response process that includes:

- Identification and containment
- Notification of management and governing body
- Documentation and after-action review

Incident reporting forms and contact information are provided in **Appendices B and C**.

9. Monitoring, Metrics, and Evaluation

The City monitors the effectiveness of this plan through measurable indicators, including:

- Percentage of personnel completing annual training
- Number and type of reported incidents or near misses
- Time from detection to incident reporting
- Completion of annual tabletop exercises

Metrics are reviewed **at least annually** by management and used to improve training, policies, and procedures.

10. Continuous Improvement

This plan is reviewed **at least annually** and updated as necessary to address evolving threats, operational changes, or lessons learned from incidents or exercises.

Appendices

Appendix A – Cybersecurity Policies

Appendix B – Cybersecurity Incident Contacts

Appendix C – Cybersecurity Incident Report Form

Appendix A:

Cybersecurity Policy Manual

City of Henderson, Texas

Adopted by the Governing Body on: _____

1. Introduction

The City of Henderson, Texas recognizes that cybersecurity is critical to protecting public health, safety, and the reliable delivery of water and/or wastewater services. This Cybersecurity Policy Manual establishes the minimum standards required for employees, contractors, and governing body members to safeguard business systems, customer information, and operational technology (SCADA/ICS).

These policies align with:

- Texas Government Code §2054.5191 (Cybersecurity Coordinator and training through Texas DIR-approved programs).
- EPA Risk & Resilience Assessment and Emergency Response Plan requirements.
- Guidance from the American Water Works Association (AWWA), CISA, and the NIST Cybersecurity Framework.

2. Roles and Responsibilities

- **Governing Body:** Adopts policies, provides oversight, allocates resources.
- **Cybersecurity Coordinator:** Implements policies, ensures training, maintains compliance with state/federal requirements.
- **Employees and Operators:** Follow policies, complete training, report suspicious activity.
- **Vendors and Contractors:** Comply with these policies when accessing Utility systems or facilities.

3. Acceptable Use of Technology Policy

Purpose: Ensure responsible and secure use of City-owned technology.

- Technology resources are for official City business only.
- Personal use must be minimal and not interfere with duties or security.
- Unauthorized downloads, websites, or removable media are prohibited.
- City data and communications may be monitored for security purposes.
- Employees must sign acknowledgment of this policy annually.

4. Password & Authentication Policy

Purpose: Protect accounts from unauthorized access.

- Passwords must be at minimum of 8 characters with a mix of one capital letter, numbers, and symbols.
- Passwords must not be shared.
- Multifactor Authentication (MFA) must be used where available.
- Passwords must be changed immediately if compromise is suspected.
- Default vendor/system passwords must be changed before deployment.

5. Access Control Policy

Purpose: Limit access to systems and data by role and necessity.

- Access granted based on least privilege.
- Accounts created, modified, or removed only by the Cybersecurity Coordinator.
- Departing employees' accounts must be disabled immediately.
- Shared accounts are not permitted.
- Remote access must use secure methods (VPN with MFA) individual logins.

6. Backup & Recovery Policy

Purpose: Ensure critical data and systems can be restored after disruption.

- Data must be backed up at least daily.
- One backup copy must be stored offline or offsite.
- Backups must be encrypted and protected.
- Recovery procedures must be tested annually.
- Information Technology Personnel (IT) is responsible for backups.

7. Incident Response Policy

Purpose: Provide a clear process for responding to cyber incidents.

- All employees must immediately report suspicious activity to the Cybersecurity Coordinator.
- Coordinator will assess, document, and escalate as needed.
- The City will notify Texas DIR as required under Texas Water Code.
- Public communication requires approval from the City Manager or Mayor.
- Incidents will be reviewed for lessons learned and policy updates.

8. Vendor & Contractor Access Policy

Purpose: Ensure secure third-party access.

- Vendors/contractors require written authorization before accessing systems.
- Remote access must use secure methods (VPN with MFA) with individual logins.
- Shared vendor accounts are prohibited.
- Vendor activity must be monitored and logged.
- Vendor contracts must include cybersecurity requirements.

9. Physical Security Policy

Purpose: Protect physical facilities and control systems.

- Access to control rooms, server rooms, and treatment facilities restricted to authorized staff.
- Doors must remain locked when unattended.
- Unauthorized devices (USBs, laptops, personal phones) may not connect to City systems.

10. Policy Review and Updates

- This manual will be reviewed at least annually by the Cybersecurity Coordinator.
- Updates will be presented to the City Council / Governing Body for approval.
- Employees will be retrained on updated policies as necessary.

11. Acknowledgment & Signatures

Employee / Board Member Acknowledgment:

I have read and understand the Cybersecurity Policy Manual and agree to comply.

Printed Name: _____

Signature: _____ Date: _____

City Employee Accepting Form Signature Date: _____

City Employee Accepting Form Title

Appendix B – Cybersecurity Incident Contact List

Role / Position	Name	Phone	Email	Notes
Cybersecurity Coordinator	Hillary Falkner	903-657-6551	hfalkner@henderson.tx.us	First point of contact for any cybersecurity issues.
City Manager	Jay Abercrombie	903-657-6551	jabercrombie@henderson.tx.us	Backup contact if Coordinator unavailable.
IT / Security Provider	JDS NETWORKING - Mike Timmons	903-387-0408	mike@jds-comm.com	Technical support for system issues or incident analysis.
Mayor / Board President / Chairman	Henry Pace	903-649-3359	mayor@henderson.tx.us	Approval authority for public communications on incidents.
Texas DIR Cybersecurity Contact	N/A	877-DIR-CISO	security-alerts@dir.texas.gov	Required notification for reportable incidents under Texas Water Code.

Notes:

- All employees must first contact the **Cybersecurity Coordinator** for any suspected incident.
 - Escalate to the City Manager if Coordinator is unavailable.
 - Keep this list updated at least annually or when personnel change.
-

Appendix C – Cybersecurity Incident Report Form

City of Henderson – Cybersecurity Incident Report

Field	Details
Date/Time of Incident Reported By	[MM/DD/YYYY HH:MM] [Name & Position]
Type of Incident	☐ Phishing Email ☐ Malware ☐ Ransomware ☐ Unauthorized Access ☐ Physical Breach ☐ Other: _____
Description of Incident	[Brief narrative of what occurred, how discovered, and systems affected]
Immediate Actions Taken	[Steps taken to contain or mitigate the incident]
Notifications Made	☐ Cybersecurity Coordinator ☐ General Manager ☐ Board President ☐ Texas DIR ☐ IT Provider ☐ Other: _____
Follow-Up Actions Required	[Next steps, system recovery, monitoring, policy updates]
Lessons Learned / Notes	[Optional observations, gaps identified, improvements recommended]
Investigator / Coordinator	[Name & Signature]
Final Review / Board Notification	[Board Member / GM Signature]

Instructions for Use:

1. Complete this form immediately when a cybersecurity event or suspected incident occurs.
2. Submit to the **Cybersecurity Coordinator** within 24 hours.
3. Maintain the completed form in the secure incident log file for at least 3 years (or as required by state/federal regulations).



City Council

Agenda Item # 8.

SUBJECT: Consideration and possible action upon Resolution 2026-03-02 denying a rate increase from CenterPoint Energy for forty-five days. (Jimerson)

MEETING DATE: March 17, 2026

DEPARTMENT: City Secretary

CONTACT: Cheryl Jimerson

RECOMMENDED CITY COUNCIL ACTION: Approve a Centerpoint Energy Resolution denying a rate increase for forty-five days.

ITEM SUMMARY: Pursuant to applicable law, the proposed IRA will become effective on April 18, 2026, unless the Commission acts to suspend that date for a period of up to forty-five (45) days. The IRA approved by the Commission will apply to the current monthly customer charge and will remain in effect until superseded by the earlier of (1) the effective date of the Company's next annual IRA for the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas; or (2) the issuance of a final order in a formal rate-setting proceeding for the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas.

see rate increase spreadsheet within the attached notice

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 2026-03-02 CenterPoint Energy Application Interim Rate Adjustment

2. CenterPoint Notice of Rate Increase 2026

RESOLUTION NO. 2026-03-02

RESOLUTION BY THE CITY OF HENDERSON, TEXAS (“CITY”) SUSPENDING FOR FOURTY-FIVE (45) DAYS THE STATEMENT OF INTENT TO INCREASE RATES FILED BY CENTERPOINT ENERGY RESOURCES CORPORATION, D/B/A, CENTERPOINT ENERGY ENTEX AND CENTERPOINT ENERGY TEXAS GAS, FOR ITS BEAUMONT/EAST TEXAS DIVISION, EFFECTIVE APRIL, 18, 2026; THE CITY OF HENDERSON ACTS TO SUSPEND THAT DATE FOR FOURTY-FIVE DAYS.

WHEREAS, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas (the “Company”), filed an application for an Interim Rate Adjustment/Gas Reliability Infrastructure Program (“GRIP”) with the Railroad Commission of Texas and with the cities in the Company’s Beaumont/East Texas Division on; and

WHEREAS, the City of Henderson is in the Beaumont/East Texas Division and has ceded original jurisdiction to the Commission pursuant to GURA § 103.003(a). CenterPoint Texas intends to implement the revised gas tariffs on a division-wide basis for customers in the Company’s Beaumont/East Texas Division effective April 18, 2026, the City of Henderson acts to suspend that date for forty-five days; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HENDERSON, TEXAS THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. CenterPoint’s proposed increase in rates is hereby **SUSPENDED FOR FOURTY-FIVE (45) DAYS.**

Section 3. A copy of this resolution shall be sent to CenterPoint's local representative.

Section 4. The meeting at which this resolution was voted on was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 5. This resolution shall become effective from and after its passage.

PASSED AND APPROVED this 24th day of March, 2026

ATTEST:

APPROVED

Cheryl Jimerson, City Secretary

Henry Pace, Mayor



February 17, 2026

Mayor and City Council
City of Henderson
Henderson, Texas

Delivered by Certified Mail

Re: Notice of CenterPoint Energy's 2026 GRIP Filing for the Houston, Texas Coast, South Texas and Beaumont/East Texas Geographic Rate Areas

Dear Madam or Sir:

This correspondence notifies the City of Henderson (the "City") that CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("CenterPoint" or the "Company"), has filed tariffs and supporting documents with the Railroad Commission of Texas (the "Commission") consistent with Section 7.7101 of the Commission's Gas Services Division Rules and Section 104.301 of the Texas Utilities Code to establish the annual gas reliability infrastructure program ("GRIP") interim rate adjustment (the "IRA") for the customers located in the Company's Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas, which includes the City. Because the City has ceded its original jurisdiction over CenterPoint's gas utility rates to the Commission pursuant to Section 103.003(a) of the Texas Utilities Code, the Commission will establish the applicable IRA and the City does not need to take any action.

CenterPoint consistently supplies its customers in the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas with safe and dependable natural gas service by prudently investing in additions and upgrades to its delivery system. The Company will continue to prudently invest in its infrastructure in order to improve its natural gas service to its customers and to anticipate and meet their needs under all operating conditions. The GRIP program enables a gas utility such as CenterPoint to begin recovery of its incremental capital investment in the system, subject to a prudence review in its next rate case. This reduces regulatory lag and incentivizes needed investment.

Pursuant to applicable law, the proposed IRA will become effective on April 18, 2026, unless the Commission acts to suspend that date for a period of up to forty-five (45) days. The IRA approved by the Commission will be applied to the current monthly customer charge and will remain in effect until superseded by the earlier of (1) the effective date of the Company's next annual IRA for the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas; or (2) the issuance of a final order in a formal rate-setting proceeding for the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas.

As detailed in the attached schedules and supporting material, the Company invested \$571,202,171 in its Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas in calendar year 2025, and the applicable IRA is:

TABLE 1 - Houston and Texas Coast Geographic Rate Areas

Rate Schedule	Current Customer Charge	Proposed 2026 Interim Rate Adjustment	Adjusted Charge	Increase Per Bill
R-2099-I-GRIP 2026; R-2099-U-GRIP 2026 Residential	\$22.36 per customer per month	\$2.47 per customer per month	\$24.83 per customer per month	\$2.47 per customer per month
GSS-2099-I-GRIP 2026; GSS-2099-U-GRIP 2026 General Service Small	\$35.12 per customer per month	\$4.18 per customer per month	\$39.30 per customer per month	\$4.18 per customer per month
GSLV-630-I-GRIP 2026; GSLV-630-U-GRIP 2026 General Service Large Volume	\$450.89 per customer per month	\$55.23 per customer per month	\$506.12 per customer per month	\$55.23 per customer per month

TABLE 2 – South Texas and Beaumont/East Texas Geographic Rate Areas

Rate Schedule	Current Customer Charge	Proposed 2026 Interim Rate Adjustment	Adjusted Charge	Increase Per Bill
R-2099-I-GRIP 2026; R-2099-U-GRIP 2026 Residential	\$27.86 per customer per month	\$2.47 per customer per month	\$30.33 per customer per month	\$2.47 per customer per month
GSS-2099-I-GRIP 2026; GSS-2099-U-GRIP 2026 General Service Small	\$53.12 per customer per month	\$4.18 per customer per month	\$57.30 per customer per month	\$4.18 per customer per month
GSLV-630-I-GRIP 2026; GSLV-630-U-GRIP 2026 General Service Large Volume	\$290.89 per customer per month	\$55.23 per customer per month	\$346.12 per customer per month	\$55.23 per customer per month

Along with and in support of the proposed IRA, CenterPoint includes an electronic copy of the GRIP filing made with the Commission which includes the following:

- (a) An earnings monitoring report showing the Company's earnings for the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas during the 2025 calendar year (under the "Earnings Monitoring Report" section of the enclosed electronic copy of the filing).
- (b) An Interim Rate Adjustment Application containing accounting schedules and project reports for the GRIP Adjustment Period including a description of (i) the projects undertaken during the GRIP Adjustment Period (ii) the investment to provide utility service in the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas, which were both completed and placed in service during the GRIP Adjustment Period, (iii) the Company's prior utility investments in the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas that were either retired or abandoned during the GRIP Adjustment Period, and (iv) the cost, need and customers benefited by those investments and retirements located in IRAs 12, 13, 14 and 15 which are voluminous and are being provided in electronic form only.
- (c) The Company's calculations of the GRIP Adjustment amount to go into effect on the later of the Planned Effective Date or the end of any suspension period imposed (under the "Interim Rate Adjustment Application" section of the enclosed electronic copy of the filing).
- (d) Affidavits by Kristie Colvin, John Hudson and Cynthia Westcott (under the "Affidavits" section of the enclosed electronic copy of the filing).
 - Ms. Colvin's affidavit verifies (i) that the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas' books and records are kept in accordance with the rules of the Commission and (ii) that the reports enclosed accurately reflect the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas' books and records related to the information in those reports.
 - Mr. Hudson's affidavit verifies the notice of the GRIP filing through customer bill inserts.
 - Ms. Westcott's affidavit concerns the reimbursement of relocation expenses.

Notice of the Company's GRIP filing will be provided to affected customers in the Houston, Texas Coast, South Texas and Beaumont/East Texas geographic rate areas by bill insert

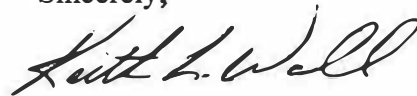
or by separate mailing within 45 days after it is filed with the Commission in accordance with the applicable law.

Instead of a binder with a hard copy of the filing, the Company has provided the equivalent in electronic form in the folder called Electronic Copy of Filing.

Although only the unincorporated tariffs are applicable to cities under the Commission's jurisdiction, the Company has also included in its filing package both incorporated and unincorporated tariffs.

Please do not hesitate to contact me with any questions you may have regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith L. Wall". The signature is fluid and cursive, with the first name "Keith" and last name "Wall" clearly distinguishable.

Keith L. Wall
Director of Regulatory Affairs

Attachments

cc: Ms. Gracy Rodriguez
Ms. Cynthia Westcott
Mr. Darrell Williams



City Council

Agenda Item # 9.

SUBJECT:

Consideration and possible action upon updating authorized signatories on all City of Henderson accounts with all Financial Institutions by removing John Fullen, Rusty Chote, and Karen Arnall as authorized signers and adding Henry Pace as an authorized signer. (Kimbrell)

MEETING DATE: March 17, 2026

DEPARTMENT: Finance

CONTACT: Stephanie Kimbrell, Finance Director

RECOMMENDED CITY COUNCIL ACTION: Staff's recommendation to Council is to approve updating authorized signatories on all City of Henderson accounts with all Financial Institutions by removing John Fullen, Rusty Chote, and Karen Arnall as authorized signers and adding Henry Pace as an authorized signer.

ITEM SUMMARY: As part of maintaining proper internal controls and ensuring accurate authorization on all financial accounts for the City of Henderson, staff is recommending an update to the list of authorized bank signers.

BACKGROUND INFORMATION:

Due to retirement and changes in administrative roles, it is necessary to remove John Fullen, Rusty Chote, and Karen Arnall as authorized signatories on all City bank accounts.

Staff further recommends adding Henry Pace as an authorized signatory to ensure continued operational efficiency and compliance with banking and audit requirements.

This update will ensure that the City's financial accounts accurately reflect current authorized personnel and maintain appropriate separation of duties and internal controls.

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS: None



City Council

Agenda Item # 10.

SUBJECT: Consideration and possible action upon a minor plat application to replat Block 325 of the David Beard Subdivision to meet the needs of existing development at 420 and 430 US Highway 79 (Breitenberg)

MEETING DATE: March 17, 2026

DEPARTMENT: Community Development

CONTACT:

RECOMMENDED CITY COUNCIL ACTION:
ITEM SUMMARY:

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 1-30-26-420 & 430 US 79-Pizza Hut Cotton Patch Plat Application

CITY OF HENDERSON
MINOR PLAT APPLICATION

APPLICANT NAME: PAUL DAVIS (Collins Surveying & Mapping, Inc

MAILING ADDRESS: 910 Judson Road Longview, Texas 75601

PHONE NO: 903-234-8051 OTHER

LOCATION OF PROPERTY: 420 & 430 US HIGHWAY 79 Henderson, Texas 75654

PROPERTY DESCRIPTION (attach certified tax certificates from Appraisal District):

Lot 4, Block 325, David Beard Subdivision & Called 0.6631 acre tract, and being a total of 1.309 acres combined.

PURPOSE FOR REQUEST (be specific):

THE PURPOSE OF THIS PRE-SUBMISSION PROPOSAL IS TO RECONFIGURE THE EXISTING LOT AND TRACT AND CREATE 2 NEW SEPARATE LOTS.

District# 3 District Representative: Greg Jackson
ZONING CLASSIFICATION: C2

PROPERTY IS IMPROVED: Y / N

WATER AND SEWER AVAILABLE: Y / N

*** PLAT APPROVAL DOES NOT NECESSITATE APPROVAL FROM TXDOT FOR DRIVEWAY ACCESS ON STATE MAINTAINED HIGHWAY ***

Paul Davis
(Print Name)
SIGNATURE

1-30-2026
DATE

Council Meeting for plat depends on date Application is received.
Application fee of \$50.00 must be submitted with the application.
Two 8 1/2 x 14 plats and Two (2) 24x36 plats with Surveyor and property owner signatures required.

TAX CERTIFICATE
Please remit payment to:
Rusk County Tax Office
Nesha Partin
202 North Main Street
Henderson, TX 75653-0988
Phone: 903-657-0315

Fee: 10.00
Certificate Number: 44987

This is to certify that, after a careful check of the tax records of this office, the following delinquent taxes, penalties, interest and any known costs and expenses as provided by Tax Code Section 33.48 are due on the described property for the following taxing unit(s):

Owner Interest: 1.000000 Parcel ID/Seq: 23634/1 Suit: Yes S 870340
Owner: R60540 Account #: 01260-01455-00000-000000 Acres: 0.862
COTTON PATCH CAFE LLC Legals: PT LT 1 BLK 325 J SMITH SUR Land Value: \$ 187680
950 E SH 114 COTTON PATCH CAFE Pers Value: \$ 0
STE 110 Ag/Timber: \$ 0
SOUTHLAKE TX 76092 HS Code:
Property 420 S US 79 Abst/Subdiv: Cat Code: F1
Address: HENDERSON TX 75654 Block: Lot: MTG/Loan: -
MH Label:
MH Serial:

Year	Entity	Value	Original Tax	Tax Due	Discount	Penalty/Interest	Total Due
2025	05 - RUSK COUNTY	513,210	\$2,522.38	\$0.00	\$0.00	\$0.00	\$0.00
2025	05R - SPEC RD	513,210	\$271.92	\$0.00	\$0.00	\$0.00	\$0.00
2025	22 - CITY OF HENDERSON	513,210	\$2,181.44	\$0.00	\$0.00	\$0.00	\$0.00
2025	22IS - CITY OF HENDERSON I&S	513,210	\$534.15	\$0.00	\$0.00	\$0.00	\$0.00
2025	46 - HENDERSON I.S.D. M&O	513,210	\$3,501.12	\$0.00	\$0.00	\$0.00	\$0.00
2025	46IS - HENDERSON I.S.D. I&S	513,210	\$718.49	\$0.00	\$0.00	\$0.00	\$0.00
2025	66 - RUSK CO GROUNDWATER CONSV	513,210	\$25.66	\$0.00	\$0.00	\$0.00	\$0.00
Totals:			\$9,755.16	\$0.00	\$0.00	\$0.00	\$0.00

Parcel Total: \$9,755.16 \$0.00 \$0.00 \$0.00 \$0.00

PAID HISTORY (CURRENT TAX YEAR) 2025								
Jurisdiction	Tax	Discount	Penalty	Other Payment	Total Amount	Cod	Ref Number	Posting Date
05	\$2,522.38	\$0.00	0.00	\$0.00	\$2,522.38	2766		02/05/2026
05R	\$271.92	\$0.00	0.00	\$0.00	\$271.92	2766		02/05/2026
22	\$2,181.44	\$0.00	0.00	\$0.00	\$2,181.44	2766		02/05/2026
22IS	\$534.15	\$0.00	0.00	\$0.00	\$534.15	2766		02/05/2026
46	\$3,501.12	\$0.00	0.00	\$0.00	\$3,501.12	2766		02/05/2026
46IS	\$718.49	\$0.00	0.00	\$0.00	\$718.49	2766		02/05/2026
66	\$25.66	\$0.00	0.00	\$0.00	\$25.66	2766		02/05/2026
\$9,755.16		\$0.00	\$0.00	\$0.00	\$9,755.16			

If applicable, the above-described property has / is receiving special appraisal based on its use, and additional rollback taxes may become due based on the provisions of the special appraisal (Comptroller Rule 9.3040) or property omitted from the appraisal roll as described under Tax Code Section 25.21 is not included in this certificate [Tax Code Section 31.08(b)].

sign here Treva Griffith 03/02/2026
Authorized Officer of Collecting Office Date of Tax Certificate

Issued By: Treva Griffith
Issued To: Collins Surveying & Mapping
Issued Date: 3/2/2026 9:47:07AM DPIYRMO: 202603

Pursuant to Tax Code Section 31.08, if a person transfers property accompanied by a tax certificate that erroneously indicates that no delinquent taxes, penalties or interest are due a taxing unit on the property or that fails to include property because of its omission from an appraisal roll, the taxing unit's tax lien on the property is extinguished and the purchaser of the property is absolved of liability to the taxing unit for delinquent taxes, penalties or interest on the property or for taxes based on omitted property. The person who was liable for the tax for the year the tax was imposed or the property was omitted remains personally liable for the tax and for any penalties or interest.

A tax certificate issued through fraud or collusion is void.

TAX CERTIFICATE
Please remit payment to:
Rusk County Tax Office
Nesha Partin
202 North Main Street
Henderson, TX 75653-0988
Phone: 903-657-0315

Fee: 10.00
Certificate Number: 44986

This is to certify that, after a careful check of the tax records of this office, the following delinquent taxes, penalties, interest and any known costs and expenses as provided by Tax Code Section 33.48 are due on the described property for the following taxing unit(s):

Owner Interest: 1.000000
Owner: R91210
LADOME HOLDINGS LLC
PO BOX 3350
GRAPEVINE TX 76099 3350

Parcel ID/Seq: 44275/1
Account #: 01260-01455-00040-000000
Legals: LT 4 BLK 325/324
BEARD-JONES SUBD
"PIZZA HUT" LN #70-110699-6

Suit: No
Acres: 0.647
Land Value: \$ 140920
Pers Value: \$ 0
Imp Value: \$ 288900
Ag/Timber: \$ 0
HS Code:
Cat Code: F1
MTG/Loan: -

Property 430 S US 79
Address: HENDERSON TX 75654
MH Label:
MH Serial:

Abst/Subdiv:
Block:
Lot:

Penalty/
Interest

Year	Entity	Value	Original Tax	Tax Due	Discount	Penalty/ Interest	Total Due
2025	05 - RUSK COUNTY	429,820	\$2,112.53	\$0.00	\$0.00	\$0.00	\$0.00
2025	05R - SPEC RD	429,820	\$227.74	\$0.00	\$0.00	\$0.00	\$0.00
2025	22 - CITY OF HENDERSON	429,820	\$1,826.98	\$0.00	\$0.00	\$0.00	\$0.00
2025	22IS - CITY OF HENDERSON I&S	429,820	\$447.36	\$0.00	\$0.00	\$0.00	\$0.00
2025	46 - HENDERSON I.S.D. M&O	429,820	\$2,932.23	\$0.00	\$0.00	\$0.00	\$0.00
2025	46IS - HENDERSON I.S.D. I&S	429,820	\$601.75	\$0.00	\$0.00	\$0.00	\$0.00
2025	66 - RUSK CO GROUNDWATER CONSV	429,820	\$21.49	\$0.00	\$0.00	\$0.00	\$0.00
Totals:			\$8,170.08	\$0.00	\$0.00	\$0.00	\$0.00

Parcel Total: **\$8,170.08** **\$0.00** **\$0.00** **\$0.00** **\$0.00**

PAID HISTORY (CURRENT TAX YEAR) 2025								
Jurisdiction	Tax	Discount	Penalty	Other Payment	Total Amount	Cod	Ref Number	Posting Date
05	\$2,112.53	\$0.00	0.00	\$0.00	\$2,112.53		95884	02/05/2026
05R	\$227.74	\$0.00	0.00	\$0.00	\$227.74		95884	02/05/2026
22	\$1,826.98	\$0.00	0.00	\$0.00	\$1,826.98		95884	02/05/2026
22IS	\$447.36	\$0.00	0.00	\$0.00	\$447.36		95884	02/05/2026
46	\$2,932.23	\$0.00	0.00	\$0.00	\$2,932.23		95884	02/05/2026
46IS	\$601.75	\$0.00	0.00	\$0.00	\$601.75		95884	02/05/2026
66	\$21.49	\$0.00	0.00	\$0.00	\$21.49		95884	02/05/2026
\$8,170.08		\$0.00	\$0.00	\$0.00	\$8,170.08			

If applicable, the above-described property has / is receiving special appraisal based on its use, and additional rollback taxes may become due based on the provisions of the special appraisal (Comptroller Rule 9.3040) or property omitted from the appraisal roll as described under Tax Code Section 25.21 is not included in this certificate [Tax Code Section 31.08(b)].

sign here →
Authorized Officer of Collecting Office

Treva Griffith
03/02/2026
Date of Tax Certificate

Issued By: Treva Griffith

Issued To: Collins Surveying & Mapping

Issued Date: 3/2/2026 9:35:36AM
DPIYRMO: 202603

Pursuant to Tax Code Section 31.08, if a person transfers property accompanied by a tax certificate that erroneously indicates that no delinquent taxes, penalties or interest are due a taxing unit on the property or that fails to include property because of its omission from an appraisal roll, the taxing unit's tax lien on the property is extinguished and the purchaser of the property is absolved of liability to the taxing unit for delinquent taxes, penalties or interest on the property or for taxes based on omitted property. The person who was liable for the tax for the year the tax was imposed or the property was omitted remains personally liable for the tax and for any penalties or interest.

A tax certificate issued through fraud or collusion is void.

Rusk County Tax Office TAX CERTIFICATE PAID REPORT

Posting Date: 03/02/2026

Issued To:	Certificate #:	Parcel Id	Account:	Amount:	Posted Date:
Collins Surveying & Mapping	44987	23634	01260-01455-00000-0000	10.00	03/02/2026
Posting Date:	Certificates Posted:		Total Amount:		Paid by:
03/02/2026	1		\$10.00		PAUL DAVIS

JURISDICTIONS:			Total Fee :	10.00
Jurisdiction			Fee	
05	RUSK COUNTY		2.50	
22	CITY OF HENDERSON		2.50	
46	HENDERSON I.S.D. M&O		2.50	
66	RUSK CO GROUNDWATER CONSV DIST		2.50	

Rusk County Tax Office TAX CERTIFICATE PAID REPORT

Posting Date: 03/02/2026

Issued To:	Certificate #:	Parcel Id	Account:	Amount:	Posted Date:
Collins Surveying & Mapping	44986	44275	01260-01455-00040-0000	10.00	03/02/2026
Posting Date:	Certificates Posted:		Total Amount:		Paid by:
03/02/2026	1		\$10.00		PAUL DAVIS

JURISDICTIONS:			Total Fee :	10.00
Jurisdiction		Fee		
05	RUSK COUNTY	2.50		
22	CITY OF HENDERSON	2.50		
46	HENDERSON I.S.D. M&O	2.50		
66	RUSK CO GROUNDWATER CONSV DIST	2.50		



City Council

Agenda Item # 11.

SUBJECT: Consideration and possible action upon the HEDCO financials for the month of January 2026. (Gardella)

MEETING DATE: March 17, 2026

DEPARTMENT: HEDCO

CONTACT: Bret Gardella, HEDCO Director

RECOMMENDED CITY COUNCIL ACTION: To review and approve the 01.2026 HEDCO financials.

ITEM SUMMARY:

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. HEDCO Financials (Updated thru 01-31-2026)

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K				
1	Last Edit Date:		02.12.26	TYPE B EDC											
2	Budget approved by HEDCO		08.19.2025												
3	Budget approved by Council		09.16.2025												
4	Budget amended:				01.31.26 Checking Acct. #1963 Bal.		\$	4,683,529.69							
5															
6				Approved	Final Budget	Approved Budget			Y-T-D						
7				Budget	Budget	BUDGET		4-Month Ended	2025-2026	% Of					
8	Acct.#		Description	2024-2025	2024-2025	2025-2026		1/31/2026	1/31/2026	Budget	Notes				
9						12		4	4	33%	Percent of year completed				
10	REVENUE														
11	3010		Sales Tax Revenues Type B	\$	1,900,000.00	\$	2,017,371.10	\$	1,900,000.00	\$	160,063.02	\$	667,366.90	35%	
12	3025		Interest Income	\$	115,000.00	\$	18,859.51	\$	115,000.00	\$	13,797.76	\$	57,030.35	50%	
13	3030		Land Sales	\$	923,599.00	\$	-	\$	-	\$	-	\$	-	0%	
14	3090		Other (Misc) Revenue	\$	5,000.00	\$	-	\$	50,000.00			\$	2,886.25	6%	Predicted Revenue from Timber being cut on (Jenkins/Jim Allen Estate Tracts)
15			TOTAL REVENUE	\$	2,943,599.00	\$	2,036,230.61	\$	2,065,000.00	\$	173,860.78	\$	727,283.50	35%	
16															
17	* Footnote		Note Reciveable from Rusk County Rural Rail District - Not Included in Budget Totals												Notes receivable accrue on the balance sheet vs.the budget at, \$6,666.67 per month. Pmt. Deferred for 15 years until 2037.
18															

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8	Acct.#		Description	2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
19	EXPENDITURES										
20	Economic Development Expenses										
21	6101		Sadlers Performance	\$ -	\$ -		\$ -	\$ -	\$ -	0%	next and final payment due to be paid out in 2027
22	6102		Wiseman Performance	\$ -	\$ -		\$ 50,000.00	\$ -	\$ -	0%	3yrs @50k a yr (years 2026,2027, 2028)
23	6116		Henderson Canvas Products, Inc.	\$ -	\$ -		\$ 30,000.00	\$ -	\$ -	0%	Job creation incentive, 6-jobs @ \$5,000 /job. Forgiveable loan
24	6119		High Demand Job Training Grant	\$ 100,000.00	\$ 30,788.50		\$ 150,000.00	\$ -	\$ -	0%	executed March 2021. \$30,000 forgiveable Loan in A/R
25	6126		Scout Crossing	\$ 99,000.00	\$ 99,000.00		\$ -		\$ 44,320.00		will need BUDGET Amendment 25-26
26	6190		Matching Grants for Business Retention - Industrial Park	\$ 150,000.00	\$ 106,209.21		\$ 150,000.00		\$ 62,584.81	42%	
27	6191		Small Business Matching Grant	\$ 100,000.00	\$ 76,475.85		\$ 250,000.00	\$ 5,180.00	\$ 21,385.85	9%	
28	6200		Business Incentives for new or existing businesses	\$ 500,000.00	\$ 22,000.00		\$ 1,000,000.00	\$ 51,250.00	\$ 51,250.00	5%	
29			Total Economic Development Expenses	\$ 949,000.00	\$ 334,473.56		\$ 1,630,000.00	\$ 56,430.00	\$ 179,540.66	11%	
30											

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8	Acct.#		Description	2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
31	Supplies, Office Expenses and Professional Services										
32	6501		Accounting (Monthly Bookkeeping + Annual Audit)	\$ 14,000.00	\$ 13,970.00		\$ 20,000.00	\$ 1,015.00	\$ 2,215.00	11%	
33	6502		Insurance - General Liability	\$ 1,500.00	\$ 1,189.00		\$ 3,000.00		\$ 1,180.85	39%	(11.17.25-received \$8.15 refund back from insurance)
34	6503		Legal (Attorney)	\$ 25,000.00	\$ 4,312.50		\$ 25,000.00		\$ 2,050.00	8%	
35	6504		Office Expenses	\$ 8,744.17	\$ 8,744.17		\$ 15,000.00	\$ 321.14	\$ 856.88	6%	
36	6505		Postage & Shipping	\$ 400.00	\$ 146.00		\$ 400.00		\$ 156.00	39%	
37	6506		Property Tax	\$ 85.00	\$ (3,859.30)		\$ 85.00	\$ 2,828.59	\$ 2,828.59	3328%	
38	6507		Cell Phone(s)	\$ 1,560.00	\$ 1,471.88		\$ 2,000.00	\$ 111.63	\$ 589.68	29%	
39	6508		Utilities				\$ -	\$ 263.81	\$ 490.48		will need BUDGET Amendment 25-26
			Professional Services - Consulting Fees, Engineering, Design, Architectural (Part of Capital Expenses)								
40	6509			\$ 100,000.00	\$ 3,464.97		\$ 100,000.00	\$ 3,600.00	\$ 17,690.00	18%	
41			Subtotal - Supplies, Office Expenses and Professional Services	\$ 151,289.17	\$ 29,439.22		\$ 165,485.00	\$ 8,140.17	\$ 28,057.48	19%	

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8	Acct.#		Description	2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
42											
43	Personnel Expenses										
44	7001		Contract Labor - Executive Director (with City)	\$ 229,758.13	\$ 229,758.13		\$ 220,947.79	\$ 38,118.12	\$ 57,176.48	26%	
45	7010		Contract Labor - Dir. of Marketing/Business Dev.	\$ 106,469.30	\$ 106,469.30		\$ 99,154.67	\$ 19,202.70	\$ 28,804.08	29%	
46	7020		Contract Labor - Office Manager	\$ 90,467.86	\$ 90,467.86		\$ 81,696.91	\$ 15,685.97	\$ 23,528.94	29%	
47	7021		Contract Labor - Grant Research/Writer	\$ 30,000.00	\$ 360.00		\$ 30,000.00	\$ -	\$ -	0%	
48	7022		Contract Labor-Lawyer	\$ 36,000.00	\$ 23,076.82		\$ 36,000.00	\$ 22,153.80	\$ 22,153.80	62%	
49			Subtotal - Personnel Expenses	\$ 492,695.29	\$ 450,132.11		\$ 467,799.37	\$ 95,160.59	\$ 131,663.30	28%	
50											

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8				2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
51	Program Expenses										
52	7201		Website Annual License Fees	\$ 5,000.00	\$ 2,525.00		\$ 5,000.00	\$ -	\$ -	0%	
53	7202		Website Development, Maintenance, Upgrades, etc.	\$ 22,500.00	\$ 22,500.00		\$ 10,000.00	\$ -	\$ -	0%	
54	7203		Advertising and Marketing	\$ 132,613.94	\$ 132,613.94		\$ 120,000.00	\$ 7,713.38	\$ 29,612.75	25%	
55	7204		Meetings and Entertainment	\$ 10,000.00	\$ 2,958.54		\$ 10,000.00	\$ 320.27	\$ 4,042.85	40%	
56	7205		Dues, Memberships & Subscriptions	\$ 41,609.47	\$ 41,609.47		\$ 65,000.00	\$ 19,357.59	\$ 28,729.81	44%	
57	7206		Confrences & Training	\$ 52,479.02	\$ 52,479.02		\$ 60,000.00	\$ 1,325.79	\$ 5,615.03	9%	
58	7210		Business Recruitment	\$ -	\$ -		\$ 100,000.00	\$ 6,370.77	\$ 30,991.76	31%	
59			Subtotal - Program Expenses	\$ 264,202.43	\$ 254,685.97		\$ 370,000.00	\$ 35,087.80	\$ 98,992.20	27%	
60											

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8				2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
61	Repairs and Maintenance (Non-Capital Expenses)										
62	7303		Property Maintenance - Taylor Street/Greenbelt	\$ 500.00	\$ -		\$ 500.00	\$ -	\$ -	0%	
63	7305		Property Maintenance - Henderson Innovation Park	\$ 225,000.00	\$ 187,822.80		\$ 250,000.00		\$ 6,100.00	2%	
64	7310		Property Maintenance-Jim Allen Estate	\$ 400,000.00	\$ -		\$ 150,000.00	\$ -	\$ -	0%	
65	7309		Property Maintenance - Old City Hall Complex	\$ 5,000.00	\$ 745.00		\$ 5,000.00		\$ -	0%	
66			Subtotal - Repairs and Maintenance (Non-Capital)	\$ 630,500.00	\$ 188,567.80		\$ 405,500.00	\$ -	\$ 6,100.00	2%	
67											
68	TOTAL EXPENSES			\$ 2,487,686.89	\$ 1,257,298.66		\$ 3,038,784.37	\$ 194,818.56	\$ 444,353.64	15%	
69											

HEDCO - APPROVED BUDGET 2024-2025

	A	B	C	D	E	F	G	H	I	J	K
6				Approved	Final Budget		Approved Budget		Y-T-D		
7				Budget	Budget		BUDGET	4-Month Ended	2025-2026	% Of	
8				2024-2025	2024-2025		2025-2026	1/31/2026	1/31/2026	Budget	Notes
70	CAPITAL OUTLAY										
71	7501		Purchase of Property for New Business Park	\$ 230,000.00	\$ -		\$ 230,000.00	\$ -	\$ -	0%	
72	7502		East Texas Reg. Business Park - Capital Expenditures - Utilities & Street Improvements, Land Clearing, Sidewalks, Pond improvements	\$ 1,572,000.00	\$ 1,387,586.18		\$ 1,000,000.00	\$ 47,199.23	\$ 144,902.13	14%	
73	7504		Contracted Building-Design & Construction	\$ 2,500,000.00	\$ -		\$ 2,500,000.00		\$ -	0%	
74			Total Capital Outlay	\$ 4,302,000.00	\$ 1,387,586.18		\$ 3,730,000.00	\$ 47,199.23	\$ 144,902.13	4%	
75											
76	TOTAL EXPENDITURES (Expenses + Capital Outlay)			\$ 6,789,686.89	\$ 2,644,884.84		\$ 6,768,784.37	\$ 242,017.79	\$ 589,255.77	9%	
77	Totals										
78			Total Revenues	\$ 2,943,599.00	2,036,230.61		\$ 2,065,000.00	\$ -	\$ 727,283.50	35%	
79			(Less) Total Expenditures	\$ 6,789,686.89	2,644,884.84		\$ 6,768,784.37	\$ 138,027.73	\$ 138,027.73	2%	
80	Net Increase/Decrease in Unrestricted Net Assets			\$ (3,846,087.89)	(608,654.23)		\$ (4,703,784.37)	\$ (138,027.73)	\$ 589,255.77	-13%	
81			Receivable for Loan - Rusk County Rural Rail District	\$ -	\$ -		\$ -	\$ -	\$ -	0%	Agreement to defer for 15 years until the year 2037.
82			Total Available to Contribute to Fund Balance	\$ (3,846,087.89)	(608,654.23)		\$ (4,703,784.37)	\$ (138,027.73)	\$ 589,255.77	-13%	Operating income less operating expenses
83											
84	Potential Transfer From Fund Balance										
85											
86	FINAL BALANCE			\$ (3,846,087.89)	\$ (608,654.23)		\$ (4,703,784.37)	\$ (138,027.73)	\$ 589,255.77	-13%	



City Council

Agenda Item # 12.

SUBJECT: Consider and take necessary action on Interlocal Agreement between HEDCO & Rusk County for Jet A Fuel at the Rusk County Airport. (Gardella)

MEETING DATE: March 17, 2026

DEPARTMENT: HEDCO

CONTACT:

RECOMMENDED CITY COUNCIL ACTION: to review and approve the Interlocal Agreement

ITEM SUMMARY:

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 2. Interlocal Agreement 2.0



INTERLOCAL AGREEMENT

This Interlocal Agreement (herein referred to as the “Agreement”) is entered into by HENDERSON ECONOMIC DEVELOPMENT CORPORATION (“HEDCO”) of 300 West Main, Henderson, Texas 75652 and RUSK COUNTY, TEXAS (the “COUNTY”) of 115 North Main Street, Henderson, Texas 75652 pursuant to the authority granted by Chapter 791 of the Texas Government Code.

WITNESSETH

WHEREAS, the COUNTY is authorized by § 22.011 of the Texas Transportation Code to plan, establish, construct, improve, equip, maintain, operate, regulate, protect and police an airport or air navigation facility in or outside the territory of Rusk County, Texas; and

WHEREAS, HEDCO is authorized by § 505.151 of the Texas Local Government Code to fund the provision of land, buildings, equipment, facilities, expenditures & improvements for the creation or retention of primary jobs and found by its Board of Directors to be required or suitable for the development, retention or expansion of manufacturing & industrial facilities and/or regional or national corporate headquarter facilities; and

WHEREAS, HEDCO is authorized by § 505.151 of the Texas Local Government Code to support projects to provide transportation facilities (including but not limited to airports, hangars, airport maintenance & repair facilities, air cargo facilities, related infrastructure located on or adjacent to an airport facility, ports, mass commuting facilities & parking facilities); public safety facilities; streets & roads; drainage & related improvements; demolition of existing structures; general municipally owned improvements and any improvements or facilities related to a project described by this subdivision; and

WHEREAS, HEDCO is authorized by § 505.155 of the Texas Local Government Code to provide funding for any other projects that its Board of Directors in its discretion determines promotes or develops new or expanded business enterprises that create or retain primary jobs; and

WHEREAS, the Rusk County Commissioners' Court has given specific, written approval of a project to plan, establish, construct, improve, equip, maintain, operate, regulate, protect and police improved fueling facilities within the Rusk County airport in Henderson, Texas at an estimated cost of \$600,000.00 (the "Project"); and

WHEREAS, the HEDCO Board of Directors has determined that the Project will create & retain primary jobs and promote & develop new or expanded business enterprises in Henderson, Rusk County, Texas; and

WHEREAS, HEDCO & the COUNTY have determined that each entity and its respective constituents shall mutually benefit from the Project in proportion to their contributions.

NOW THEREFORE, for and in consideration of the covenants, promises and conditions hereinafter contained, HEDCO and the COUNTY agree as follows —

1. The COUNTY shall plan, construct, equip, maintain, operate, regulate, protect & police the Project; select & contract with all necessary professionals & tradesmen and procure all materials required to complete the Project. The COUNTY shall further ensure that the Project is completed timely and in accordance with applicable law and industry standards. Except as otherwise provided herein, the COUNTY shall pay all costs of the Project.
2. HEDCO shall contribute the sum of \$250,000.00 toward the Project as and when requested by the COUNTY. The COUNTY shall return any unused portion of HEDCO's contribution upon completion of the Project. HEDCO shall have no responsibility for the design, construction or operation of the Project.
3. Each party will make its contributions from current revenues available to it.

[SIGNATURES ON FOLLOWING PAGE]

RUSK COUNTY, TEXAS

By: _____
Joel Hale, County Judge

SWORN TO & SUBSCRIBED BEFORE ME, the undersigned authority, by the said
Joel Hale in the capacity indicated above on this, the ____ day of February 2026.

NOTARY PUBLIC, STATE OF TEXAS

HENDERSON ECONOMIC DEVELOPMENT CORPORATION

By: _____
Bret Gardella, Executive Director

SWORN TO & SUBSCRIBED BEFORE ME, the undersigned authority, by the said
Bret Gardella in the capacity indicated above on this, the ____ day of February 2026.

NOTARY PUBLIC, STATE OF TEXAS



City Council

Agenda Item # 13.

SUBJECT: Consideration and possible action on Performance Agreement for Old School Services. (Gardella)

MEETING DATE: March 17, 2026

DEPARTMENT: HEDCO

CONTACT: Bret Gardella, HEDCO Director

RECOMMENDED CITY COUNCIL ACTION: Review and approve the Performance Agreement

ITEM SUMMARY:

BACKGROUND INFORMATION:

SPECIAL CONSIDERATIONS:

SUPPORTING MATERIALS:

1. 1. Performance Agreement 2.0



PERFORMANCE AGREEMENT

This Performance Agreement (herein referred to as the “Agreement”) is entered into by HENDERSON ECONOMIC DEVELOPMENT CORPORATION (“HEDCO”) of 300 West Main, Henderson, Texas 75652 and OLD SCHOOL SERVICES, LLC of 912 State Highway 64 West, Henderson, Texas 75652 (“OLD SCHOOL”).

WITNESSETH

WHEREAS, HEDCO exists to encourage economic growth, expansion of business entities and the creation & retention of jobs for citizens of the City of Henderson, Texas; and

WHEREAS, OLD SCHOOL is a Texas limited liability company providing thru tubing, coiled tubing, machine shop and other industrial and energy-related services to customers in Texas, New Mexico, Oklahoma, Louisiana, Colorado and Wyoming from service locations in Odessa, Texas; La Vernia, Texas; Henderson, Texas and Casper, Wyoming; and

WHEREAS, OLD SCHOOL, subject to the terms and conditions of the Agreement, has agreed to invest not less than \$1 million to develop, staff & operate a new headquarters facility and create & fill at least twenty (20) full-time employment positions in Henderson, Texas (the “Project”); and

WHEREAS, pursuant to § 501.101(1)-(2) of the Texas Local Government Code, the Project includes expenditures for land, buildings, equipment, facilities, expenditures, targeted infrastructure and improvements that are for the creation or retention of primary jobs and which the HEDCO Board of Directors finds to be required or suitable for the development, retention or expansion of manufacturing & industrial facilities; research & development facilities; transportation facilities; distribution centers; warehouse facilities and/or regional or national corporate headquarters facilities in Henderson, Texas.

NOW, THEREFORE, for and in consideration of the covenants, promises and conditions hereinafter contained, HEDCO and OLD SCHOOL agree as follows —

DESIGN & CONSTRUCTION

1. Within six (6) months after the execution of this Agreement, OLD SCHOOL shall invest \$750,000.00 to purchase an existing facility in Henderson, Texas to serve as its national headquarters (the “Headquarters”).
2. Within twelve (12) months after the execution of this Agreement, OLD SCHOOL shall invest not less than \$150,000.00 to remodel the Headquarters and \$250,000.00 to construct a wash rack facility on the premises.

JOB CREATION

3. Within sixty (60) days of the completion of the remodel and construction, OLD SCHOOL shall consolidate its operations in Henderson, Texas and establish the Headquarters as its primary office.
4. In its first year of operations in the Headquarters, OLD SCHOOL shall create and fill not less than ten (10) full-time employment positions in Henderson, Texas including positions for engineers, sales professionals, administrative staff and laboratory technicians at an average wage of not less than \$20.00 per hour.
5. In the second year of operations in the Headquarters, OLD SCHOOL shall create and fill not less than ten (10) additional full-time employment positions in Henderson, Texas including positions for engineers, sales professionals, administrative staff and laboratory technicians at an average wage of not less than \$20.00 per hour.

THE INCENTIVE

6. If OLD SCHOOL acquires the property and completes the construction & remodel at a cost of not less than \$1 million within twelve (12) months after the execution of this Agreement, HEDCO shall reimburse OLD SCHOOL \$50,000.00 of its demonstrated acquisition and construction costs.
7. If OLD SCHOOL creates and fills ten (10) full-time employment positions in Henderson, Texas including positions for engineers, sales professionals, administrative staff and laboratory technicians at a demonstrated average wage of not less than \$20.00 per hour during the first year of operations in the Headquarters, HEDCO shall reimburse OLD SCHOOL an additional \$50,000.00 of its demonstrated acquisition and construction costs.

8. For purposes of this Agreement, a “full-time employee” means a person directly employed by OLD SCHOOL at the Plant for an average of at least thirty-five (35) hours per week (including sick leave, vacation, holidays and other compensated leave time). The base pay for all such employees shall average not less than \$20.00 per hour. It does not include positions that existed prior to the execution of this Agreement.
9. OLD SCHOOL shall use its best efforts to secure construction labor & materials within the City of Henderson and to solicit full-time employees for any newly-created positions from within the City of Henderson and Rusk County through the Texas Workforce Commission and other generally accepted recruiting sources and provide HEDCO the dates, times and methods of such solicitation and the results thereof.
10. Not more than 30 days following the end of each calendar year during the term of this Agreement, OLD SCHOOL shall provide HEDCO copies of its quarterly Texas Workforce Commission C3 reports and such other documentation as may be reasonably requested in order to verify its level of employment at the Headquarters. HEDCO shall not issue any payments until such documentation has been received.

WARRANTIES & REPRESENTATIONS

11. In further consideration for this Agreement and the covenants herein, OLD SCHOOL hereby warrants, represents, and covenants to HEDCO as follows —
 - (a) OLD SCHOOL is a Texas limited liability company duly organized in the State of Texas validly existing and in good standing with the authority to conduct business in the State of Texas.
 - (b) OLD SCHOOL has and will hereafter timely file all state and federal tax reports and returns required by law and timely pay all taxes, assessments, fees and other governmental charges which are due and payable.
 - (c) OLD SCHOOL is aware of the statutory limitations on funds paid under the Agreement and the use of the funds under Texas law including § 380 of the Local Government Code. Therefore, OLD SCHOOL expressly covenants that the funds herein granted have and shall be utilized solely for purposes authorized under such state law and by the terms of this Agreement.
 - (d) There have been and are no bankruptcy proceedings currently pending concerning OLD SCHOOL or its officer or directors nor are any such proceedings contemplated as of the date of this Agreement.

- (e) OLD SCHOOL has and will comply with all conditions, covenants, agreements, representations, warranties and obligations set forth herein.
- 12. Pursuant to Texas Government Code § 2264.001, OLD SCHOOL expressly warrants that it does not and will not knowingly employ any undocumented workers and will repay the incentives provided under this Agreement together with interest at the prevailing 30 year mortgage rate not later than the 120th day after receiving notice of the violation from HEDCO if it is convicted of federal immigration violations under Title 8 U.S.C. § 1324a(f).

GENERAL PROVISIONS

- 13. This Agreement shall become effective upon execution by the parties.
- 14. All of the terms, representations and warranties herein are material conditions of this Agreement.
- 15. Venue for any litigation between the parties concerning this Agreement, or the rights or duties of either in relation thereto, shall be in Rusk County, Texas. In the event it prevails in any such litigation, HEDCO shall be entitled, in addition to such other relief as may be granted, to recover its reasonable attorney's fees and expenses of litigation.
- 16. Any notices required to be given hereunder shall be in writing and shall be deemed to be duly given by personally delivering such notice, or by mailing same postage prepaid, by certified mail, return receipt requested, to the parties at the addresses shown herein. Either party may change its address for this purpose by giving written notice of such change to the other party.
- 17. In the event of a breach of this Agreement by OLD SCHOOL, HEDCO shall provide written notice of the breach and allow OLD SCHOOL thirty (30) days to cure. If OLD SCHOOL fails to cure the breach within thirty (30) days of the written notice, HEDCO may terminate the Agreement and seek all remedies available at law or in equity.
- 18. This Agreement constitutes the entire agreement of the parties. It may not be amended, or changed in any respect whatsoever, unless in writing and signed by all parties.

OLD SCHOOL SERVICES, LLC

By: _____
Matt Turner, Managing Member

SWORN TO & SUBSCRIBED BEFORE ME, the undersigned authority, by the said
Matt Turner in the capacity indicated above on this, the ____ day of April 2026.

NOTARY PUBLIC, STATE OF TEXAS

HENDERSON ECONOMIC DEVELOPMENT CORPORATION

By: _____
Bret Gardella, Executive Director

SWORN TO & SUBSCRIBED BEFORE ME, the undersigned authority, by the said
Bret Gardella in the capacity indicated above on this, the ____ day of April 2026.

NOTARY PUBLIC, STATE OF TEXAS



HENDERSON FIRE DEPARTMENT

401 West Main St.
Henderson, Texas 75654
903-657-6551

Sonny Ybarra, Fire Chief
Jeff Stoddard, Assistant Fire Chief

MONTHLY REPORT FOR FEBRUARY 2026

<u>TYPE OF CALL</u>	<u>CITY</u>	<u>COUNTY</u>
<i>OTHER FIRES (Industrial/other)</i>	2	1
<i>STRUCTURE FIRES</i>	0	1
<i>VEHICLE FIRES</i>	0	0
<i>GRASS FIRES</i>	2	9
<i>ELECTRICAL FIRES</i>	0	0
<i>COOKING FIRES (KITCHEN)</i>	0	0
<i>POWER LINES</i>	2	0
<i>SMOKE CHECKS</i>	2	0
<i>ACCIDENTS (JAWS)</i>	1	1
<i>MVC'S (No Extrication)</i>	3	5
<i>AIRCRAFT STAND-BY</i>	0	0
<i>FUEL SPILLS/GAS LEAKS</i>	2	2
<i>RESCUE</i>	1	0
<i>MEDICAL CALLS</i>	22	6
<i>ALARM MALFUNCTIONS</i>	1	0
<i>FALSE ALARMS</i>	2	0
<i>DISPATCHED AND CANCELED ENROUTE</i>	1	2
<i>UNAUTHORIZED BURNING</i>	2	3
<i>CONTROL BURN (COUNTY ONLY)</i>	0	2
<i>ASSIST OTHER DEPARTMENTS</i>	0	8
<i>MISCELLANEOUS CALLS/PUBLIC SERVICE</i>	0	0
TOTAL	43	40
 MANHOURS	 91	 106
 TOTAL CALLS		83
TOTAL MANHOURS		197
 TRAINING	Paid 80 Vol 12	Total 92
INSPECTIONS		11
FIRE PREVENTION PROGRAMS		0
PUBLIC RELATIONS EVENTS		1
HYDRANT MAINTENANCE		82
WATER USAGE		11,000

HENDERSON FIRE DEPARTMENT



Fire Prevention and Public Relations

2/12/2026, Chief Ybarra and Assistant Chief Stoddard attended Mid Morning Coffee and Full Armor Christian Academy. It's always nice to interact with other Hendersonites at mid morning coffee.

February 2026

Call Log

- | | |
|------------------|----|
| • Fire Calls: | 55 |
| • Medical Calls: | 28 |
| • Total Calls: | 83 |
| • Inspections: | 11 |
| • Hydrants: | 82 |

Training:

- Firefighter Chance Jennings took skills for Fire Investigator. State test is next.
- Fire Lieutenant Jeremy Simmons took skills for Officer I & II. State test is next.
- C Shift along with Firefighter Colby Turner from A shift held a Vehicle Extrication training on 2/25. Had a great time learning different skills and ways to proficiently extricate a victim at a scene. **Side note, these skills came in handy when the next tour ran 3 MVCs where extrication was needed. **



Memo

To: Jay Abercrombie, City Manager

From: Chad Taylor, Chief of Police

cc: Cheryl Jimerson, City Secretary

Date: March 2, 2026

Re: Henderson Police Department Monthly Report

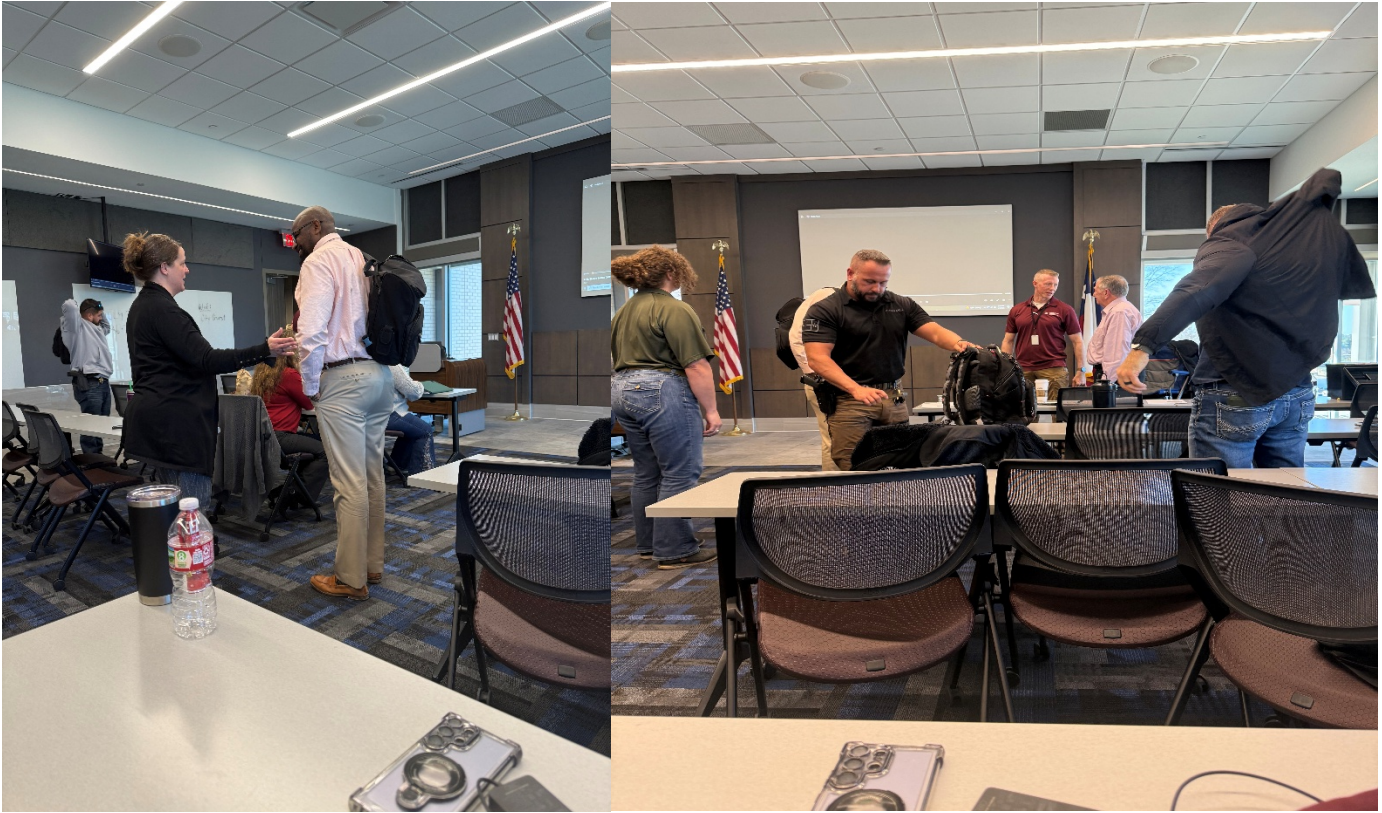


Attached to this memo please find the monthly activity report from the Police Department for February.

The Henderson Police Department had a good and eventful month for February. Our Officers attended class in Longview for Managing Administrative Operations. We promoted the Police Department at the Career Fair for local students in the area. We had an accreditation management class hosted by the Henderson Police Department for local departments wanting train officers for managing and/or achieving Accreditation through the Texas Police Chiefs Program (Texas Law Enforcement Accreditation Program). This class had officers and accreditation managers attending from all over the state including from Brownsville and Pampa.

Our officers have done excellent work this month making 630 stops this month compared to last year's 360 stops. Criminal cases turned over to our Criminal Investigations Division was also down 60 cases from last February.

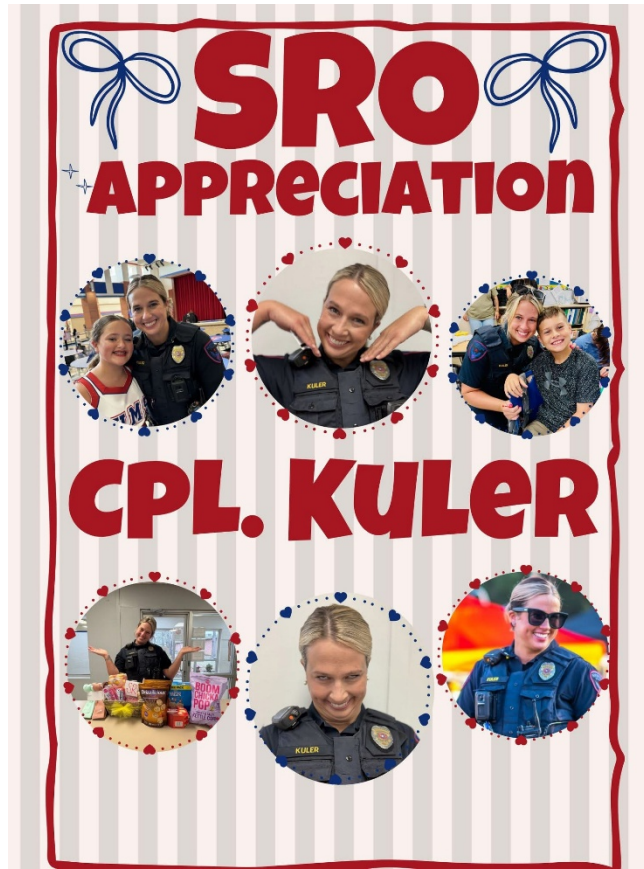
February 3, 2026 – Charles Helton and Sara Rowe in Managing Administrative Operations class in Longview.



February 12, 2026 – Charles Helton promoting the Henderson Police Department at the Career Fair.



February 18, 2026 – Northside celebrating School Resource Officer Day with Detective Brittany Kuler.



February 24, 2026 – Henderson Police Department hosting the Accreditation Management Class for us and other departments throughout the state.



	Feb	Mar	April	May		July	Aug	Sept	Oct	Nov	Dec	Jan
												2025
CALLS FOR SERVICE	974	996	1134	1261	1104	1038	1081	1076	1255	1139	1163	1162
OFFICER INITIATED CFS	435	435	418	500	411	358	372	356	457	428	531	541
DISPATCHED CFS	539	561	716	761	693	680	709	720	798	711	632	621
TRAFFIC CITATIONS	78	74	106	113	82	74	82	83	81	60	81	68
WRITTEN WARNINGS	262	263	245	320	233	198	217	183	311	320	483	384
ARREST	28	34	31	24	25	22	27	44	28	41	30	30
ACCIDENTS	23	35	39	36	34	28	33	36	38	38	39	24
DWI ARREST	2	2	1	1	4	0	2	2	1	1	5	1
(included above)												
INCIDENT REPORTS												
SENT TO CID	148	159	218	186	190	210	173	231	213	161	174	164
ASSIGNED	148	159	218	186	190	210	173	231	213	161	174	164
SUSPENDED	63	63	87	104	85	80	125	79	108	67	74	72
CLEARED	73	74	123	65	83	71	111	97	117	77	84	70
BURGLARY	10	9	6	7	6	11	13	11	16	8	7	5
ROBBERY	0	0	4	0	0	0	0	2	0	0	0	0
ASSAULT	24	23	22	23	32	12	19	30	19	33	20	22
POCS / POM*	5	4	0	3	2	4	0	0	1	4	5	9
SEXUAL ASSAULT	2	1	3	2	0	1	1	1	2	0	2	0

* Includes marijuana, cocaine, etc.

Feb	Mar	April	May	June	July	Aug	Sept	Oct.	Nov	Dec	Jan	Feb
											2026	
1029	1182	1075	1286	1175	1198	1162	1282	1190	1128	1210	1216	1179
451	510	465	591	514	552	594	745	631	607	680	614	702
578	672	610	695	661	646	568	537	559	521	530	602	477
51	72	73	88	87	76	101	113	125	103	105	108	85
309	329	333	433	364	374	421	547	464	447	503	442	545
33	47	41	27	38	43	42	42	34	37	43	39	43
22	28	20	41	20	19	26	28	27	42	32	28	29
1	5	2	1	1	2	5	8	3	3	6	6	2
173	204	167	161	133	183	118	142	131	94	109	122	113
173	204	167	161	133	183	118	142	131	94	109	122	113
70	98	77	55	88	68	40	72	57	47	36	45	47
71	73	69	92	58	94	63	51	49	32	35	51	49
13	18	6	5	7	8	3	2	6	5	4	2	3
1	0	1	0	0	0	0	1	2	0	0	0	0
21	17	18	21	19	22	12	15	20	14	20	20	14
9	15	13	7	5	9	6	9	11	13	14	8	12
1	2	1	4	0	0	1	0	0	1	0	1	1

**Compatibility Report for Copy of Jan 2022 Monthly Report -
.xls
Run on 02/02/2022 16:35**

If the workbook is saved in an earlier file format or opened in an earlier version of Microsoft Excel, the listed features will not be available.

Minor loss of fidelity

**# of
occurrences** **Version**

Some cells or styles in this workbook contain formatting that is not supported by the selected file format. These formats will be converted to the closest format available.	17	Excel 97-2003
--	----	---------------



Henderson Police Department

800 Lake Forest Parkway

Henderson, Texas 75652

Phone: 903-657-3512 Fax: 903-657-3345

Integrity ° Respect ° Accountability ° Courage ° Professionalism ° Dedication ° Service

03/03/2026

To: City Council
From: Chad Taylor, Chief
Ref: Training Report

Training report for the month of February

Total number of officers with license certification **3**

Total number of officers moved from certificate to basic- 0

Total number of officers moved from basic to intermediate – 0

Total number of officers moved to advanced – 0

Total number of officers moved to master- 0

Total number of officers in the cadet program- 0

Total number of Telecommunicators with a temporary license – 0

Total number of Telecommunicators moved from temporary license to basic-0

Total number of Telecommunicators moved from basic to intermediate-0

Total number of Telecommunicators moved from advance to master-0

Total Proficiency level moves - 0

Approximate hours of training for the month of February-**167**

Information provided by Sgt. Charles Helton – Training/Community Outreach Coordinator



Henderson Police Department

800 Lake Forest Parkway

Henderson, Texas 75652

Phone: 903-657-3512 Fax: 903-657-3345

Integrity ° Accountability ° Professionalism ° Service

FEBRUARY 2026 OPEN RECORD REPORT

Request	ORR Received	ORR Completed	ORR Open
OAG Rulings	1	0	1
ORR US Gov.	4	4	0
ORR State Gov.	4	4	0
ORR Local Gov.	3	3	0
ORR Subpoena	1	1	0
ORR Civilian	33	33	0
ORR Attorney	7	6	1
CR-3 Crash Reports	20	20	0
Total Requests	73	71	2

Information Provided by Stacey Strong – Records Administrator

REV2025 SJS

Open Records Report

Feb-26

DATE(S)	Record Requestor	HOURS	Charges
2/3/26	OR26-CR42511395	30.00	COMPLETED
2/10/26	OR26-2600388 INV 7955	75.00	5.60
2/10/26	OR26-OAG VC26079118	60.00	COMPLETED
2/9/26	OR26-02092026LB BILLED 50.67	120.00	BILLED
2/9/26	OR26-CR32600211	35.00	COMPLETED
2/5/26	OR26-VC26093981	60.00	COMPLETED
2/4/26	OR26-2600594 INV 7952	40.00	6.00
2/4/26	OR26-2209145 INV 7951	40.00	5.00
2/3/26	OR26-CR42600892 INV 7950	40.00	6.00
2/3/26	OR26-02032026JM	40.00	COMPLETED
2/3/26	OR26-02032026	60.00	COMPLETED
2/9/26	OR26-2505573	200.00	COMPLETED
2/9/26	OR26-2600803	75.00	COMPLETED
2/10/26	OR26-021026FOIA	35.00	COMPLETED
2/10/26	OR26-02102026FOIA	35.00	COMPLETED
2/10/26	OR26-02102026SN	40.00	COMPLETED
2/11/26	OR26-021126RB	50.00	COMPLETED
2/12/26	OR26-02122026KR	35.00	COMPLETED
2/3/26	OR26-02032026JBC	60.00	COMPLETED
2/3/26	SUBPOENA	60.00	COMPLETED
2/12/26	OR26-02122026AG	50.00	COMPLETED
2/3/26	OR26-24105AR	45.00	COMPLETED
2/10/26	OR26-CR32407814	45.00	COMPLETED

DATE(S)	Record Requestor	HOURS	Charges
2/17/26	OR26-2601330	35.00	COMPLETED
2/12/26	OR26-LN3933992351 INV 7962	40.00	5.00
2/12/26	OR26-LN39456071251 INV 7959	40.00	5.00
2/12/26	OR26-LN3944620251 INV 7958	40.00	5.00
2/12/26	OR26-LN3912134151 INV 7957	40.00	5.00
2/12/26	OR26-LN3885896951 INV 7937	40.00	5.00
2/12/26	OR26-LN11289551 INV 7956	40.00	5.00
2/12/26	OR26-LN3940668251 INV 7961	40.00	5.00
2/12/26	OR26-LN3937678651 INV 7963	40.00	5.00
2/12/26	OR26-LN3909857851 INV 7964	40.00	5.00
2/12/26	OR26-114446873 INV 7965	40.00	5.00
2/18/26	OR26-02182026AG	50.00	COMPLETED
2/18/26	OR26-021026JP	60.00	COMPLETED
2/18/26	OR26-02092026LB	60.00	COMPLETED
2/18/26	OR26-2510282LG	45.00	COMPLETED
2/18/26	OR26-VERDASTUDIOS	45.00	COMPLETED
2/18/26	OR26-02102026 CPS	50.00	COMPLETED
2/18/26	OR26-CPS2601423TG	50.00	COMPLETED
2/18/26	OR26-CR42601330	35.00	COMPLETED
2/18/26	OR26-2513353	60.00	COMPLETED
2/18/26	OR26-2512640	60.00	COMPLETED
2/18/26	OR26-2600803	60.00	COMPLETED
2/18/26	OR26-251368	45.00	COMPLETED
2/18/26	OR26-2505573J	35.00	COMPLETED
2/18/26	OR26-CR42601327 INV 7967	45.00	6.00
2/19/26	OR26-2510222GC	45.00	COMPLETED
2/25/26	OR26-02242026DSHS JR	45.00	COMPLETED
2/24/26	OR26-CR42601543	30.00	COMPLETED
2/25/26	OR26-CR42601543	20.00	COMPLETED

INFORMATION PROVIDED BY STACEY STRONG - RECORDS ADMINISTRATOR

REV2026/SJS



Henderson Police Department

800 Lake Forest Parkway

Henderson, Texas 75652

Phone: 903-657-3512 Fax: 903-657-3345

Integrity ° Accountability ° Professionalism ° Service

FEBRUARY 2026 ORD Revenue

Description	Qty	Unit price	Discount	Total
Police Report	1	\$5.00		\$5.00
Crash Reports	7	\$6.00		\$42.00
ORR Attorney		\$		\$
ORR Civilian	2	\$5.90/9.60		\$15.50
LexisNexis	9	\$5.00		\$45.00
Total				\$107.50

Information Provided by Stacey Strong – Records Administrator

REV2025 SJS

Balance Sheet

Henderson PD Records

Feb-26

Balance summary	
NO. 7949 CASH 01/30/2026	\$6.00
No. 7950 CASH	\$6.00
NO. 7951 CK 3153	\$5.00
NO. 7952 CASH	\$6.00
NO. 7953 CASH	\$6.00
NO. 7954 NO SHOW 57.42	\$0.00
NO. 7955 MONEY ORDER GAVE CHANGE OF .30	\$5.90
NO. 7956 3911289551	\$5.00
NO. 7957 3912134151	\$5.00
NO. 7958 3944620251	\$5.00
NO. 7959 3946071251	\$5.00
NO. 7960 3889794551	\$9.60
NO. 7961 3940668251	\$5.00
NO. 7962 3933992351	\$5.00
NO. 7963 3937678651	\$5.00
NO. 7964 3909857851	\$5.00
NO. 7965 11446873	\$5.00
NO. 7966 CASH	\$6.00
NO. 7967 013854	\$6.00
NO. 7968 CASH	\$6.00
Turned into Sara 03/03/2026	\$107.50
Balance	\$107.50

Henderson Animal Center and Protection

Monthly Report

Month of: February

Year: 2026

Inside City Limits

Number of Dogs:	8	Year to Date:	25
Number of Cats:	7	Year to Date:	27
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	15	Year to Date:	52

ACOPU

Number of Dogs:	6	Year to Date:	40
Number of Cats:	6	Year to Date:	41
Number of Others:	4	Year to Date:	18
TOTAL Number of Animals:	16	Year to Date:	99

Outside City Limits

Number of Dogs:	2	Year to Date:	8
Number of Cats:	2	Year to Date:	10
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	4	Year to Date:	18

Rusk County Sheriff's Department

Number of Dogs:	0	Year to Date:	0
Number of Cats:	0	Year to Date:	0
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	0	Year to Date:	0

City of Overton

Number of Dogs:	0	Year to Date:	1
Number of Cats:	0	Year to Date:	0
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	0	Year to Date:	1

City of Tatum

Number of Dogs:	0	Year to Date:	0
Number of Cats:	0	Year to Date:	0
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	0	Year to Date:	0

City of New London

Number of Dogs:	0	Year to Date:	0
Number of Cats:	0	Year to Date:	0
Number of Others:	0	Year to Date:	0
TOTAL Number of Animals:	0	Year to Date:	0

TOTAL of Animals Received

Number of Dogs:	16	Year to Date:	73
Number of Cats:	15	Year to Date:	78
Number of Others:	4	Year to Date:	18
TOTAL this Month:	35	Year to Date:	169

Animals Reclaimed

Number of Dogs:	4	Year to Date:	20
Number of Cats:	0	Year to Date:	0
Number of Others:	0	Year to Date:	0
TOTAL this Month:	4	Year to Date:	20

Animals Adopted

Number of Dogs:	7	Year to Date:	39
Number of Cats:	10	Year to Date:	79
Number of Others:	0	Year to Date:	0
TOTAL this Month:	17	Year to Date:	118

<i>Monthly Adoption Breakdown:</i>	<i>Dogs Adopted:</i>	7	<i>Dogs Rescued:</i>	0
	<i>Cats Adopted:</i>	1	<i>Cats Rescued:</i>	9
	<i>Others Adopted:</i>	0	<i>Others Rescued:</i>	0

Animals Euthanized

Number of Dogs:	6	Year to Date:	23
Number of Cats:	0	Year to Date:	2
Number of Others:	0	Year to Date:	0
TOTAL this Month:	6	Year to Date:	25

<i>Monthly Euthanasia Breakdown</i>	<i>Sick:</i>	<i>Injured:</i>	<i>Aggressive:</i>
<i>Dogs:</i>	0	0	6
<i>Cats:</i>	0	0	0
<i>Other: (Non-Wildlife)</i>	0	0	0

<u>Animals Held for Rabies Quarantine:</u>	0	Year to Date:	0
---	----------	----------------------	----------

<u>Animals Tested for Rabies:</u>	1	Year to Date:	3
--	----------	----------------------	----------

<u>Animal Complaints Received:</u>	416+	Year to Date:	2,123+
---	-------------	----------------------	---------------

<u>Deceased on Arrival (disposal):</u>	4	Year to Date:	16
---	----------	----------------------	-----------

<u>Died in Care:</u>	0	Year to Date:	1
-----------------------------	----------	----------------------	----------

Animal Protection Activity

Warnings Issued:	8	Year to Date:	42
-------------------------	----------	----------------------	-----------

Citations:	1	Year to Date:	9
-------------------	----------	----------------------	----------

Calls for Service during hours:	67	Year to Date:	408
--	-----------	----------------------	------------

Calls for Service after hours:	0	Year to Date:	10
---------------------------------------	----------	----------------------	-----------

Seizures:	0	Year to Date:	0
------------------	----------	----------------------	----------

Wildlife Euthanasia (sick or injured):	1	Year to Date:	1
---	----------	----------------------	----------

Wildlife Release:	2	Year to Date:	10
--------------------------	----------	----------------------	-----------

Traps Set:	25	Year to Date:	165
-------------------	-----------	----------------------	------------

Animal Center and Protection

Activity Report

February
2026





**VALENTINE'S
ADOPTION SPECIAL**

Fees waived for
approved adopters!



The staff worked hard to take adorable pics of our furry friends to find them homes for Valentine's Day!













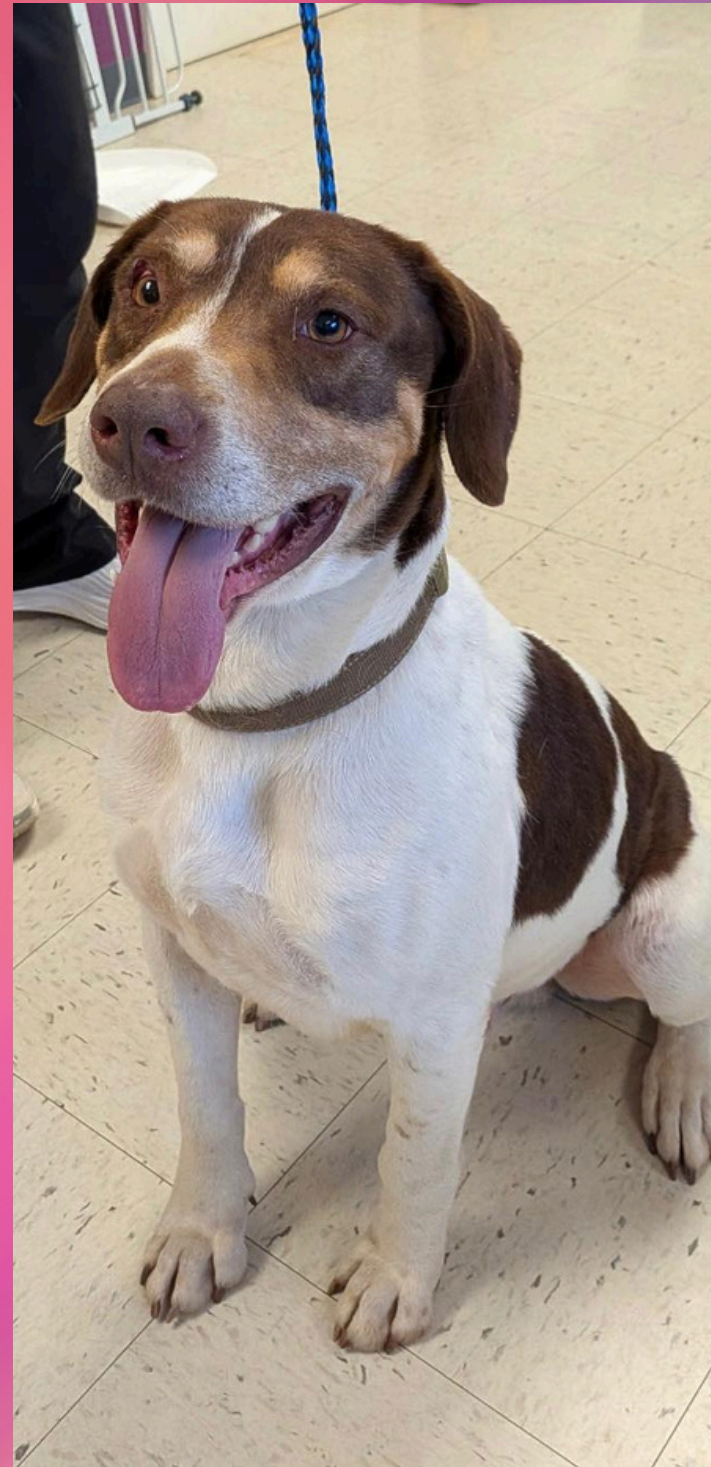


Adoptions



The Inn is Full

The center stays at, if not over, capacity at all times. We are constantly looking for new avenues to find our furry friends loving homes. Our officers find every way possible to keep them from having to come through our doors and stay busy responding to calls for stray animals, setting traps, and reaching out to rescues.







Community Development Department
300 West Main Street
Henderson, Tx 75652

Phone: 903-392-0786

Monthly Report

To: Mayor and City Council Members

From: Cliff McElfresh

RE: Summary for the Month of February 2026

MONTHLY TOTALS BUILDING CONSTRUCTION VALUE:	February 2026	\$442,751.00
MONTHLY TOTALS BUILDING CONSTRUCTION VALUE:	February 2025	\$316,000.00
ANNUAL TOTAL BUILDING CONSTRUCTION VALUE:	TO DATE 2026	\$648,201.00
ANNUAL TOTAL BUILDING CONSTRUCTION VALUE:	THRU February 2026	\$1,057,500.00

BUILDING INSPECTORS REPORT

CODE ENFORCEMENT REPORT

Building Inspections	10	Food Establishment Inspections	35
Electrical Inspections	20	Food Truck/Trailer Permits/Temp Food Events	1
Plumbing Inspections	29	High Grass & Weeds	5
Mechanical Inspections	5	Junk Vehicles	2
Meetings	16	Illegal Signs	14
Phone calls	47	Sub-Standard Structure Inspections/Notifications	0
Residential Plan Review		Illegal Dumping /Road debris/Illegal storage	0
Commercial Plan Review		Restaurant Grease Trap Inspection	0
Sign Permits Review	2	Meetings	5
Certificate of Occupancy	5	Zoning/Platting	6

Commercial Building Permits Issued	3
Residential Building Permits Issued	2
Commercial Roof Permits issued	0
Residential Roof Permits Issued	0
Demo Permits Issued	0
Residential Fence Permit Issued	0

Submitted by: Cliff McElfresh, Community Development Mgr.

Date: 02/02/2026

cliff mcelfresh

Feb-26

	NO. OF LOCATIONS	inspection	meetings	C/O	PHONE CALLS	LETTERS
BUILDING INSP.	1					
ELECTRICAL INSP.	3					
meetings	8					
MECHANICAL INSP.	0					
Other/Slab/Dr-way	1					
PLUMBING INSP	3					
SIGNS	2					
CERTIFICATE/OCCUPANCY	3					
phone calls	32					
TOTALS	21					

city council meeting. Had several meeting with contractos and had meeting with my department



Jeff Pahlman

Date February 2026

	NO. OF LOCATIONS	Inspection	Meetings	C/O	PHONE CALLS	LETTERS	Failed
BUILDING INSP.	9						2
ELECTRICAL INSP.	17						1
Meetings	8						
MECHANICAL INSP.	5						
Other/Slab/Dr-way	8						
PLUMBING INSP	26						3
SIGNS Removed	9						
CERTIFICATE/OCCUPANCY	2						
Phone Calls	15						
TOTALS	99						6

One stop work order issued for construction without a permit

CODE ENFORCEMENT MONTHLY REPORT

Name: **Wes Breitenberg**
 month/year: **Feb-26**

	LOCATIONS	ABATEMENTS	PERSONAL	CONTACTS	COURT	APP.	DOOR	NOTICES	LETTERS	PASS	FAIL
BUILDING INSP.											
ELECTRICAL INSP.											
SIGN PERMITS											
WEEDS/RUBBISH	5			4							
JUNKED VEHICLES											
MECHANICAL INSP.											
OTHER	2			2							
PLUMBING INSP.											
MEETINGS	5										
ILLEGAL SIGNS	4										
SUBSTANDARDS											
ZONING/PLATTING	6			12							
TOTALS	22	0	18	0	0	0	0	0	0	0	0

MONTHLY SUMMARY

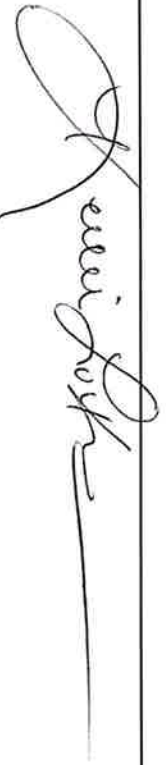
- 1) Worked on minor plat applications. Filed plats with County Clerk.
- 2) Responded to zoning questions. Resolved addressing requests.
- 3) Followed up on code complaints involving junk/debris. Removed illegal signs. Discussed fences/signage.
- 4) Worked on planning/organizing the Community Cleanup Day to be held April 11th
- 5) Followed up internally with Jeff and Cliff and the attorney about substandard ordinances

CODE ENFORCEMENT MONTHLY REPORT

Name:KEVIN LOCKRIDGEmonth/year:february -2026

	NO. OF LOCATIONS	ABATEMENTS	CITATIONS	COURT APP.	DOOR NOTICES	LETTERS	PASS	FAIL
ILLEGAL STORAGE								
SUB STD INSP/NTC								
SIGNS								
FOOD EST. INSP.	35						25	
HIGH GRASS/WEEDS	0							0
JUNK VEHICLES	2							0
FOOD TRK PERMITS	1						1	
FOOD TRL INSP	0						0	
ABATEMENTS	0							
greasetraps/sewer	0							
ILLEGAL SIGNS	10						10	
DUMPING/RD DEBRIS	0							
TOTALS	48							

25 restaurants , removed 10 advertisement signs from right away .inspected 1 food truck .7 certified letters for junk & debris . Code enforcement information and letters sent out still working on cases for code enforcement issues .also had several people that i spoke with in my office on code issues and health concerns on a store which i sent a certified letter to bring it back up to code .





To: City of Henderson Council Members
Jay Abercrombie, City Manager

From: Stephanie Kimbrell, Finance Director

Subject: Monthly Report

Date: March 10, 2026

- Investment Report for Dec 2025-see attached report
- Hotel-Motel Occupancy Tax for Dec 2025-see attached report

Water/Sewer/Garbage Billing Recap Month Ending 12/31/2025

Type of service	Amount Billed	Consumption Billed	Count
Garbage	\$ 197,684.86	-	5,464
Sales tax on garbage	\$ 14,854.33	-	-
Sewer Charges	\$ 253,337.85	37,500,176	4,471
Water Charges	\$ 283,435.32	62,931,576	4,798
Sprinkler	\$ 10,450.21	1,779,200	374
Penalty	\$ 12,032.47	-	999
Water Taps	\$ 600.00	-	1
Sewer Taps	\$ 550.00	-	1
Service Chg/Back Flow	\$ 505.30	-	6
Total Billing	\$ 773,450.34	102,210,952	16,114

INVESTMENT SUMMARY REPORT OCTOBER 1, 2025-DECEMBER 31, 2025							
FUND	AMOUNT				INT		
	INVESTED	Oct	Nov	Dec	TOTAL	RECEIVED	Y-T-D
	OCT 1,2025	Change	Change	Change	INVESTED	IN NOV	INTEREST
GENERAL FUND	107,700	-18,656.00	-62,676.00	-11,753.00	14,615	1,337	3,485
GF-RESTRICTED	68,898	0.00	0.00		68,898		
GF-MIN. RESERVE	500,000	0.00	-100,000.00		400,000		
GF-MISC A/R	210,000	0.00	0.00		210,000		
GENERAL -DEBT	650,465	822.00	82,822.00	-493,335.00	240,774	864	3,233
GENERAL CONSTR.	284,054	-12,892.00	-14,362.00	101,697.00	358,497	234	1,254
EQUIPMENT REPL	285,102	749.00	624.00	665.00	287,140	665	2,039
STREET & DRAINAGE	230,786	12,425.00	-10,795.00	-166.00	232,250	338	1,384
CEMETERY FUND	101,954	421.00	117.00	1,110.00	103,602	190	610
ANIMAL SHELTER	55,461	983.00	445.00	102.00	56,991	101	325
W/S FUND	181,621	-103,381.00	-59,932.00	17,606.00	35,914	1,005	3,187
W/S MIN.RESERVE	400,000	0.00	-100,000.00	-150,000.00	150,000		
W/S- SPECIAL UTILITIES	29,516	64.00	56.00	54.00	29,690		
W/S-RESTRICTED	111,285	0.00	0.00	0.00	111,285		
W/S CONSTR.	196,668	-90,382.00	-94,927.00	32,873.00	44,232	30	283
MAIN STREET	10,081	-1,384.00	-215.00	-2,970.00	5,512	15	52
TOURISM	208,377	37,965.00	-29,484.00	-11,859.00	204,999	210	1,141
CIVIC CENTER	87	1.00	0.00	0.00	88	1	2
BENEFIT PLAN	5,365	12.00	10.00	9.00	5,396	10	31
TOTALS	3,637,420	-173,253.00	-388,317.00	-515,967.00	2,559,883.00	4,999	17,026

This report is in compliance with our investment strategies as approved by council and the Public Investment Act.

Director of Finance, Stephanie Kimbrell

City Manager, Jay Abercrombie

Hotel-Motel Occupancy Tax
Monthly Reporting for
Dec 2025

DATE RECEIVED	TAX FOR MONTH	HOTEL NAME	TAXABLE MONTHLY RECEIPTS	7% TAX	1% RETAINER	AMOUNT PAID
1/17/2026	Dec	Baymont Inn	95,621.28	6,693.49	66.93	6,626.56
1/5/2026	Dec	Budget Inn (Sawan LLC)	11,425.93	799.82	8.00	791.82
1/18/2026	Dec	Economy Inn	9,268.14	648.77	6.49	642.28
1/2/2026	Dec	Holiday Inn Express(Jayani Investments)	193,557.00	13,548.99	135.49	13,413.50
1/2/2026	Dec	Woodlawn Hills (Patel & Sons LTD)	19,975.00	1,398.25	13.98	1,384.27
1/8/2026	Dec	Motel 6	57,936.75	4,055.57	40.56	4,015.01
		Totals	387,784.10	27,144.89	271.45	26,873.44



To: City of Henderson Council Members
Jay Abercrombie, City Manager

From: Stephanie Kimbrell, Finance Director

Subject: Monthly Report

Date: March 12, 2026

- Investment Report for Jan 2026-see attached report
- Hotel-Motel Occupancy Tax for Jan 2026-see attached report

Water/Sewer/Garbage Billing Recap Month Ending 1/31/2026

Type of service	Amount Billed	Consumption Billed	Count
Garbage	\$ 197,753.20	-	5,460
Sales tax on garbage	\$ 14,8549.96	-	-
Sewer Charges	\$ 305,184.71	47,571,220	4,467
Water Charges	\$ 335,527.85	81,062,220	4,794
Sprinkler	\$ 9,840.83	1,599,400	372
Penalty	\$ 9,984.83	-	861
Water Taps	-	-	-
Sewer Taps	\$ 550.00	-	1
Service Chg/Back Flow	\$ 1,079.30	-	7
Total Billing	\$ 874,330.18	130,232,840	15,962

INVESTMENT SUMMARY REPORT OCTOBER 1, 2025-JANUARY 31, 2026								
FUND	AMOUNT	Oct Change	Nov Change	Dec Change	Jan Change	TOTAL INVESTED	INT	Y-T-D INTEREST
	INVESTED OCT 1, 2025						RECEIVED IN JAN	
GENERAL FUND	107,700	-18,656.00	-62,676.00	-11,753.00	38,336.35	52,951	1,472	4,957
GF-RESTRICTED	68,898	0.00	0.00	0.00	1,949.00	70,847		
GF-MIN. RESERVE	500,000	0.00	-100,000.00	0.00	550,000.00	950,000		
GF-MISC A/R	210,000	0.00	0.00	0.00	0.00	210,000		
GENERAL -DEBT	650,465	822.00	82,822.00	-493,335.00	775,694.00	1,016,468	1,555	4,788
GENERAL CONSTR.	284,054	-12,892.00	-14,362.00	101,697.00	2,762.00	361,259	637	1,891
EQUIPMENT REPL	285,102	749.00	624.00	665.00	644.00	287,784	643	2,682
STREET & DRAINAGE	230,786	12,425.00	-10,795.00	-166.00	462.00	232,712	462	1,846
CEMETERY FUND	101,954	421.00	117.00	1,110.00	785.00	104,387	185	795
ANIMAL SHELTER	55,461	983.00	445.00	102.00	2,238.21	59,229	100	425
W/S FUND	181,621	-103,381.00	-59,932.00	17,606.00	61,941.00	97,855	927	4,114
W/S MIN.RESERVE	400,000	0.00	-100,000.00	-150,000.00	500,000.00	650,000		
W/S- SPECIAL UTILITIES	29,516	64.00	56.00	54.00	52.00	29,742		
W/S-RESTRICTED	111,285	0.00	0.00	0.00	3,149.00	114,434		
W/S CONSTR.	196,668	-90,382.00	-94,927.00	32,873.00	81.00	44,313	81	364
MAIN STREET	10,081	-1,384.00	-215.00	-2,970.00	10.00	5,522	9	61
TOURISM	208,377	37,965.00	-29,484.00	-11,859.00	68,745.00	273,744	342	1,483
CIVIC CENTER	87	1.00	0.00	0.00	0.00	88	1	2
BENEFIT PLAN	5,365	12.00	10.00	9.00	9.00	5,405	9	40
TOTALS	3,637,420	-173,253.00	-388,317.00	-515,967.00	2,006,857.56	4,566,740.56	6,423	23,448

This report is in compliance with our investment strategies as approved by council and the Public Investment Act.

Director of Finance, Stephanie Kimbrell

City Manager, Jay Abercrombie

Hotel-Motel Occupancy Tax
Monthly Reporting for
Jan 2026

DATE RECEIVED	TAX FOR MONTH	HOTEL NAME	TAXABLE MONTHLY RECEIPTS	7% TAX	1% RETAINER	AMOUNT PAID
2/19/2026	Jan	Baymont Inn	111,329.86	7,793.09	77.93	7,715.16
2/11/2026	Jan	Budget Inn (Sawan LLC)	23,731.16	1,661.18	16.61	1,644.57
2/20/2026	Jan	Economy Inn	10,758.41	753.09	7.53	745.56
2/3/2026	Jan	Holiday Inn Express(Jayani Investments)	244,057.00	17,083.99	170.84	16,913.15
2/3/2026	Jan	Woodlawn Hills (Patel & Sons LTD)	14,150.00	990.50	9.91	980.59
2/12/26	Jan	Motel 6	83,203.05	5,824.21	58.24	5,765.97
		Totals	487,229.48	34,106.06	341.07	33,765.00

HEDCO SALES TAX RECEIPTS HISTORY

Sales Month	Check Received Month	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
AUGUST	OCTOBER	108,069	99,446	113,001	94,789	119,769	136,754	163,729	172,110
SEPTEMBER	NOVEMBER	132,067	124,141	138,028	142,246	141,434	177,944	208,295	210,169
OCTOBER	DECEMBER	100,965	95,324	114,866	113,405	113,333	143,064	167,491	189,000
NOVEMBER	JANUARY	96,254	100,353	110,701	110,843	112,738	145,911	168,489	204,304
DECEMBER	FEBRUARY	123,378	147,969	139,736	141,342	161,211	185,516	227,918	198,983
JANUARY	MARCH	101,565	97,139	105,806	113,262	116,200	140,154	138,614	158,683
FEBRUARY	APRIL	97,772	102,039	102,197	106,063	99,301	127,489	169,500	163,252
MARCH	MAY	151,778	148,855	141,682	147,519	168,499	230,335	229,210	209,555
APRIL	JUNE	99,509	128,332	111,569	130,329	143,875	157,730	180,538	168,813
MAY	JULY	98,978	111,018	118,162	150,050	147,755	155,829	206,674	177,461
JUNE	AUGUST	111,408	141,389	135,709	169,353	168,612	192,135	235,730	222,159
JULY	SEPTEMBER	93,383	114,001	124,498	115,717	139,587	161,760	178,760	198,941
TOTAL		1,315,126	1,410,006	1,455,955	1,534,918	1,632,314	1,954,621	2,274,948	2,273,431
Average Monthly Sales Tax:		109,594	117,501	121,330	127,910	136,026	162,885	189,579	189,453
Annual % Change Over the Previous Year		-0.09	7.21%	3.26%	5.42%	6.35%	19.75%	16.39%	-0.07%

Sales Month	Check Received Month	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
AUGUST	OCTOBER	185,605	151,321	-	-	-	-	-	-
SEPTEMBER	NOVEMBER	192,044	192,210	-	-	-	-	-	-
OCTOBER	DECEMBER	213,187	163,774	-	-	-	-	-	-
NOVEMBER	JANUARY	183,825	160,063	-	-	-	-	-	-
DECEMBER	FEBRUARY	245,441	-	-	-	-	-	-	-
JANUARY	MARCH	150,107	-	-	-	-	-	-	-
FEBRUARY	APRIL	132,824	-	-	-	-	-	-	-
MARCH	MAY	190,562	-	-	-	-	-	-	-
APRIL	JUNE	156,711	-	-	-	-	-	-	-
MAY	JULY	180,487	-	-	-	-	-	-	-
JUNE	AUGUST	186,578	-	-	-	-	-	-	-
JULY	SEPTEMBER	161,738	-	-	-	-	-	-	-
TOTAL		2,179,109	667,367	-	-	-	-	-	-
Average Monthly Sales Tax:		181,592	55,614	-	-	-	-	-	-
Annual % Change Over the Previous Year		-0.04	-23.18%	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

CIVIC CENTER/PAVILION MONTHLY REPORT

February

2026

CIVIC CENTER

Rental

Entire Hall	7	Mercado, Region 7, Black History Gala, Career Fair, 8th Grade Valentine's Dance
1/3 Hall	4	Candidate Forum, Martinez, Bowman Oil, Young
2/3 Hall	7	HBBA x 3, Integrity Financial, Kerr Family, Brown
Reception Room	5	VanZant, Stone, Finley, Gossett, Robinson
Board Room	4	Duke x 2, Ihlendeldt x 2
TOTAL	27	

PAVILIONS

Rental

Yates Park	0	
Fair Park	0	
Lake Forest-Lion	1	Worley
Lake Forest-Mann	0	
Lake Forest-Azalea	1	Gipson
Lake Forest-Gazebo	1	Lee
Lake Forest-Plaza		
TOTAL	3	









MONTHLY REPORT

FEBRUARY 2026

MAIN STREET

Work continues at a steady pace on several key Main Street initiatives. I am nearing completion on scanning and digitizing the original downtown building survey reports so they can be uploaded to the DowntownTx platform. This resource, maintained by the Texas Main Street Program, is an important tool for connecting potential investors and property buyers with available downtown spaces across the state. Once our listings are fully updated, we will be eligible to apply for an Imagine the Possibilities Tour during one of the upcoming spring or fall windows. These tours bring targeted investors into the community and include complimentary design services to help reimagine underutilized or vacant spaces. While the data entry process has been quite time-intensive, it is a worthwhile investment that I believe can significantly support future revitalization efforts.

In addition, I have been coordinating with representatives from Communities Unlimited to explore potential partnerships. While many of their services are geared toward smaller communities, we are working toward developing a small business and entrepreneurship class series that could benefit not only Henderson, but also surrounding communities and organizations throughout the county.

On February 20, I traveled to LaPorte, along with Shelby Jacobs (Henderson Economic Development Corporation), to attend the Texas Downtown Regional Roundtable. The visit provided valuable insight into LaPorte's successful downtown revitalization efforts, as well as several event concepts and programming ideas that could be adapted locally once the Heritage Square project is complete. It was a full and productive day with strong takeaways for future planning.



Members of the Texas Downtown organization met in LaPorte on Feb. 20



Vacant lots have been transformed into relaxing areas for visitors and residents.



Careful attention has been given to beautifying small spaces and making the area inviting for all. Small photo op murals are everywhere.

Graphics exploring LaPorte's history have been added to the windows of vacant buildings



TOURISM

Tourism-related projects have also remained very active. I have spent considerable time evaluating alternative vendor registration platforms following last year’s Heritage Syrup Festival. While the system we used in 2025 significantly improved efficiency—particularly in managing payments for more than 300 vendors—it came at a high cost. I have been in ongoing discussions and demonstrations with Unite Worldwide to assess whether their platform can meet our needs in a more cost-effective way. Although it is still developing some desired features, it may serve as a workable solution for the 2026 festival. With vendor applications scheduled to open in June, a final decision will need to be made soon.

At the same time, preparations for the 2026 Heritage Syrup Festival continue moving forward. Vickie Armstrong and I have finalized the festival brochure, with printed materials expected by mid-March. Distribution planning is already underway, including outreach to travel information centers across Texas and Louisiana. Please feel free to let me know if you or your business would like copies for local distribution.

Regional collaboration efforts are also gaining momentum. The Deep East Texas Marketing Co-op recently met in Lufkin to begin identifying shared advertising opportunities and funding strategies aimed at promoting the broader region. Initial marketing campaigns from this group are expected to roll out later this summer, aligning well with our efforts to expand festival visibility.

Additionally, the North East Texas Tourism Council has launched its new “Explore Northeast Texas” social media presence and distributed 10,000 copies of the 2026 regional tourism guide. We will be representing Henderson at the Dallas Travel & Adventure Show in March, where attendance is expected to reach between 13,000 and 16,000 visitors—providing a valuable opportunity to promote our community to a large travel-focused audience.

Looking ahead, early planning is already underway for the City’s annual Freedom Festival on July 4. As always, this event requires a strong volunteer presence, and anyone interested in assisting is encouraged to reach out.

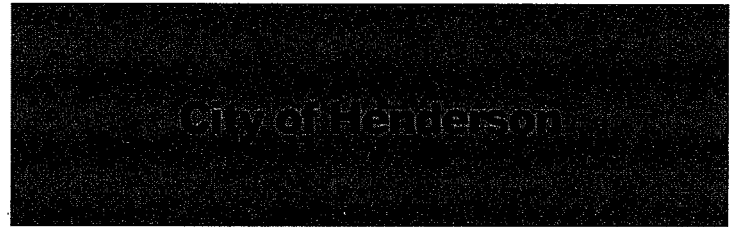
CALENDAR

2/2	Historical Commission meeting	2/3	Main Street meeting
2/4	Unite Worldwide meeting	2/4	Texas Travel Alliance virtual meeting
2/9	Syrup Festival meeting at Depot Museum	2/10	Unite Worldwide meeting
2/11	Texas Main Street Program quarterly meeting	2/12	Deep East Texas Marketing Co-op meeting - Lufkin
2/16	Holiday	2/18	Mardi Gras post mortem meeting
2/20	Texas Downtown Conference - LaPorte		

Respectfully submitted,



Alexa Duke
Tourism & Main Street Coordinator



Monthly Report

To: Mayor and City Council Members

From: Monica Session on behalf of:
Cristina Soriano, Juvenile Case Manager and Court Administrator

Date: March 16, 2026

Re: February 2026 Monthly Report

MUNICIPAL COURT

Fines collected for 2025-2026 year – \$68,451.10 from 2591 transactions

Fines collected for 2024-2025 year- \$61,355.71 from 2340 transactions

Fines Collected February 2026 - \$12,092.70 from 495 transactions

Fines Collected February 2025 – \$17,346.61 from 605 transactions

Virtual open Court Cases Scheduled 43 Appeared 24 by virtual and including walk-ins

The Board of Adjustments met on the above. Members present were Chairman Kenneth Orr, Vice Chairman Alton Pryor, Cecilia Koch, Micah Johnson, Reggie Weatherton and Freddie Polk. The members unavailable to attend were Yuli Elizondo and Micah Johnson.

Marlen Villanueva acted as secretary to the board.

Chairman Kenneth Orr called the meeting to order at 9:00 a.m.

Item 2

No citizens comment

Item 3

Chairman Kenneth Orr asked for a motion regarding the minutes from the meeting held on December 9, 2025. Cecilia Koch made a motion to approve the minutes. The motion was duly seconded by Alton Pryor and with a unanimous vote from the Board, the minutes were approved.

Item 4

Chairman Kenneth Orr opened a public hearing for citizens to comment and consider an application for a Residential Special Exception Use submitted by Blake and Jalen Ealey to construct a duplex (2 units) on lots located in a Manufactured Home (R4) District. The property is described as 4185 Broadway Henderson.

Chairman Kenneth Orr turned the meeting over to Wes Breitenberg, Bake and Jalen Easley own Lots 11& 12 BLK 15/191 in the Miszner Addition located at 418 Broadway. The property is in a Manufactured Home (R4) Zoning District. The minor plat application to combine the two lots will be considered for approval by the City Council on February 17th, 2026. The property owners plan to construct a single duplex on the property. Easley approached the city with developmental plans to construct a duplex on the two lots. Staff discussed options for building single family homes on the individuals lots. The Easley decided to present plans to build a dwelling, duplex (2 units) that will be placed in the center of the two lots. They chose to submit a minor plat application to combine the lots to meet the setback standard requirements of the Manufactured Home (R4) District.

Chairman Kenneth Orr asked if there were any additional questions or comments from the board or citizens.

Chairman Kenneth Orr declared this public hearing closed and asked for a motion.

Chairman Kenneth Orr asked the board to approve or disapprove.

Alton Pryor made a motion to approve the request; duly seconded by Cecilia Koch.

The meeting was adjourned at 9:08 a.m.

The Board of Adjustments met on the above. Members present were Chairman Kenneth Orr, Vice Chairman Alton Pryor, Cecilia Koch, Micah Johnson, Reggie Weatherton and Freddie Polk. The members unavailable to attend were Yuli Elizondo and Micah Johnson.

Marlen Villanueva acted as secretary to the board.

Chairman Kenneth Orr called the meeting to order at 9:00 a.m.

Item 2

No citizens comment

Item 3

Chairman Kenneth Orr asked for a motion regarding the minutes from the meeting held on December 9, 2025. Cecilia Koch made a motion to approve the minutes. The motion was duly seconded by Alton Pryor and with a unanimous vote from the Board, the minutes were approved.

Item 4

Chairman Kenneth Orr opened a public hearing for citizens to comment and consider an application for a Residential Special Exception Use submitted by Blake and Jalen Ealey to construct a duplex (2 units) on lots located in a Manufactured Home (R4) District. The property is described as 4185 Broadway Henderson.

Chairman Kenneth Orr turned the meeting over to Wes Breitenberg, Bake and Jalen Easley own Lots 11& 12 BLK 15/191 in the Miszner Addition located at 418 Broadway. The property is in a Manufactured Home (R4) Zoning District. The minor plat application to combine the two lots will be considered for approval by the City Council on February 17th, 2026. The property owners plan to construct a single duplex on the property. Easley approached the city with developmental plans to construct a duplex on the two lots. Staff discussed options for building single family homes on the individuals lots. The Easley decided to present plans to build a dwelling, duplex (2 units) that will be placed in the center of the two lots. They chose to submit a minor plat application to combine the lots to meet the setback standard requirements of the Manufactured Home (R4) District.

Chairman Kenneth Orr asked if there were any additional questions or comments from the board or citizens.

Chairman Kenneth Orr declared this public hearing closed and asked for a motion.

Chairman Kenneth Orr asked the board to approve or disapprove.

Alton Pryor made a motion to approve the request; duly seconded by Cecilia Koch.

The meeting was adjourned at 9:08 a.m.



MINUTES
HENDERSON MAIN STREET ADVISORY BOARD
RESCHEDULED REGULAR MEETING

Tuesday, Feb. 3, 2026 – 12:00 p.m.
Council Chambers, Henderson City Hall
300 W. Main St., Henderson Tx 75652

Board Members Attending:

Kelly Bumgardner
Leon Harris, President

Misty Evans
Riese Duty

Bonnie Geddie
Ben Patterson

Lisa McConnell

Ex-Officio Members Attending:

Alexa Duke, Main St. Coord.
Henry Pace, City Mayor

Christina Gray, Civic Center Manager
Jay Abercrombie, City Manager

Gina Juarez, City Council

Mayor Henry Pace administered the oath of office for new members Riese Duty and Lisa McConnell.
The meeting was called to order by President Harris at 12:03 p.m.

1. Jennifer Culpepper spoke under Citizen Presentation, asking the board to get more involved with and supportive of the downtown merchants and their planned activities, specifically suggesting a map of downtown and event advertising.
2. There were no Presentations/Announcements.
3. November and December 2025 Minutes were unanimously approved on a motion from Bumgardner and a second from Geddie.
4. November and December 2025 Financials were unanimously approved on a motion from Bumgardner and a second from McConnell.
5. City Manager Jay Abercrombie reviewed proposed changes to bylaws, pointing out that the board serves at the pleasure of Council, clarifying why language should include “may” instead of “shall”, and stressing that any policy or membership changes must be ratified by City Council before taking effect. After reviewing all proposed changes, Geddie moved to accept the proposed changes and send them to Council for approval. Evans seconded and the measure passed unanimously.
6. Patterson offered an update on progress toward the downtown Arts & Culture District (ACD). He has scheduled meetings with the chair of each Main Street Committee to review their goals and objectives and help get each ACD committee organized and operating. During the discussion, Council Member Gina Juarez volunteered to contact TxDOT about obtaining permission to wrap downtown utility boxes to improve their appearance.
7. Harris led a discussion about the fee for a service call for the Strand Sign. He obtained an estimate of approximately \$600 for a technician from Leon’s Neon of Longview to travel here to diagnose and perhaps repair the sign. If parts are needed, it could cost more so he asked for a motion to approve up to \$750 for the service call and repair. Because the sign has been turned off, we won’t know what needs to be repaired until it is inspected. Bumgardner added that any work must include at least a one-year warranty and that official ownership of the sign itself needs to be researched, because no one can recall if Stephen Strong officially donated it to the Main Street Advisory Board. Patterson moved to approve up to \$750 for inspection and repair. Geddie seconded and the motion carried unanimously.
8. Harris presented the latest design sketches for the Heritage Square redesign project. Consensus was that members liked the design incorporating Henderson’s downtown clock into the entry arch. Juarez suggested incorporating sponsorship recognition in the design, perhaps engraved bricks or plaques. Harris will request

a final rendering from the architect that can be presented to the public for input and to City Council for approval.

9. The sign grant application for 101 N. Main, Village on Main, was approved on a motion from Geddie and a second from Patterson. With Bumgardner abstaining, all were in favor.
10. After reviewing upcoming schedules, the annual board planning retreat was set for April 2. The location will be determined soon, with options including the Henderson Country Club, Culpepper's, or some other downtown location.
11. Committee Reports:
 - a. Organization – Evans reported she is still working on revisions to the grant application.
 - b. Economic Revitalization – Patterson shared visitation numbers generated by software purchased by HEDCO. There is an option that will allow the software to track retail sales numbers, but it is mainly for big businesses like Lowes, Walmart, etc. Shelby in the HEDCO office is researching to see if there is an option that would track small business retail sales numbers.
 - c. Promotion & Design – Geddie reported that Christmas on Main was a lot of fun and that she is looking forward to helping more next year. She will work with Jennifer Culpepper to ensure the announcement board in front of the library stays updated. Bumgardner reported that she is still trying to source letters for the front of Alley on Main.
12. The Main Street Coordinator's Report is attached. Duke also clarified that the only budget line with funds remaining to pay for the sign repair is Special Events, unless the board raises more money.
13. Harris did not have anything additional for a President's Report.
14. The meeting was adjourned at 1:19 p.m. on a motion from Geddie and a second from Bumgardner.

Respectfully submitted,



Alexa Duke
Tourism & Main Street Coordinator



MINUTES – REGULAR MEETING

HENDERSON HISTORIC LANDMARK PRESERVATION COMMITTEE

Monday, March 2, 2026 – 4:30 p.m.
Council Chamber, Henderson City Hall
300 West Main St., Henderson, TX 75652

Board Members Attending:

Sherri Baker

Rachelle Thrasher

Dustin Culpepper

Cyndi Walker

Liz Thrasher

Linda Watkins

Board Members Absent:

Sarah Sherland

Ex-Officio Members Attending:

Alexa Duke, Main St. Coord.

Christina Gray, Civic Center Manager

1. The meeting was called to order by Chairman Culpepper at 4:30 p.m.
2. There were no citizen presentations.
3. After a brief discussion, the day/time for regular meetings was set at 4:30 p.m. on the first Monday of the month. The motion was made by Liz Thrasher, seconded by Rachelle Thasher, and all were in favor.
4. The historic property tax abatement program was discussed but no documentation that the program was still in effect had been found yet. Duke will continue to research so the Committee can move ahead with promoting the availability of the program to encourage investment in historic buildings.
5. Members began their training by viewing the first two video chapters of the Texas Historic Commission's Preservation Bootcamp. Duke will contact the THC to find out what additional training is available and what the cost would be.
6. On a motion from Walker and a second from Liz Thrasher, the meeting was adjourned at 6:01 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "A Duke", is written over a horizontal line.

Alexa Duke

Tourism & Main Street Coordinator

MINUTES
Henderson Economic Development Corporation
Board of Directors Regular Called Meeting

February 17, 2026-2:00 P.M.

HEDCO Board Room
300 W. Main St.
Henderson, Tx. 75652

Board members present: Michael Marshall (President), Micah Howard (Vice-President), Trey Segura (Treasurer), Adam Duey

Board members absent: Justin Pirtle, Courtney Smith

Visitors: Rachel Hale, Leonard Mueller, Lou Madsen, Joanna Bounds, Greg Bounds, Greater Texas Capital Crew

CALL TO ORDER

The meeting was called to order by Michael Marshall at 2:03 P.M.

INVOCATION

The invocation was given by Michael Marshall.

CITIZENS COMMENTS

NONE.

PRESENTATIONS/ANNOUNCEMENTS

- 1) Greater Texas Capital Corporation and Lending Avenue-The board received a presentation from representatives of Greater Texas Capital Corporation and Lending Avenue regarding financing programs available to support small and growing businesses. The organizations explained that they partner with banks, the SBA, and community development programs to provide alternative funding options when businesses are unable to qualify for traditional loans. Their programs include SBA 504 loans for large expansion projects, Community Advantage loans for smaller businesses, and microloans combined with financial education and business coaching to assist startups and underserved entrepreneurs. The presentation highlighted how these lending tools help close financing gaps by reducing required down payments, mitigating lender risk through SBA guarantees, and supporting job creation and rural economic development. Representatives explained that funding sources come from partnerships with banks and Community Reinvestment Act investments directed toward underserved markets. Board discussion focused on how the local economic development corporation could participate. Bret explained that these programs would serve as an additional resource for businesses that do not qualify for existing local incentives or performance agreements, allowing the EDC to support projects indirectly through partnerships such as interest buy-downs or revolving loan participation rather than direct funding. The presentation was provided for informational purposes and to introduce potential future partnership opportunities that could expand access to capital for Henderson area businesses.

CONSENT AGENDA

1. Consider and take necessary action on minutes from the regular meeting held January 20, 2026.

Trey Segura made a motion to approve the minutes seconded by Adam Duey and with unanimous approval of the board members present the motion was approved.

2. Consider and take necessary action on monthly financials for January 2026.

Board members noted concern that sales tax revenues appear to be trending downward compared to surrounding communities, even though overall economic activity in the area remains strong. Data from Placer AI shows that major retailers such as Walmart, Kroger, and Lowe's continue to perform well; however, reporting limitations exist because many smaller downtown businesses do not submit data, which can make overall trends appear weaker. Members also noted that Walmart sales were temporarily impacted by reduced inventory levels due to ongoing store renovations, which is expected to cause short-term declines over the next several months. Despite these concerns, Henderson's Walmart continues to rank among the top-performing stores in the East Texas region, and future improvements, including the addition of a Dunkin' Donuts location, are expected to increase customer traffic. The board acknowledged that economic trends are influenced by multiple factors and emphasized the need for continued analysis and comparison with peer communities to better understand performance differences. While sales tax revenues are currently down, the organization's conservative budgeting approach aligns with 2023 revenue levels and helps maintain financial stability. Aside from a temporary variance in the property tax line item related to the Jenkins, Tenbrink and BIH property purchase resulted in prorated taxes having to be paid, the remainder of the budget was reported to be in line with expectations before a motion was requested on the financials.

Micah Howard made a motion to approve the January 2026 financials seconded by Adam Duey and with unanimous approval of the board members present the motion was approved.

3. Consider and take necessary action on Amended First Methodist Church Preschool Performance Agreement.

Trey Segura made a motion to approve the amendment seconded by Adam Duey and with unanimous approval of the board members present the motion was approved.

4. Consider and take necessary action on HEDCO By-Law amendments.

Bret advised that this is second review of the amended bylaws after City Council requested two additional revisions following their prior consideration. The revisions included clarifying the definition of an executive officer as an individual authorized to participate in major policy-making decisions of the institution and adding language to ensure meeting notices comply with the Texas Open Meetings Act requirements.

Trey Segura made motion to approve the by-law amendments seconded by Adam Duey and with unanimous approval of the board members present the motion was approved.

DEPARTMENTAL REPORTS

- a. Director of Business Development, Retention and Marketing-attached in Board Packets-Jacobs
- b. Executive Director-Gardella
 - Recruitment update
 - Council Pro Tem Mayor Gina Juarez attended BEDC
 - Monument signs installed at the Innovation Park, still awaiting the main sign
 - Jenkins property has been completely logged and monies received from that
 - J. Allen estate is currently being logged

EXECUTIVE SESSION

- A. Consultation with Attorney in accordance with Section 551.071 of the Texas Government Code.
- B. Economic Development Negotiations in accordance with Section 551.087 of the Texas Government.
- C. Deliberations about Real Property in accordance with Section 551.072 of the Texas Government Code.

The time is: 3:06 p.m.

Adjourn.

Adam Duey made a motion to adjourn seconded by Micah Howard, and with unanimous approval of the board members present, the motion passed.

The time is: 3:56 p.m.

DRAFT