

Dated August 29, 2025

Rating:
S&P: "A+" (See "OTHER INFORMATION – Rating" herein)

NEW ISSUE - Book-Entry-Only

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

THE OBLIGATIONS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,810,000*

**CITY OF VENUS, TEXAS
(Johnson and Ellis Counties)**

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: September 1, 2025

Due: February 15, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS . . . Interest on the \$4,810,000* City of Venus, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Obligations") will accrue from date of initial delivery to the initial purchaser (the "Delivery Date", anticipated to be September 30, 2025), and will be payable February 15 and August 15 of each year commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Obligations are issued pursuant to the Texas Constitution and general laws of the State of Texas (the "State"), including particularly subchapter C of Chapter 271, Texas Local Government Code, as amended, and are direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City of Venus, Texas (the "City"), and (ii) a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Obligations (the "Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Obligations will be used for (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land or interests in land in connection therewith; and (ii) paying legal, fiscal, architectural and engineering fees in connection with these projects including payment of costs of issuance of the Obligations. See "PLAN OF FINANCING – Purpose".

CUSIP PREFIX: 923344

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

INSURANCE . . . The City has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Obligations. If a commitment for an insurance policy is obtained and the Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" herein).

LEGALITY . . . The Obligations are offered for delivery when, as and if issued and received by the Initial Purchaser (defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Disclosure Counsel for the City.

DELIVERY . . . It is expected that the Obligations will be available for delivery through the facilities of DTC on September 30, 2025.

BIDS DUE MONDAY, SEPTEMBER 8, 2025 AT 10:00 AM, CENTRAL TIME

*Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 923344 ⁽¹⁾**

Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix ⁽¹⁾
\$ 50,000	2/15/2028			
50,000	2/15/2029			
55,000	2/15/2030			
55,000	2/15/2031			
60,000	2/15/2032			
60,000	2/15/2033			
65,000	2/15/2034			
65,000	2/15/2035			
70,000	2/15/2036			
75,000	2/15/2037			
125,000	2/15/2038			
130,000	2/15/2039			
135,000	2/15/2040			
145,000	2/15/2041			
150,000	2/15/2042			
160,000	2/15/2043			
265,000	2/15/2044			
280,000	2/15/2045			
510,000	2/15/2046			
535,000	2/15/2047			
560,000	2/15/2048			
590,000	2/15/2049			
620,000	2/15/2050			

(Interest to accrue from Delivery Date.)

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

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

*Preliminary, subject to change.

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

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

Certain information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Municipal Advisor or the Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

Neither the City, its Municipal Advisor, nor the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

In connection with the offering of the Obligations, the Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE OBLIGATIONS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Venus, Texas is a political subdivision and municipal corporation of the State, located in Johnson and Ellis Counties, Texas. The City covers approximately 3.5 square miles (see "INTRODUCTION - Description of the City").
THE OBLIGATIONS	The Obligations are issued as \$4,810,000* City of Venus, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025. The Obligations are expected to be issued as serial Obligations maturing on February 15, 2028 through February 15, 2050, inclusive (see "THE OBLIGATIONS - Description of the Obligations").
PAYMENT OF INTEREST	Interest on the Obligations accrues from the date of initial delivery to the initial purchaser (the "Delivery Date", anticipated to be September 30, 2025), and is payable February 15, 2026 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS- Description of the Obligations").
AUTHORITY FOR ISSUANCE	The Obligations are issued pursuant to the Texas Constitution and general laws of the State of Texas (the "State"), including particularly subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by City Council (the "Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").
SECURITY FOR THE OBLIGATIONS	The Obligations constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's water and wastewater system, as provided in the Ordinance (see "THE OBLIGATIONS - Security and Source of Payment").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City will designate the Obligations as "Qualified Tax-Exempt Obligations" for financial institutions (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
OPTIONAL REDEMPTION OF THE OBLIGATIONS	The City reserves the right, at its option, to redeem Obligations having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption for the Obligations").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Obligations will be used for (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land or interests in land in connection therewith; and (ii) paying legal, fiscal, architectural and engineering fees in connection with these projects including payment of costs of issuance of the Obligations. See "PLAN OF FINANCING – Purpose".
RATINGS	The Obligations have been rated "A+" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION – Ratings").
BOND INSURANCE	The City has applied for municipal bond insurance. (see "BOND INSURANCE").
BOOK-ENTRY-ONLY SYSTEM	The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the

*Preliminary, subject to change.

participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

PAYMENT RECORD The City has not defaulted on General Obligation Bonds since 1940, when all bonds were refunded at par with a reduced rate of interest and past due interest paid at \$0.30 on the dollar.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Total General Obligation Debt at Year End ⁽³⁾	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2022	5,762	331,980,343	57,615	15,967,000	2,771	4.81%
2023	6,072	445,444,068	73,360	15,305,000	2,521	3.44%
2024	7,006	561,302,133	80,117	14,845,000	2,119	2.64%
2025	7,513	660,956,562	87,975	19,180,000 ⁽⁴⁾	2,553	2.90%
2026	7,513	693,505,007	92,307	18,690,000 ⁽⁴⁾	2,488	2.70%

(1) Source: North Central Texas Council of Governments - Population Estimates.

(2) As reported by the Appraisal Districts.

(3) Includes self-supporting debt expected to be paid by surplus net revenues from the waterworks and sewer system.

(4) Includes the Obligations, preliminary and subject to change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 3,211,955	\$ 2,287,854	\$ 2,359,349	\$ 1,954,070	\$ 2,210,923
Total Revenue	5,605,482	5,406,600	4,252,121	3,668,457	3,224,470
Total Expenditures	5,247,769	5,093,020	4,301,731	3,502,961	2,937,469
Total Other Financing Sources	-	610,521	(21,885)	239,783	(543,854)
Net Funds Available	357,713	313,580	(49,610)	165,496	(256,853)
Ending Balance	\$ 3,569,668	\$ 3,211,955	\$ 2,287,854	\$ 2,359,349	\$ 1,954,070

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Alejandro Galaviz Mayor	2 Years, 3 Months	May-27	Public Safety Professional
Teresa Hoffman Councilmember - Place 1	2 Years, 3 Months	May-27	Teacher
Tony Bovinich Mayor Pro-Tem - Place 2	2 Years, 3 Months	May-27	Real Estate Professional Former Municipal Employee
Sheryl Kiser Councilmember - Place 3	1 Year, 3 Months	May-26	Dental Office
Michelle Hamm Councilmember - Place 4	1 Year, 3 Months	May-26	Program Analyst
Drew Wilson Councilmember - Place 5	3 Years, 3 Months	May-26	Law Enforcement

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Total Length of Governmental Service</u>
Joshua Jones	City Administrator	1 Year, 3 Months	16 Years
Becky Wilkins	Finance Director	1 Year, 1 Month	25+ Years
Callie Green	City Secretary	5 Years	15 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$4,810,000*

CITY OF VENUS, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,810,000* City of Venus, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Obligations (the "Ordinance") which will authorize the issuance of the Obligations, except as otherwise indicated herein.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State as a Type A general law municipality with a City council composed by the Mayor and five Councilmembers. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for staggered two year terms. The City Administrator is the Chief Administrative Officer for the City. Some of the services that the City provides are: public safety, streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The estimated 2025 population is 7,513. The City covers approximately 3.5 square miles.

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

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Obligations will be used for (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land or interests in land in connection therewith; and (ii) paying legal, fiscal, architectural and engineering fees in connection with these projects including payment of costs of issuance of the Obligations.

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

SOURCES OF PROCEEDS

Par Amount of Obligations	\$ -
Premium	-
TOTAL SOURCES	<u><u>\$ -</u></u>

USES OF PROCEEDS

Deposit to Project Fund	\$ -
Underwriter's Discount	-
Costs of Issuance	-
TOTAL USES	<u><u>\$ -</u></u>

*Preliminary, subject to change.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated September 1, 2025, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Obligations will accrue from the date of initial delivery of the Obligations to the Initial Purchaser (the "Delivery Date", anticipated to be September 30, 2025) and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE . . . The Obligations are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT. . . The Obligations are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's water and wastewater system, as provided in the Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

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

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the 45th day prior to such redemption date. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Obligations, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed

DEFEASANCE . . . The Ordinance provides for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with monies deposited therewith, if any, to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused

by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated, on the date of their acquisition or purchase by the City, as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Obligations under the then applicable laws of the State of Texas. Upon making such deposit in the manner described, such defeased Obligations shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited into escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt for any other purpose.

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

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

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

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

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Obligations. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's a rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Obligations, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

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

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized

to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Obligations by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Obligation certificates will be delivered to the holders and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "THE OBLIGATIONS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations.

LIMITATION ON TRANSFER OF OBLIGATIONS. . . Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation on transfer or exchange shall not be applicable to a transfer or exchange by the registered owner of the uncalled balance of an Obligation called for redemption in part.

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

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

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

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

issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations, as applicable, or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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

As noted above, the Ordinance provides that holders of the Obligations may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS ... The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, formal defect, or omission therein. In addition, the City may, with the written consent of the holders of 51% in aggregate principal amount of the Obligations then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Obligations then outstanding, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Obligations; (2) reduce the rate of interest borne by any of the outstanding Obligations; (3) reduce the amount of the principal payable on any outstanding Obligations; (4) modify the terms of payment of principal or of interest on outstanding Obligations or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of any series of Obligations necessary for consent to such amendment.

BOND INSURANCE

The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Obligations insured by a municipal bond insurance policy. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Obligations (the "Policy"), and if the Purchaser determines to purchase the Policy, the final Official Statement will disclose certain information regarding the Insurer and the Policy. If the Purchaser chooses to purchase the Policy, the following risk factors related to municipal bond insurance policies generally apply.

BOND INSURANCE RISKS

If an insurance policy is purchased, the following are risk factors relating to bond insurance.

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

Payment of principal of and interest on the Obligations will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE OBLIGATIONS – Obligationholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Obligationholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE OBLIGATIONS – Security and Source of Payment". In the event the Insurer becomes obligated to make payments with respect to the Obligations, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Obligations.

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . S&P Global Ratings, a division of Standard and Poor's Financial Services LLC, Moody's Investor Services, Inc. and Fitch Ratings (the "Rating Agencies") have in the past downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations.

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Central Appraisal District of Johnson County and the Ellis Appraisal District (collectively the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and

the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. The 88th Texas Legislature expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

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

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

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

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

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

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

For a discussion of how the various exemptions described above are applied by the City, See “TAX INFORMATION – City Application of Tax Code” herein.

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

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

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

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

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

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

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2024 foregone revenue amount divided by the current total value.

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

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

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

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

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

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

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

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

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

ISSUER’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

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

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

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Texas Legislature (the “Legislature”) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting ad valorem taxation procedures and exemptions, and investments, among other legislation affecting municipalities and their operations and financings. The City is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the City cannot make any representations as to the full impact of such legislation.

The Governor has called a special session which began on July 21, 2025 which concluded on August 15, 2025. The Governor called a second special session, which began on August 15, 2025 and may last no more than 30 days. The agenda for the second special session includes the following items: (i) legislation to reduce the property tax burden on Texans and legislation to impose spending limits on entities authorized to impose property taxes, (ii) flood warning systems, (iii) flood emergency communications, (iv) relief funding for hill country floods, (v) natural disaster preparation and recovery, (vi) replacement of STAAR testing, (vii) protecting children from hemp- derived products, (viii) regulation of products derived from hemp, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting victims of human trafficking, (xii) protecting police personnel records, (xiii) protecting women’s privacy in sex-segregated spaces, (xiv) constitutional amendment allowing the Texas Attorney General to prosecute state election crimes, (xv) congressional redistricting, (xvi) title theft and deed fraud, (xvii) impact fees for builders who include water conservation and efficiency measures, and (xviii) the operation and administration of the judicial branch of state government. The City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time.

TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$10,000.

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

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

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

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

The City does tax freeport property. The City has taken action to tax goods in transit.

The City does collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and does not have any existing tax abatement agreements.

TAX INCREMENT REINVESTMENT ZONES

Tax Increment Reinvestment Zone #1

The City of Venus established Tax Increment Reinvestment Zone #1 ("TIRZ #1") in 2021. TIRZ #1 has a term of 40 years and is scheduled to terminate in 2061. TIRZ #1 includes approximately 2,909.08 acres designated for industrial, commercial, and residential uses. The proposed improvements to the land in the TIRZ #1 includes roadwork, water/sewage and drainage, parks, public buildings and facilities, parking, façade renovation, historical preservation and economic development. Within TIRZ #1, the City contributes 50% of the tax increment generated above the base value to the TIRZ #1 fund. The tax increment base value of TIRZ #1 is \$47,478,529.

PUBLIC IMPROVEMENT DISTRICTS

Bluestem Hills PID

On January 14, 2019, the City formally established the Bluestem Hills Public Improvement District No. 1 (the “Bluestem PID”) for the purpose of financing the construction and installation of certain public improvements benefiting property owners within the Bluestem PID’s boundaries. Following its creation, the City entered into a development agreement with Bluestem Ellis Partners, LLC (the “Bluestem Developer”) on April 26, 2019. Under the terms of this agreement, the City agreed to reimburse the Developer for eligible and budgeted public improvement construction costs in an amount not to exceed \$1,700,000. Such reimbursements are to be made solely from special assessments levied against and collected from property owners within the Bluestem PID. As of September 30, 2024, no reimbursement payments were owed or payable to the Bluestem Developer.

Patriot Estates PID

On November 9, 2020, the City established the Patriot Estates Public Improvement District (the “Patriot PID”) to provide a dedicated financing mechanism for certain public improvements serving the development located within the Patriot PID's boundaries. On the same date, the City executed a development agreement with LGI Homes-Texas, LLC (“LGI Homes”). This agreement provides that the City will reimburse the LGI Homes for eligible public improvement construction costs, with total reimbursement not to exceed \$6,977,464. Such reimbursement will be funded exclusively through the collection of special assessments imposed on properties within the Patriot PID. As of September 30, 2024, no reimbursement amounts were due to LGI Homes under the terms of the agreement.

Brahman Ranch PID

On January 15, 2021, the City created the Brahman Ranch Public Improvement District No. 1 (the “Brahman PID”) for the purpose of funding specified public improvements intended to serve and benefit property owners within the Brahman PID's boundaries. The Brahman PID is expected to be developed in approximately eight phases over a period of ten years. On September December 15, 2022, the City issued \$9,094,000 in special assessment revenue bonds to develop infrastructure within the first phase of development of the Brahman PID, and all such funds have been expended to reimburse the developer for infrastructure constructed for the benefit of property within the PID. The City expects to issue additional bonds payable from special assessments levied on Brahman PID but cannot predict when or whether such bonds will be issued, if ever.

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TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2025/2026 Market Valuation Established by the Appraisal Districts ⁽¹⁾		\$ 826,937,364
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Loss	\$ 22,257,526	
Circuit Breaker Cap Loss	7,369,521	
Productivity Loss	19,511,710	
Over 65 and disabled	9,587,824	
Disabled Veterans	11,503,166	
Other	217,125	
Totally Exempt Property	62,985,485	\$ 133,432,357
2025/20206 Taxable Assessed Valuation		\$ 693,505,007
Outstanding General Obligation Debt as of 8/1/2025		\$ 14,370,000
The Obligations ⁽²⁾		4,810,000
Total General Obligation Debt ⁽²⁾		\$ 19,180,000
Less: Self-Supporting Debt: ⁽³⁾		
Water and Sewer System		\$ 1,660,000
Net General Obligation Debt Payable from Ad Valorem Taxes ⁽⁴⁾		\$ 17,520,000
General Obligation Debt Service Fund as of 6/30/2025		\$ 757,391
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		
	2025 Estimated Population - 7,513	
	Per Capita Taxable Assessed Valuation - \$92,307	
	Per Capita Total General Obligation Debt Payable from Ad Valorem Taxes - \$2,553	

(1) Tax Year 2025 valuations shown are certified taxable assessed values reported by the Central Appraisal District of Johnson County and the Ellis Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(2) Preliminary, subject to change.

(3) The transfers of water and sewer net revenues to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue such transfer of System revenues or such System revenues are not available to pay debt service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.

(4) Includes a portion of the Obligations. Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 546,148,393	66.04%	\$ 505,723,574	63.91%	\$ 481,827,772	68.26%
Real, Residential, Multi-Family	76,725,238	9.28%	80,278,590	10.15%	42,515,688	6.02%
Real, Vacant Lots/Tracts	20,514,438	2.48%	23,552,489	2.98%	20,406,097	2.89%
Real, Acreage (Land Only)	19,847,006	2.40%	20,072,671	2.54%	20,356,584	2.88%
Real, Farm and Ranch Improvements	9,655,161	1.17%	9,476,421	1.20%	8,134,262	1.15%
Real, Commercial	18,455,039	2.23%	18,393,090	2.32%	15,266,528	2.16%
Real, Industrial	1,870,054	0.23%	1,870,054	0.24%	2,774,895	0.39%
Real and Tangible Personal, Utilities	41,654,547	5.04%	37,108,054	4.69%	24,002,602	3.40%
Oil, Gas & Minerals	471,599	0.06%	773,772	0.10%	6,792,637	0.96%
Tangible Personal, Commercial	7,272,343	0.88%	7,328,451	0.93%	10,529,340	1.49%
Tangible Personal, Industrial	1,662,402	0.20%	1,212,775	0.15%	341,804	0.05%
Tangible Personal, Mobile Homes	144,685	0.02%	2,137,097	0.27%	268,596	0.04%
Residential Inventory	19,676,589	2.38%	20,770,861	2.62%	9,345,303	1.32%
Totally Exempt Properties	62,839,870	7.60%	62,574,240	7.91%	63,274,084	8.96%
Total Appraised Value Before Exemptions	\$ 826,937,364	100.00%	\$ 791,272,139	100.00%	\$ 705,836,192	100.00%
Less: Total Exemptions/Reductions	133,432,357		130,315,577		144,534,059	
Taxable Assessed Value	<u>\$ 693,505,007</u>		<u>\$ 660,956,562</u>		<u>\$ 561,302,133</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 383,682,445	67.70%	\$ 275,392,210	66.81%
Real, Residential, Multi-Family	29,030,339	5.12%	1,327,297	0.32%
Real, Vacant Lots/Tracts	5,957,486	1.05%	3,107,950	0.75%
Real, Acreage (Land Only)	16,096,564	2.84%	9,926,233	2.41%
Real, Farm and Ranch Improvements	7,169,250	1.26%	4,959,563	1.20%
Real, Commercial	11,019,509	1.94%	10,651,434	2.58%
Real, Industrial	1,679,715	0.30%	598,140	0.15%
Real and Tangible Personal, Utilities	26,970,285	4.76%	24,396,274	5.92%
Oil, Gas & Minerals	468,348	0.08%	317,974	0.08%
Tangible Personal, Commercial	12,774,117	2.25%	8,021,328	1.95%
Tangible Personal, Industrial	378,827	0.07%	336,674	0.08%
Tangible Personal, Mobile Homes	2,061,812	0.36%	139,152	0.03%
Residential Inventory	9,178,776	1.62%	14,088,499	3.42%
Totally Exempt Properties	60,274,346	10.64%	58,949,809	14.30%
Total Appraised Value Before Exemptions	\$ 566,741,819	100.00%	\$ 412,212,537	100.00%
Less: Total Exemptions/Reductions	121,297,751		80,232,194	
Taxable Assessed Value	<u>\$ 445,444,068</u>		<u>\$ 331,980,343</u>	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Total General Obligation Debt at Year End ⁽³⁾	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2022	5,762	331,980,343	57,615	15,967,000	2,771	4.81%
2023	6,072	445,444,068	73,360	15,305,000	2,521	3.44%
2024	7,006	561,302,133	80,117	14,845,000	2,119	2.64%
2025	7,513	660,956,562	87,975	19,180,000 ⁽⁴⁾	2,553	2.90%
2026	7,513	693,505,007	92,307	18,690,000 ⁽⁴⁾	2,488	2.70%

(1) Source: North Central Texas Council of Governments - Population Estimates.

(2) As reported by the Appraisal Districts.

(3) Includes self-supporting debt expected to be paid by surplus net revenues from the waterworks and sewer system. A portion of the general obligation debt service is expected to be paid by transfers from the Venus Community Service Development Corporation. See "TABLE 8 - Pro-Forma General Obligation Debt Service Requirements," "TABLE 11 - Computation of Self-Supporting Debt" and "TABLE 13 - Municipal Sales Tax History").

(4) Projected. Includes the Obligations. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$0.838991	\$ 0.686091	\$ 0.152900	\$ 1,608,718	101.49%	101.49%
2022	0.807224	0.628408	0.178816	2,058,208	99.31%	99.31%
2023	0.754842	0.569914	0.184928	2,404,288	101.24%	101.24%
2024	0.754842	0.607329	0.147513	2,714,383	100.82%	100.82%
2025	0.738059	0.598105	0.139954	3,528,010	102.59% ⁽¹⁾	102.59% ⁽¹⁾

(1) Collections as of July 31, 2025.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Company	Utility	\$ 30,412,800	4.39%
Heritage Trails Venus	Home Builder	26,694,111	3.85%
LGI Homes Texas LLC	Home Builder	16,411,310	2.37%
SFR Owner ML Borrower LLC	Real Estate	7,093,750	1.02%
Second Avenue SFR Holdings III LLC	Real Estate	5,912,739	0.85%
Palladium Venus LTD	Apartments	4,731,719	0.68%
Into the Storm Land Capital LLC	Real Estate	4,536,980	0.65%
Segavepo 2 LLC	Real Estate	4,633,667	0.67%
Biltmore Homes LLC	Home Builder	4,447,488	0.64%
Spectrum Gulf Coast	Utility	3,961,348	0.57%
		<u>\$ 108,835,912</u>	<u>15.69%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (see "THE OBLIGATIONS - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

Net General Obligation Debt Service (2025)	\$ 768,933
\$ 0.1132 Tax Rate at 98% Collection Produces	\$ 769,347
Average Net General Obligation Debt Service (2025-2050) ⁽²⁾	\$ 981,377
\$ 0.1444 Tax Rate at 98% Collection Produces	\$ 981,393
Maximum Net General Obligation Debt Service (2037) ⁽²⁾	\$ 2,175,439
\$ 0.3201 Tax Rate at 98% Collection Produces	\$ 2,175,511

(1) Excludes debt service expected to be paid for by transfers from the City's Waterworks and Sewer System and the Venus Community Services Development Corporation. See "TABLE 8 – Pro-Forma General Obligation Debt Service Requirements," TABLE 11 – Computation of Self-Supporting Debt" and "TABLE 13 – Municipal Sales Tax History").

(2) Includes the Obligations. Preliminary, Subject to change.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2024/25 Taxable Assessed Value ⁽¹⁾	2024/25 Tax Rate ⁽¹⁾	Total GO Tax Debt as of 8/1/2025 ⁽¹⁾	Estimated % Applicable ⁽¹⁾	City's Overlapping GO Tax Debt as of 8/1/2025
City of Venus	\$ 660,956,562	0.73806	\$ 19,180,000 ⁽²⁾	100.00%	\$ 19,180,000
Ellis County	35,456,117,026	0.27399	21,260,000	0.34%	72,284
Johnson County	25,125,528,420	0.37928	45,490,000	1.43%	650,507
Midlothian Independent School District	9,527,980,764	1.07690	333,690,000	0.81%	2,702,889
Venus Independent School District	768,509,212	1.17840	25,971,974	42.70%	11,090,033
Total Direct and Overlapping GO Tax Debt					\$ 33,695,713
Ratio of Direct and Overlapping GO Tax Debt to 2024/2025 Taxable Assessed Valuation					5.10%
Per Capita Overlapping GO Tax Debt					4,485

(1) Source: Municipal Advisory Council of Texas.

(2) Includes the Obligations. Includes self-supporting debt. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Obligations ⁽¹⁾			Less: W&S Revenue Supported Debt Service ⁽²⁾	Less: Projected Transfers from VCS Dev. Corp. ⁽³⁾	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S				
2025	\$ 475,000	\$ 471,533	\$ 946,533	\$ -	\$ -	\$ -	\$ 127,600	\$ 50,000	\$ 768,933	
2026	490,000	456,044	946,044	-	210,438	210,438	130,100	50,000	976,381	
2027	505,000	440,039	945,039	-	240,500	240,500	127,500	50,000	1,008,039	
2028	525,000	423,429	948,429	50,000	239,250	289,250	129,800	50,000	1,057,879	
2029	545,000	406,114	951,114	50,000	236,750	286,750	131,900	50,000	1,055,964	13.43%
2030	635,000	387,621	1,022,621	55,000	234,125	289,125	128,900	50,000	1,132,846	
2031	730,000	366,570	1,096,570	55,000	231,375	286,375	130,800	50,000	1,202,145	
2032	835,000	341,866	1,176,866	60,000	228,500	288,500	127,600	50,000	1,287,766	
2033	980,000	312,681	1,292,681	60,000	225,500	285,500	129,300	50,000	1,398,881	
2034	1,160,000	277,494	1,437,494	65,000	222,375	287,375	130,800	50,000	1,544,069	37.01%
2035	1,375,000	235,065	1,610,065	65,000	219,125	284,125	127,200	50,000	1,716,990	
2036	1,645,000	184,045	1,829,045	70,000	215,750	285,750	128,500	50,000	1,936,295	
2037	1,945,000	122,914	2,067,914	75,000	212,125	287,125	129,600	50,000	2,175,439	
2038	400,000	83,450	483,450	125,000	207,125	332,125	130,500	50,000	635,075	
2039	415,000	70,700	485,700	130,000	200,750	330,750	131,200	50,000	635,250	68.79%
2040	430,000	57,450	487,450	135,000	194,125	329,125	131,700	50,000	634,875	
2041	435,000	43,850	478,850	145,000	187,125	332,125	127,100	50,000	633,875	
2042	450,000	29,900	479,900	150,000	179,750	329,750	127,400	50,000	632,250	
2043	465,000	15,450	480,450	160,000	172,000	332,000	127,500	50,000	634,950	
2044	200,000	6,100	206,100	265,000	161,375	426,375	-	-	632,475	83.21%
2045	205,000	2,050	207,050	280,000	147,750	427,750	-	-	634,800	
2046	-	-	-	510,000	128,000	638,000	-	-	638,000	
2047	-	-	-	535,000	101,875	636,875	-	-	636,875	
2048	-	-	-	560,000	74,500	634,500	-	-	634,500	
2049	-	-	-	590,000	45,750	635,750	-	-	635,750	96.85%
2050	-	-	-	620,000	15,500	635,500	-	-	635,500	100.00%
	<u>\$ 14,845,000</u>	<u>\$ 4,734,364</u>	<u>\$ 19,579,364</u>	<u>\$ 4,810,000</u>	<u>\$ 4,531,438</u>	<u>\$ 9,341,438</u>	<u>\$ 2,455,000</u>	<u>\$ 950,000</u>	<u>\$ 25,515,801</u>	

(1) Preliminary, subject to change.

(2) Debt service in the amounts shown is expected to be provided from surplus net revenues of the waterworks and sewer system. The amount of self-supporting debt service is based on the Waterworks and Sewer System Self-Supporting debt amount as shown in “TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT.” It is the City’s current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments.

(3) See “TABLE 13 – Municipal Sales Tax History” for details regarding the VCS Development Corporation sales tax revenues.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Obligation Debt Service Requirements, FYE 9/30/2025	\$ 768,933
Interest and Sinking Fund Cash Balance, FYE 9/30/2024	\$ (34,308)
Budgeted Interest and Sinking Fund Tax Collection	832,145
Projected Interest and Sinking Fund Balance, FYE 9/30/2025	\$ 28,905

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT. . . The City has no authorized but unissued General Obligation Debt.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City has no plans on issuing additional general obligation debt within the next twelve months.

TABLE 10 - OTHER OBLIGATIONSContract Payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of \$1,550,000 payable in 20 annual installments of \$77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year.

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

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2025	\$ 77,500	\$ 21,313	\$ 98,813
2026	77,500	17,050	94,550
2027	77,500	12,788	90,288
2028	77,500	8,525	86,025
2029	77,500	4,263	81,763
Total	<u>\$ 387,500</u>	<u>\$ 63,939</u>	<u>\$ 451,439</u>

Loan Payable

In March 2021, the City entered into a loan agreement to finance equipment and infrastructure to be used in the construction on the Brahman Ranch wastewater treatment plan. The loan requires monthly payments of \$14,750 from the date the assets are delivered, and bears interest of 2.045%. The assets were delivered and payments began in April 2023 to mature in March 2028. The loan is secured by the financed assets.

The debt service requirements to maturity on the loan are as follows:

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2025	\$ 164,641	\$ 12,359	\$ 177,000
2026	168,721	8,279	177,000
2027	172,901	4,099	177,000
2028	73,300	450	73,750
Total	<u>\$ 579,563</u>	<u>\$ 25,187</u>	<u>\$ 604,750</u>

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Leases

<u>Governmental activities:</u>	<u>Amount Payable</u>
Building Inspection vehicle payable in monthly installments of \$698, including interest of 2.00%, with final payment due in March 2026.	\$ 13,035
Police vehicle payable in monthly installments of \$929, including interest of 2.00%, with final payment due in April 2026.	17,365
Police vehicle payable in monthly installments of \$1,204, including interest of 2.00%, with final payment due in April 2026.	22,506
Police vehicle payable in monthly installments of \$976, including interest of 2.00%, with final payment due in June 2026.	18,234
Total	\$ 71,140

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 44,668	\$ 1,015	\$ 45,683
2026	26,472	177	26,649
Total	\$ 71,140	\$ 1,192	\$ 72,332

Compensated Absences

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Certificates of Obligation	\$ 13,525,000	\$ -	\$ (400,000)	\$ 13,125,000	\$ 415,000
Premium on debt	228,424	-	(10,867)	217,557	-
Financing arrangements	82,090	-	(82,090)	-	-
Leases payable	114,925	-	(43,785)	71,140	44,668
Compensated absences	130,504	263,529	(303,291)	90,742	22,686
Total	\$ 14,080,943	\$ 263,529	\$ (840,033)	\$ 13,504,439	\$ 482,354
<u>Business-type activities:</u>					
Certificates of Obligation	\$ 1,780,000	\$ -	\$ (60,000)	\$ 1,720,000	\$ 60,000
Premium on debt	84,815	-	(4,240)	80,575	-
Financing arrangements	465,000	-	(77,500)	387,500	77,500
Leases payable	740,224	-	(160,661)	579,563	164,641
Compensated absences	18,085	6,798	(14,916)	9,967	2,492
Total	\$ 3,088,124	\$ 6,798	\$ (317,317)	\$ 2,777,605	\$ 304,633

PENSION FUND . . . The City provides pension benefits for all of its eligible full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System ("TMRS"), one of 919 plans administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

In 2007, TMRS changed the amortization period for funding unfunded actuarial accrued liability (“UAAL”) to permit municipalities the option of using a 30-year amortization period in lieu of the former 25-year period. The City elected to use the 30-year amortization period, and currently has approximately 25 years remaining.

For more information, please see the City’s audited financials.

TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System General Obligation Debt		
	FY 2025 Outstanding Principal ⁽¹⁾	FY 2025 Debt Service (P + I)
Combination Tax and Revenue Certificates of Obligation, Series 2018	\$ 1,720,000	\$ 127,600
	<u>\$ 1,720,000</u>	<u>\$ 127,600</u>
Average Annual Self-Supporting Debt Service (2025 - 2043) ⁽²⁾		\$ 129,211
Maximum Annual Self-Supporting Debt Service (2029) ⁽²⁾		\$ 131,900
Water and Sewer System Revenue Available for Debt Service, FYE 2024		\$ 397,709
Less: Water and Sewer System Revenue Bonds Debt Service (FY 2025)		-
Net Revenue Available for Waterworks and Sewer System General Obligation Debts		<u>\$ 397,709</u>

(1) Principal outstanding at the beginning of the Fiscal Year.

(2) Debt service in the amounts shown are expected to be provided from surplus net revenues of the waterworks and sewer system. It is the City’s current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. See “TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS.”

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
<u>Revenues</u>					
Property tax and assessments	\$ 2,736,765	\$ 2,434,038	\$ 2,043,966	\$ 1,632,653	\$ 1,461,049
Sales taxes	1,102,114	906,651	827,127	748,827	589,007
Franchise taxes	169,916	159,629	128,593	131,650	127,867
Licenses and permits	570,484	561,702	486,945	581,224	735,428
Fines and forfeitures	104,121	113,863	97,051	68,274	52,938
Charges for services	33,853	314,241	33,572	330,960	29,294
Intergovernmental	648,693	634,687	291,149	134,077	151,440
Contributions and donations	8,756	108,918	306,881	23,921	41,513
Investment earnings	196,013	129,539	30,628	12,592	25,713
Miscellaneous	34,767	43,332	6,209	4,279	10,221
Total Revenues	<u>\$ 5,605,482</u>	<u>\$ 5,406,600</u>	<u>\$ 4,252,121</u>	<u>\$ 3,668,457</u>	<u>\$ 3,224,470</u>
<u>Expenditures</u>					
Current:					
General government	1,321,656	1,327,211	1,104,592	617,543	716,821
Public safety	3,086,564	2,767,199	2,062,691	1,447,717	1,338,446
Public works	262,075	242,247	246,013	331,713	280,491
Economic development	290,566	222,455	386,762	542,672	445,519
Capital outlay	47,278	319,110	352,568	311,880	57,562
Debt service:					
Principal	237,407	209,655	131,148	237,382	85,195
Interest and fiscal charges	2,223	5,143	17,957	14,054	13,435
Total Expenditures	<u>\$ 5,247,769</u>	<u>\$ 5,093,020</u>	<u>\$ 4,301,731</u>	<u>\$ 3,502,961</u>	<u>\$ 2,937,469</u>
Excess of Revenues over (under) Expenditures	357,713	313,580	(49,610)	165,496	287,001
Other Financing Sources (Revenues)					
Transfers In	-	-	-	-	-
Transfers (Out)	-	-	(21,885)	-	(583,352)
Debt issuance	-	-	-	239,783	-
Sale of capital assets	-	610,521	-	-	39,498
Total other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 610,521</u>	<u>\$ (21,885)</u>	<u>\$ 239,783</u>	<u>\$ (543,854)</u>
Net Change in Fund Balances	357,713	924,101	(71,495)	405,279	(256,853)
Fund Balances - Beginning	<u>3,211,955</u>	<u>2,287,854</u>	<u>2,359,349</u>	<u>1,954,070</u>	<u>2,210,923</u>
Fund Balances - Ending	<u>\$ 3,569,668</u>	<u>\$ 3,211,955</u>	<u>\$ 2,287,854</u>	<u>\$ 2,359,349</u>	<u>\$ 1,954,070</u>

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The State of Texas levies a six and one-quarter percent (6 and ¼%) sales and use tax. The State tax, in addition to the City sales and use taxes and that levied by the City's Type B economic development corporation, result in a total sales and use tax within the City of eight and one-quarter percent (8 and ¼%), which under current law is the maximum rate that may be collected within a governmental entity.

The City has adopted the provisions of Chapter 321 of the Texas Tax Code, as amended, which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of notes, bonds, certificates or other indebtedness.

Further, the Texas Tax Code provides certain cities the option of assessing a sales and use tax for the benefit of its Type A economic development corporation, and an additional sales and use tax for the benefit of its Type B economic development corporation. Each tax must be approved by a majority of the voters in a local option election.

In 1994, the City's voters approved an additional one-half of one percent (½ of 1%) sales and use tax to be levied and collected for the benefit of the Venus Community Services Development Corporation (the "VCS Development Corporation") (the City's Type B economic development corporation).

In 2002, the City sales tax was increased by 0.25%. Revenue from the additional 0.25% will be used to fund road and transportation projects. The sales tax reallocation went into effect on January 1, 2003. In 2017, the City's sales tax was increased by an additional 0.25% for purposes of reducing the property tax rate, which went into effect on October 1, 2017. Sales tax proceeds are not pledged for the payment of the Obligations.

Collections and enforcements of the City's sales and use tax are effected through the offices of the Texas Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly

Fiscal Year Ended 9/30	1.00% Regular Rate City Sales Tax	0.25% Street Maintenance Repair Sales Tax	0.25% Property Tax Relief Sales Tax	0.50% VCS Development Corp. Sales Tax	Total Sales Tax Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 589,410	\$ 147,352	\$ 147,352	\$ 294,705	\$ 1,178,820	73.28%	\$ 0.4985	\$ 233.57
2022	651,624	162,906	162,906	325,812	1,303,248	63.32%	0.3926	226.18
2023	702,935	175,734	175,734	351,468	1,405,870	58.47%	0.3156	231.53
2024	875,829	218,957	218,957	437,914	1,751,658	64.53%	0.3121	250.02
2025 ⁽²⁾	839,134	209,784	209,784	419,567	1,678,268	47.57%	0.2539	223.38

(1) As reported by the Texas Comptroller of Public Accounts. Includes the sales and use taxes collected for the benefit of the VCS Development Corporation, which is not available for the City's general use.

(2) Collections as of August 2025.

FINANCIAL POLICIES

Basis of Accounting . . . The City's annual budget shall be prepared and adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except the capital projects fund, which adopts project-length budgets.

Account balances shall be reported on the modified accrual basis of accounting within the General Fund and other governmental funds and the accrual basis of accounting in the Utilities Fund.

General Fund Balance . . . The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Budgetary Procedures . . . The official city budget is prepared for adoption for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

TABLE 14 - CURRENT INVESTMENTS

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

Type of Investment	Market Value	Percent
Pinnacle Savings-General Fund	\$ 1,667,909	27.42%
TexPool-General Fund	3,442,020	56.59%
Pinnacle Savings-Water & Sewer	251,221	4.13%
TexPool-Water & Sewer	720,780	11.85%
Total	<u>\$ 6,081,930</u>	<u>100.00%</u>

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TAX MATTERS

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

In rendering the foregoing opinion, Bond Counsel will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which

differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or

any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City will designate the Obligations as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Obligations as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Obligations would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in APPENDIX B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

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

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

Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . The City became obligated to file certain notices in an offering that took place in 2020 as per the Amended Rule effective February 27, 2019. Due to an administrative oversight, certain material event with regards to a financial incurrence was not timely filed with EMMA. All information has since been filed including a notice of late filing. The Issuer has implemented procedures to ensure timely filing of all future financial information.

OTHER INFORMATION

RATING

The Obligations have been rated "A+" with a stable outlook by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by rating company, if in the judgment of company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations.

CYBERSECURITY

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

LITIGATION

There are currently no lawsuits, claims or other legal matters which if decided adversely to the City, would, in the opinion of the City Attorney and City Staff, have a material adverse financial impact upon the City or its operations.

WEATHER EVENTS

The City is located in the north central region of Texas. Land located in this area is susceptible to high winds, tornadoes, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City tax rate. Under certain conditions, Texas law allows a city to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The delivery of the Obligations is subject to the approval of the Attorney General of Texas, who will deliver its opinions, to the effect that the Obligations are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and, with respect to the Obligations, from a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system, and based upon examination of such transcripts of proceedings, the approving legal opinions of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City ("Bond Counsel"), to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as APPENDIX C.

Though it may represent the Initial Purchasers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form or the Preliminary Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Ordinance.

The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MUNICIPAL ADVISOR

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

The Municipal Advisor to the City has provided the following sentence for inclusion in this Preliminary Official Statement. The Municipal Advisor has reviewed the information in this Preliminary Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information. Hilltop Securities Inc. has or may have other business relationships with the City. The participation of Hilltop Securities Inc. should not be seen as a recommendation to buy or sell the Obligations, and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate.

INITIAL PURCHASER OF THE OBLIGATIONS

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Obligations will approve the form and content of this Preliminary Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Initial Purchaser.

Mayor
City of Venus, Texas

ATTEST:

City Secretary
City of Venus, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State as a Type A general law municipality with a City council composed by the Mayor and five Councilmembers. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for staggered three year terms. The City Administrator is the Chief Administrative Officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The 2020 Census population for the City was 4,361, and the 2025 estimated population is 7,515. The City covers approximately 3.5 square miles.

EMPLOYMENT / LABOR FORCE

Employment figures for Johnson County are as follows:

	June	Average Annual				
	2025	2024	2023	2022	2021	2020
Civilian Labor Force	105,936	104,446	101,593	96,499	91,084	85,822
Total Employed	102,132	100,653	98,048	93,209	86,823	80,401
Total Unemployed	3,804	3,793	3,545	3,290	4,261	5,421
Unemployment Rate	3.6%	3.6%	3.5%	3.4%	4.7%	6.3%

Source: Texas Workforce Commission Local Area Unemployment Statistics (LAUS) Report.

APPENDIX B

EXCERPTS FROM THE

CITY OF VENUS, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

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

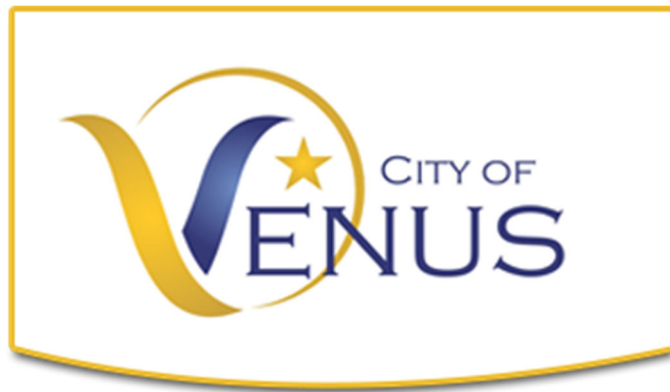
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CITY OF VENUS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2024



CITY OF VENUS, TEXAS

ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of City Council
City of Venus, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Venus, Texas (the "City") as of and for the year ended September 30, 2024, and the notes to the financial statements, which collectively comprise the City's basis financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note I to the basic financial statements, during the year ended September 30, 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain 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 purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate 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 combining statements are 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 August 11, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
August 11, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,877,112 (net position). Of this amount, \$6,309,917 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,739,380.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$13,917,143, an increase of \$1,628,205 in comparison with prior year. Approximately 24.4% of this amount, \$3,394,367, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,554,668, or approximately 67.7% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and 2020 and 2022 CO Bond Funds, which are considered to be major funds. Data from the other 14 governmental funds are combined into a single aggregated presentation and presented as nonmajor. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found immediately following the management's discussion and analysis.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations and sanitation service.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the City.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions.

This report also presents combining statements and an individual fund schedule referred to earlier in connection with nonmajor governmental funds.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$19,877,112, at the close of the most recent fiscal year.

CITY OF VENUS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 14,901,222	\$ 13,378,978	\$ 2,959,108	\$ 3,478,892	\$ 17,860,330	\$ 16,857,870
Capital assets	<u>10,276,267</u>	<u>10,793,810</u>	<u>8,887,371</u>	<u>9,126,361</u>	<u>19,163,638</u>	<u>19,920,171</u>
Total assets	<u>25,177,489</u>	<u>24,172,788</u>	<u>11,846,479</u>	<u>12,605,253</u>	<u>37,023,968</u>	<u>36,778,041</u>
Total deferred outflows of resources	<u>278,791</u>	<u>373,581</u>	<u>41,070</u>	<u>64,843</u>	<u>319,861</u>	<u>438,424</u>
Current liabilities	739,648	971,645	352,807	766,445	1,092,455	1,738,090
Long-term liabilities	<u>13,504,439</u>	<u>14,173,970</u>	<u>2,777,605</u>	<u>3,104,271</u>	<u>16,282,044</u>	<u>17,278,241</u>
Total liabilities	<u>14,244,087</u>	<u>15,145,615</u>	<u>3,130,412</u>	<u>3,870,716</u>	<u>17,374,499</u>	<u>19,016,331</u>
Total deferred inflows of resources	<u>80,377</u>	<u>53,173</u>	<u>11,841</u>	<u>9,229</u>	<u>92,218</u>	<u>62,402</u>
Net investment in capital assets	5,369,016	4,905,722	6,113,321	6,485,574	11,482,337	11,391,296
Restricted	2,044,661	843,919	40,197	-	2,084,858	843,919
Unrestricted	<u>3,718,139</u>	<u>3,597,940</u>	<u>2,591,778</u>	<u>2,304,577</u>	<u>6,309,917</u>	<u>5,902,517</u>
Total net position	<u>\$ 11,131,816</u>	<u>\$ 9,347,581</u>	<u>\$ 8,745,296</u>	<u>\$ 8,790,151</u>	<u>\$ 19,877,112</u>	<u>\$ 18,137,732</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (57.8%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, infrastructure and water rights), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net investment in capital assets increased as a result of additions to buildings, machinery and equipment, improvements, and infrastructure, while long-term debt decreased due to scheduled debt payments being made.

An additional portion of the City's net position (10.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,309,917 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$1,739,380 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF VENUS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 719,133	\$ 1,023,085	\$ 5,168,284	\$ 4,756,373	\$ 5,887,417	\$ 5,779,458
Operating grants and contributions	580,872	692,935	-	564,590	580,872	1,257,525
Capital grants and contributions	105,934	205,281	-	292,753	105,934	498,034
General revenues:						
Property taxes	4,110,884	3,387,114	-	-	4,110,884	3,387,114
Sales taxes	1,763,383	1,450,641	-	-	1,763,383	1,450,641
Franchise taxes	169,916	159,629	-	-	169,916	159,629
Investment earnings	650,532	669,413	57,358	58,923	707,890	728,336
Gain on sale of assets	-	610,521	-	-	-	610,521
Miscellaneous	35,618	44,042	-	-	35,618	44,042
Total revenues	<u>8,136,272</u>	<u>8,242,661</u>	<u>5,225,642</u>	<u>5,672,639</u>	<u>13,361,914</u>	<u>13,915,300</u>
Expenses:						
General government	1,493,055	1,377,798	-	-	1,493,055	1,377,798
Public safety	3,306,148	3,328,079	-	-	3,306,148	3,328,079
Public works	647,385	681,796	-	-	647,385	681,796
Culture and recreation	-	29,097	-	-	-	29,097
Economic development	529,223	456,963	-	-	529,223	456,963
Interest and other	376,226	516,888	-	-	376,226	516,888
Water and sewer	-	-	5,270,497	4,921,537	5,270,497	4,921,537
Total expenses	<u>6,352,037</u>	<u>6,390,621</u>	<u>5,270,497</u>	<u>4,921,537</u>	<u>11,622,534</u>	<u>11,312,158</u>
Increase (decrease) in net position	1,784,235	1,852,040	(44,855)	751,102	1,739,380	2,603,142
Net position, beginning	<u>9,347,581</u>	<u>7,495,541</u>	<u>8,790,151</u>	<u>8,039,049</u>	<u>18,137,732</u>	<u>15,534,590</u>
Net position, ending	<u>\$ 11,131,816</u>	<u>\$ 9,347,581</u>	<u>\$ 8,745,296</u>	<u>\$ 8,790,151</u>	<u>\$ 19,877,112</u>	<u>\$ 18,137,732</u>

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,784,235 from the prior fiscal year for an ending balance of \$11,131,816. Revenues decreased \$106,389 due to a decrease in grant revenue. Expenses decreased \$38,584 as a result of decreased public safety and culture and recreation costs.

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net decrease in net position to an ending balance of \$8,745,296. The total decrease in net position for business-type activities (water and sewer operations and sanitation service) was \$44,855 from the prior fiscal year. Revenues from charges for services increased 8.7%. Total expenses increased 7.1% (\$348,960) in the current fiscal year.

Financial Analysis of Governmental Funds

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

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

At September 30, 2024, the City's governmental funds reported combined fund balances of \$13,917,143, an increase of \$1,628,205 in comparison with the prior year. Approximately 24.4% of this amount (\$3,394,367) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for particular purposes (\$10,262,776) or committed to future projects (\$260,000).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$3,554,668 and \$3,569,668, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 67.7% and 68.0% of total general fund expenditures, respectively. The fund balance of the City's general fund increased by \$357,713 during the current fiscal year due to expenditures growing slower than revenues during the period.

The fund balance of the Debt Service fund decreased to (\$34,308) at the end of the fiscal year.

The fund balance of the City's 2020 CO Bonds fund increased by \$227,410 during the current fiscal year due to increased interest earned on deposits.

The fund balance of the City's 2022 CO Bonds fund increased by \$216,685 during the year as a result of interest earned on debt proceeds.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was \$2,591,778. The total decrease in net position was \$44,855. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights.

Final budget compared to actual results. General fund actual revenues of \$5,605,482 were exceeded by budgeted revenues of \$5,666,296 by \$60,814. Actual general fund expenditures of \$5,247,769 were less than budgeted expenditures of \$5,783,242 by \$535,473.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, can be found below (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights. The total increase in capital assets for the current fiscal year was approximately 3.8%.

CITY OF VENUS' CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,858,732	\$ 4,858,732	\$ 25,270	\$ 25,270	\$ 4,884,002	\$ 4,884,002
Construction in progress	302,243	899,484	1,419,329	1,324,312	1,721,572	2,223,796
Buildings	2,277,160	1,713,297	49,770	51,547	2,326,930	1,764,844
Machinery and equipment	326,637	579,329	26,423	50,528	353,060	629,857
Improvements and infrastructure	2,438,382	2,625,986	6,765,566	6,983,632	9,203,948	9,609,618
Right to use asset	73,113	116,982	-	-	73,113	116,982
Water rights	-	-	601,013	691,072	601,013	691,072
Totals	<u>\$ 10,276,267</u>	<u>\$ 10,793,810</u>	<u>\$ 8,887,371</u>	<u>\$ 9,126,361</u>	<u>\$ 19,163,638</u>	<u>\$ 19,920,171</u>

Additional information on the City's capital assets can be found in Note II C of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,143,132, which is secured by property taxes and the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprise contract payable, financing arrangements, and leases payable.

CITY OF VENUS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	\$ 13,125,000	\$ 13,525,000	\$ 1,720,000	\$ 1,780,000	\$ 14,845,000	\$ 15,305,000
Premiums on debt	217,557	228,424	80,575	84,815	298,132	313,239
Contract payable	-	-	387,500	465,000	387,500	465,000
Loan payable	-	-	579,563	740,224	579,563	740,224
Financing arrangements	-	82,090	-	-	-	82,090
Leases	71,140	114,925	-	-	71,140	114,925
Compensated absences	90,742	130,504	9,967	18,085	100,709	148,589
Totals	<u>\$ 13,504,439</u>	<u>\$ 14,080,943</u>	<u>\$ 2,777,605</u>	<u>\$ 3,088,124</u>	<u>\$ 16,282,044</u>	<u>\$ 17,169,067</u>

Additional information on the City's long term-debt can be found in Note II D of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2023-2024 ended in an overall positive financial position. The City of Venus embarked on multiple initiatives designed to be proactive in planning the City's future, including economic development policies and evaluation of critical enterprise infrastructure. The population of Venus continues to increase significantly with any new residential developments. Commercial activity has also increased, creating more business opportunities within the City.

The City's ad valorem tax rate was set at \$0.738059 for FY 2024-2025, a decrease of 2% compared to FY 2023-2024. The 2024-2025 budget is expected to raise \$688,580 more in revenue than 2023-2024, an increase of 19%.

Total General Fund revenues in the FY 2024-2025 operating budget are projected to increase by 26% compared to the FY 2023-2024 budget, while expenditures are expected to increase by 15%.

Upcoming capital projects in FY 2024-2025 include continuing the improvements to the wastewater treatment plant, street projects and other general governmental capital projects.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Venus, 700 W. US Highway 67, Venus, Texas 76084.

BASIC FINANCIAL STATEMENTS

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CITY OF VENUS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,480,584	\$ 417,629	\$ 5,898,213
Restricted assets	10,376,470	181,077	10,557,547
Receivables (net of allowance)	599,716	702,184	1,301,900
Internal balances	(1,632,500)	1,632,500	-
Prepaid items	2,500	14,750	17,250
Net pension asset	74,452	10,968	85,420
Capital assets:			
Non-depreciable	5,160,975	1,444,599	6,605,574
Depreciable, net	5,115,292	7,442,772	12,558,064
Total assets	<u>25,177,489</u>	<u>11,846,479</u>	<u>37,023,968</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	278,791	41,070	319,861
Total deferred outflows	<u>278,791</u>	<u>41,070</u>	<u>319,861</u>
LIABILITIES			
Accounts payable	350,797	127,620	478,417
Accrued liabilities	103,492	15,196	118,688
Customer deposits	-	181,077	181,077
Retainage payable	-	6,412	6,412
Unearned revenue	255,967	-	255,967
Accrued interest payable	29,392	22,502	51,894
Noncurrent liabilities:			
Due within one year			
Long-term debt	482,354	304,633	786,987
Due in more than one year			
Long-term debt	13,022,085	2,472,972	15,495,057
Total liabilities	<u>14,244,087</u>	<u>3,130,412</u>	<u>17,374,499</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	80,377	11,841	92,218
Total deferred inflows	<u>80,377</u>	<u>11,841</u>	<u>92,218</u>
NET POSITION			
Net investment in capital assets	5,369,016	6,113,321	11,482,337
Restricted for:			
Capital improvements	586,674	-	586,674
Economic development	835,233	-	835,233
Net pension asset	272,866	40,197	313,063
Public safety	48,353	-	48,353
Public works	286,070	-	286,070
Debt service	15,465	-	15,465
Unrestricted	3,718,139	2,591,778	6,309,917
Total net position	<u>\$ 11,131,816</u>	<u>\$ 8,745,296</u>	<u>\$ 19,877,112</u>

The accompanying notes are an integral part of these financial statements.

CITY OF VENUS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,493,055	\$ 604,519	\$ 2,850	\$ 26,954
Public safety	3,306,148	114,614	578,022	76,577
Public works	647,385	-	-	2,403
Economic development	529,223	-	-	-
Interest	376,226	-	-	-
Total governmental activities	<u>6,352,037</u>	<u>719,133</u>	<u>580,872</u>	<u>105,934</u>
Business-type activities:				
Water and sewer	4,645,345	4,512,085	-	-
Sanitation service	625,152	656,199	-	-
Total business-type activities	<u>5,270,497</u>	<u>5,168,284</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,622,534</u>	<u>\$ 5,887,417</u>	<u>\$ 580,872</u>	<u>\$ 105,934</u>
General revenues:				
Taxes:				
Property				
Sales				
Franchise				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - beginning of year				
Net position - end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (858,732)	\$ -	\$ (858,732)
(2,536,935)	-	(2,536,935)
(644,982)	-	(644,982)
(529,223)	-	(529,223)
(376,226)	-	(376,226)
<u>(4,946,098)</u>	<u>-</u>	<u>(4,946,098)</u>
-	(133,260)	(133,260)
-	31,047	31,047
<u>-</u>	<u>(102,213)</u>	<u>(102,213)</u>
<u>(4,946,098)</u>	<u>(102,213)</u>	<u>(5,048,311)</u>
4,110,884	-	4,110,884
1,763,383	-	1,763,383
169,916	-	169,916
650,532	57,358	707,890
35,618	-	35,618
<u>6,730,333</u>	<u>57,358</u>	<u>6,787,691</u>
<u>1,784,235</u>	<u>(44,855)</u>	<u>1,739,380</u>
<u>9,347,581</u>	<u>8,790,151</u>	<u>18,137,732</u>
\$ <u>11,131,816</u>	\$ <u>8,745,296</u>	\$ <u>19,877,112</u>

CITY OF VENUS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Debt Service	2020 CO Bonds
ASSETS			
Cash & cash equivalents	\$ 5,220,198	\$ -	\$ -
Restricted cash & cash equivalents	15,000	-	4,381,493
Receivables (net of allowance)	473,547	15,465	-
Due from other funds	100,471	-	-
Prepaid items	-	-	-
Total assets	<u>5,809,216</u>	<u>15,465</u>	<u>4,381,493</u>
LIABILITIES			
Accounts payable	317,685	600	-
Accrued liabilities	103,012	-	-
Unearned revenue	2,445	-	-
Due to other funds	<u>1,632,500</u>	<u>33,708</u>	<u>-</u>
Total liabilities	<u>2,055,642</u>	<u>34,308</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	59,890	15,465	-
Unavailable revenue - fines & fees	<u>124,016</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>183,906</u>	<u>15,465</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Public safety	15,000	-	-
Capital projects	-	-	4,381,493
Streets	-	-	-
Capital improvements	-	-	-
Economic development	-	-	-
Committed for:			
Capital projects	-	-	-
Unassigned	<u>3,554,668</u>	<u>(34,308)</u>	<u>-</u>
Total fund balances	<u>3,569,668</u>	<u>(34,308)</u>	<u>4,381,493</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,809,216</u>	<u>\$ 15,465</u>	<u>\$ 4,381,493</u>

The accompanying notes are an integral part of these financial statements.

2022 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 260,386	\$ 5,480,584
4,124,953	1,855,024	10,376,470
-	110,704	599,716
-	-	100,471
-	2,500	2,500
<u>4,124,953</u>	<u>2,228,614</u>	<u>16,559,741</u>
-	32,512	350,797
-	480	103,492
-	253,522	255,967
-	66,763	1,732,971
-	353,277	2,443,227
-	-	75,355
-	-	124,016
-	-	199,371
-	33,353	48,353
4,124,953	-	8,506,446
-	286,070	286,070
-	586,674	586,674
-	835,233	835,233
-	260,000	260,000
-	(125,993)	3,394,367
<u>4,124,953</u>	<u>1,875,337</u>	<u>13,917,143</u>
<u>\$ 4,124,953</u>	<u>\$ 2,228,614</u>	<u>\$ 16,559,741</u>

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CITY OF VENUS, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2024

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

Total fund balance governmental funds	\$ 13,917,143
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	10,276,267
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	75,355
Court fines	124,016
Long-term liabilities, including bonds payable, notes payable, leases, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	(13,125,000)
Issuance premium	(217,557)
Leases payable	(71,140)
Compensated absences	(90,742)
Net pension asset	74,452
Deferred inflows of resources - pension related	(80,377)
Deferred outflows of resources - pension related	278,791
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	<u>(29,392)</u>
Net position of governmental activities	<u>\$ 11,131,816</u>

CITY OF VENUS, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service	2020 CO Bonds	Grant*
REVENUES				
Property taxes and assessments	\$ 2,736,765	\$ 783,810	\$ -	
Sales taxes	1,102,114	-	-	
Franchise taxes	169,916	-	-	
Licenses and permits	570,484	-	-	
Fines and forfeitures	104,121	-	-	
Charges for services	33,853	-	-	
Intergovernmental	648,693	-	-	
Contributions and donations	8,756	-	-	
Investment earnings	196,013	-	227,410	
Miscellaneous	34,767	-	-	
Total revenues	<u>5,605,482</u>	<u>783,810</u>	<u>227,410</u>	
EXPENDITURES				
Current:				
General government	1,321,656	-	-	
Public safety	3,086,564	-	-	
Public works	262,075	-	-	
Economic development	290,566	-	-	
Capital outlay	47,278	-	-	
Debt service:				
Principal	237,407	400,000	-	
Interest and fiscal charges	2,223	418,118	-	
Total expenditures	<u>5,247,769</u>	<u>818,118</u>	<u>-</u>	
Net change in fund balance	<u>357,713</u>	<u>(34,308)</u>	<u>227,410</u>	
FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED	3,211,955	-	4,154,083	-
ADJUSTMENTS				
Change in financial reporting entity - formerly a major fund*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING	<u>3,211,955</u>	<u>-</u>	<u>4,154,083</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,569,668</u>	<u>\$ (34,308)</u>	<u>\$ 4,381,493</u>	<u>\$ -</u>

The accompanying notes are an integral
part of these financial statements.

2022 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 573,085	\$ 4,093,660
-	661,269	1,763,383
-	-	169,916
-	-	570,484
-	9,563	113,684
-	-	33,853
-	26,954	675,647
-	2,403	11,159
216,685	10,424	650,532
-	851	35,618
<u>216,685</u>	<u>1,284,549</u>	<u>8,117,936</u>
-	26,954	1,348,610
-	-	3,086,564
-	206,645	468,720
-	187,973	478,539
-	2,272	49,550
-	-	637,407
-	-	420,341
-	423,844	6,489,731
<u>216,685</u>	<u>860,705</u>	<u>1,628,205</u>
3,908,268	1,014,632	12,288,938
-	-	-
<u>3,908,268</u>	-	<u>11,274,306</u>
<u>\$ 4,124,953</u>	<u>\$ 1,875,337</u>	<u>\$ 13,917,143</u>

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CITY OF VENUS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Net change in fund balance - total governmental funds	\$ 1,628,205
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Governmental funds report capital outlay 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.

Capital outlay	24,018
Depreciation expense	(408,229)
Disposal of capital assets	(133,332)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:

Property taxes	17,224
Court fines	1,112

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. The details of these differences are as follows:

Net pension asset	45,485
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Payments on bonds	400,000
Payments on financing arrangements	82,090
Payments on leases payable	43,785
Amortization of premium on bond issuance	10,867
Interest payable	33,248
Compensated absences	<u>39,762</u>

Change in net position of governmental activities	<u>\$ 1,784,235</u>
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CITY OF VENUS, TEXAS**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 417,629
Restricted cash and cash equivalents	181,077
Receivables (net of allowance)	702,184
Due from other funds	1,632,500
Prepaid items	<u>14,750</u>
Total current assets	<u>2,948,140</u>
Noncurrent assets:	
Net pension asset	10,968
Capital assets:	
Non-depreciable	1,444,599
Depreciable, net	<u>7,442,772</u>
Total noncurrent assets	<u>8,898,339</u>
Total assets	<u>11,846,479</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>41,070</u>
Total deferred outflows of resources	<u>41,070</u>
LIABILITIES	
Current liabilities:	
Accounts payable	127,620
Accrued liabilities	15,196
Accrued interest payable (payable from restricted cash)	22,502
Customer deposits	181,077
Retainage payable	6,412
Compensated absences	2,492
Loan payable	164,641
Bonds payable	60,000
Contract payable	<u>77,500</u>
Total current liabilities	<u>657,440</u>
Noncurrent liabilities:	
Compensated absences	7,475
Loan payable	414,922
Bonds payable	1,740,575
Contract payable	<u>310,000</u>
Total noncurrent liabilities	<u>2,472,972</u>
Total liabilities	<u>3,130,412</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>11,841</u>
Total deferred inflows of resources	<u>11,841</u>
NET POSITION	
Net investment in capital assets	6,113,321
Restricted	40,197
Unrestricted	<u>2,591,778</u>
Total net position	<u>\$ 8,745,296</u>

The accompanying notes are an integral
part of these financial statements.

CITY OF VENUS, TEXAS**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
OPERATING REVENUES	
Charges for services:	
Water and sewer service	\$ 4,412,589
Sanitation service	656,199
Miscellaneous	<u>99,496</u>
Total operating revenues	<u>5,168,284</u>
OPERATING EXPENSES	
Personnel services	575,508
Materials and supplies	95,938
Contractual services	4,156,487
Depreciation	<u>334,007</u>
Total operating expenses	<u>5,161,940</u>
Operating income (loss)	<u>6,344</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	57,358
Interest expense	<u>(108,557)</u>
Total nonoperating revenues	<u>(51,199)</u>
Change in net position	<u>(44,855)</u>
NET POSITION - BEGINNING	<u>8,790,151</u>
NET POSITION - ENDING	<u>\$ 8,745,296</u>

CITY OF VENUS, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,012,721
Payments to suppliers	(4,724,057)
Payments to employees	<u>(581,624)</u>
Net cash provided (used) by operating activities	<u>(292,960)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(95,017)
Principal paid on bond maturities	(60,000)
Interest and fiscal charges paid on bonds	(73,803)
Principal paid on contract payable	(77,500)
Interest paid on contract payable	(22,655)
Principal paid on loan payable	(160,661)
Interest paid on loan payable	<u>(16,339)</u>
Net cash provided (used) by capital and related financing activities	<u>(505,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>57,358</u>
Net cash provided (used) by investing activities	<u>57,358</u>
Net increase (decrease) in cash and cash equivalents	<u>(741,577)</u>
Cash and cash equivalents - beginning	<u>1,340,283</u>
Cash and cash equivalents - ending	<u>\$ 598,706</u>

CITY OF VENUS, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 6,344
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	334,007
(Increase) decrease in accounts receivable	(210,825)
(Increase) decrease in net pension liability	(27,115)
(Increase) decrease in deferred outflows related to pensions	23,773
Increase (decrease) in accounts payable	(471,632)
Increase (decrease) in accrued liabilities	2,732
Increase (decrease) in customer deposits	55,262
Increase (decrease) in compensated absences	(8,118)
Increase (decrease) in deferred inflows related to pensions	<u>2,612</u>
Total adjustments	<u>(299,304)</u>
Net cash provided (used) by operating activities	<u>\$ (292,960)</u>

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CITY OF VENUS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Venus, Texas (the "City") is a general law municipality and was incorporated in 1904. The City exercises all powers of self-government, and all power enumerated in Chapter 13, Title 28, Revised Civil Statutes of the State of Texas of 1925.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Blended component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body, and the Corporation is fiscally dependent on the City. The Corporation is reported as a blended component unit because the governing body is substantively the same as the governing body of the City.

The *Venus Community Service Development Corporation* (the "Corporation") is responsible for disbursing the one-fourth percent sales tax to be used for economic and industrial development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors. At least four of the directors shall be members of the Venus City Council and the remaining three directors shall be persons who are not employees, officers or members of the governing body of the City. These three directors serve at the pleasure of the City Council. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

Separate financial statements for the Corporation are not issued.

B. Basis of presentation - government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has 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 certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Basis of presentation - fund financial statements

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

The City reports the following major governmental funds:

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

The Debt Service Fund is used to account for the property taxes levied for the purposes of making debt service payments.

The 2020 CO Bonds Fund is a capital projects fund used to account for improvements to streets from issuance of certificates of obligation.

The 2022 CO Bonds Fund is a capital projects fund used to account for capital improvements from issuance of certificates of obligation.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities of the sewage collection system, the water distribution system, and sanitation services.

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

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

D. Measurement focus and basis of accounting

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

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

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

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

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

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

1. Cash and cash equivalents

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

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and Texas TERM.

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

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

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

3. Receivables and allowances for doubtful accounts

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

5. Capital assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	5-40
Machinery and equipment	5-10
Infrastructure	20-50
Water rights	37

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include:

- Deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, and
- Deferred outflow of resources related to the differences between the projected and actual investment earnings for the City's multiple employer defined benefit plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for:

- Deferred inflows of resources for differences between expected and actual experience data used by the actuary,
- Deferred inflows of resources for differences between projected and actual investment earnings, and
- Deferred inflows of resources for changes in actuarial assumptions and other inputs.

In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

7. 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 deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

8. Leases

The City is a lessee for a noncancellable lease of vehicles. The City recognizes a lease liability and an intangible right - to - use lease asset (lease asset) in the government - wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight - line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

9. Pensions

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

10. Net position

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

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

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

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

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

11. Fund balance

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

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

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

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

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

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

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

F. Revenues and expenditures/expenses

12. Program revenues

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

13. Property taxes

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

14. Compensated absences

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

15. Proprietary funds operating and nonoperating revenues and expenses

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

16. Change in accounting principle

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective October 1, 2023. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

17. Use of Estimates

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and investments

Investments - Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of, or guaranteed by governmental entities, (2) certificates of deposit and share certificates, (3) repurchase agreements, (4) banker's acceptances, (5) commercial paper, (6) mutual funds, (7) investment pools, and (8) existing investments of the Government Code and any other investment authorized by the State of Texas for cities.

The City's investments for the year ended September 30, 2024 are as follows:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 12,699,697</u>	36
Total	<u><u>\$ 12,699,697</u></u>	
Portfolio Weighted Average Maturity		36

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes as of September 30, 2024. At year end, the bank balance of the City's deposits were covered by collateral pledged in the City's name.

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

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

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

B. Receivables

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

Receivables	General Fund	Debt Service	Nonmajor Governmental	Water and Sewer	Totals
Accounts	\$ 1,321,793	\$ -	\$ -	\$ 773,684	\$ 2,095,477
Taxes & assessments	<u>293,830</u>	<u>22,162</u>	<u>110,704</u>	<u>-</u>	<u>426,696</u>
Gross receivables	1,615,623	22,162	110,704	773,684	2,522,173
Less: allowance for uncollectibles	<u>(1,142,076)</u>	<u>(6,697)</u>	<u>-</u>	<u>(71,500)</u>	<u>(1,220,273)</u>
Total receivables, net	<u>\$ 473,547</u>	<u>\$ 15,465</u>	<u>\$ 110,704</u>	<u>\$ 702,184</u>	<u>\$ 1,301,900</u>

C. Capital assets

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

	Beginning Balance	Increases	Transfers/Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,858,732	\$ -	\$ -	\$ 4,858,732
Construction in progress	<u>899,484</u>	<u>-</u>	<u>(597,241)</u>	<u>302,243</u>
Total capital assets, not being depreciated	<u>5,758,216</u>	<u>-</u>	<u>(597,241)</u>	<u>5,160,975</u>
Capital assets, being depreciated:				
Buildings	2,257,870	24,018	597,241	2,879,129
Machinery and equipment	2,138,677	-	(645,000)	1,493,677
Infrastructure	3,873,053	-	-	3,873,053
Right to use asset	<u>175,474</u>	<u>-</u>	<u>-</u>	<u>175,474</u>
Total capital assets, being depreciated	<u>8,445,074</u>	<u>24,018</u>	<u>(47,759)</u>	<u>8,421,333</u>
Less: accumulated depreciation				
Buildings	(544,573)	(57,396)	-	(601,969)
Machinery and equipment	(1,559,348)	(154,856)	547,164	(1,167,040)
Infrastructure	(1,247,067)	(152,108)	(35,496)	(1,434,671)
Right to use asset	<u>(58,492)</u>	<u>(43,869)</u>	<u>-</u>	<u>(102,361)</u>
Total accumulated depreciation	<u>(3,409,480)</u>	<u>(408,229)</u>	<u>511,668</u>	<u>(3,306,041)</u>
Total capital assets being depreciated, net	<u>5,035,594</u>	<u>(384,211)</u>	<u>463,909</u>	<u>5,115,292</u>
Governmental activities capital assets, net	<u>\$10,793,810</u>	<u>\$ (384,211)</u>	<u>\$ (133,332)</u>	<u>\$ 10,276,267</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 25,270	\$ -	\$ -	\$ 25,270
Construction in progress	<u>1,324,312</u>	<u>95,017</u>	<u>-</u>	<u>1,419,329</u>
Total capital assets, not being depreciated	<u>1,349,582</u>	<u>95,017</u>	<u>-</u>	<u>1,444,599</u>
Capital assets, being depreciated:				
Buildings	71,099	-	-	71,099
Machinery and equipment	436,746	-	-	436,746
Improvements & infrastructure	10,345,409	-	-	10,345,409
Water rights	<u>2,014,700</u>	<u>-</u>	<u>-</u>	<u>2,014,700</u>
Total capital assets, being depreciated	<u>12,867,954</u>	<u>-</u>	<u>-</u>	<u>12,867,954</u>
Less: accumulated depreciation				
Buildings	(19,552)	(1,777)	-	(21,329)
Machinery and equipment	(386,218)	(24,105)	-	(410,323)
Improvements & infrastructure	(3,361,777)	(218,066)	-	(3,579,843)
Water rights	<u>(1,323,628)</u>	<u>(90,059)</u>	<u>-</u>	<u>(1,413,687)</u>
Total accumulated depreciation	<u>(5,091,175)</u>	<u>(334,007)</u>	<u>-</u>	<u>(5,425,182)</u>
Total capital assets being depreciated, net	<u>7,776,779</u>	<u>(334,007)</u>	<u>-</u>	<u>7,442,772</u>
Business-Type activities capital assets, net	<u>\$ 9,126,361</u>	<u>\$ (238,990)</u>	<u>\$ -</u>	<u>\$ 8,887,371</u>

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

<u>Government activities:</u>	
General government	\$ 56,604
Public safety	116,909
Public works	180,075
Economic development	<u>54,641</u>
Total	<u>\$ 408,229</u>
<u>Business-type activities:</u>	
Water and sewer	<u>\$ 334,007</u>
Total	<u>\$ 334,007</u>

D. Long-term debt

Certificates of obligation

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

	Issue Amount	Maturity Date	Interest Rate	Ending Balance
<u>Governmental activities:</u>				
Certificates of Obligation, Series 2018	\$ 2,450,000	6/13/2018	2.00-4.00%	\$ 1,965,000
Certificates of Obligation, Series 2020	4,175,000	2/15/2045	2.00-4.00%	3,585,000
Certificates of Obligation, Series 2022	8,000,000	2/15/2037	2.00-4.00%	<u>7,575,000</u>
Total				<u>\$ 13,125,000</u>
<u>Business-type activities:</u>				
Certificates of Obligation, Series 2018	\$ 1,950,000	6/13/2018	2.00-4.00%	<u>\$ 1,720,000</u>
Total				<u>\$ 1,720,000</u>

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

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2025	\$ 415,000	\$ 403,933	\$ 818,933
2026	425,000	390,944	815,944
2027	440,000	377,539	817,539
2028	455,000	363,629	818,629
2029	470,000	349,214	819,214
2030-2034	3,930,000	1,488,833	5,418,833
2035-2039	5,280,000	549,174	5,829,174
2040-2044	1,505,000	114,050	1,619,050
2045	205,000	2,050	207,050
Total	<u>\$ 13,125,000</u>	<u>\$ 4,039,366</u>	<u>\$ 17,164,366</u>

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2025	\$ 60,000	\$ 67,600	\$ 127,600
2026	65,000	65,100	130,100
2027	65,000	62,500	127,500
2028	70,000	59,800	129,800
2029	75,000	56,900	131,900
2030-2034	410,000	237,400	647,400
2035-2039	500,000	147,000	647,000
2040-2044	475,000	38,700	513,700
Total	<u>\$ 1,720,000</u>	<u>\$ 735,000</u>	<u>\$ 2,455,000</u>

Contract payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of \$1,550,000 payable in 20 annual installments of \$77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year.

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

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2025	\$ 77,500	\$ 21,313	\$ 98,813
2026	77,500	17,050	94,550
2027	77,500	12,788	90,288
2028	77,500	8,525	86,025
2029	77,500	4,263	81,763
Total	<u>\$ 387,500</u>	<u>\$ 63,939</u>	<u>\$ 451,439</u>

Loan Payable

In March 2021, the City entered into a loan agreement to finance equipment and infrastructure to be used in the construction on the Brahman Ranch wastewater treatment plan. The loan requires monthly payments of \$14,750 from the date the assets are delivered, and bears interest of 2.045%. The assets were delivered and payments began in April 2023 to mature in March 2028. The loan is secured by the financed assets.

Debt service requirements to maturity on the loan are as follows:

Fiscal Year	Business-type Activities		Total
	Principal	Interest	
2025	\$ 164,641	\$ 12,359	\$ 177,000
2026	168,721	8,279	177,000
2027	172,901	4,099	177,000
2028	73,300	450	73,750
Total	<u>\$ 579,563</u>	<u>\$ 25,187</u>	<u>\$ 604,750</u>

Leases

The outstanding leases at September 30, 2024 are as follows:

<u>Governmental activities:</u>	<u>Amount Payable</u>
Building Inspection vehicle payable in monthly installments of \$698, including interest of 2.00%, with final payment due in March 2026.	\$ 13,035
Police vehicle payable in monthly installments of \$929, including interest of 2.00%, with final payment due in April 2026.	17,365
Police vehicle payable in monthly installments of \$1,204, including interest of 2.00%, with final payment due in April 2026.	22,506
Police vehicle payable in monthly installments of \$976, including interest of 2.00%, with final payment due in June 2026.	<u>18,234</u>
Total	<u>\$ 71,140</u>

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

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2025	\$ 44,668	\$ 1,015	\$ 45,683
2026	26,472	177	26,649
Total	<u>\$ 71,140</u>	<u>\$ 1,192</u>	<u>\$ 72,332</u>

Compensated absences

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

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 13,525,000	\$ -	\$ (400,000)	\$ 13,125,000	\$ 415,000
Premium on debt	228,424	-	(10,867)	217,557	-
Financing arrangements	82,090	-	(82,090)	-	-
Leases payable	114,925	-	(43,785)	71,140	44,668
Compensated absences	130,504	263,529	(303,291)	90,742	22,686
Total	<u>\$ 14,080,943</u>	<u>\$ 263,529</u>	<u>\$ (840,033)</u>	<u>\$ 13,504,439</u>	<u>\$ 482,354</u>

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Business-type activities:</u>					
Certificates of obligation	\$ 1,780,000	\$ -	\$ (60,000)	\$ 1,720,000	\$ 60,000
Premium on debt	84,815	-	(4,240)	80,575	-
Contract payable	465,000	-	(77,500)	387,500	77,500
Loan payable	740,224	-	(160,661)	579,563	164,641
Compensated absences	18,085	6,798	(14,916)	9,967	2,492
Total	<u>\$ 3,088,124</u>	<u>\$ 6,798</u>	<u>\$ (317,317)</u>	<u>\$ 2,777,605</u>	<u>\$ 304,633</u>

E. Defined benefit pension plan – Texas Municipal Retirement System

Plan description

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. 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 that can be obtained at www.tmr.org.

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

Benefits provided

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

Starting in 2007, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, in 2010, the City adopted a modification to its annually repeating (automatic) basis cost of living adjustments (COLA) for retirees to 70% of the change in the consumer price index (CPI).

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:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>47</u>
Total	<u>97</u>

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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.69% and 10.80% in calendar years 2024 and 2023, respectively. The City's total contributions to TMRS for the year ended September 30, 2024, were \$332,777, and were equal to the required contributions.

Net pension liability (asset)

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

Within the governmental activities, the General Fund generally liquidates the net pension liability (asset). In the business-type activities, the net pension liability (asset) is liquidated by the Water and Sewer Fund.

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.50%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core fixed income	6.0%	4.7%
Non-core fixed income	20.0%	8.0%
Other public and private mark	12.0%	8.0%
Real estate	12.0%	7.6%
Hedge funds	5.0%	6.4%
Private equity	10.0%	11.6%
Total	<u>100.0%</u>	

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c)
Balance at 12/31/22	\$ 3,010,564	\$ 2,901,390	\$ 109,174
Changes for the year:			
Service cost	527,425	-	527,425
Interest	214,852	-	214,852
Difference between expected and actual experience	(52,803)	-	(52,803)
Changes of assumptions	(21,228)	-	(21,228)
Contributions - employer	-	320,191	(320,191)
Contributions - employee	-	207,531	(207,531)
Net investment income	-	337,268	(337,268)
Benefit payments, including refunds of employee contributions	(182,555)	(182,555)	-
Administrative expense	-	(2,136)	2,136
Other changes	-	(14)	14
Net changes	<u>485,691</u>	<u>680,285</u>	<u>(194,594)</u>
Balance at 12/31/23	<u>\$ 3,496,255</u>	<u>\$ 3,581,675</u>	<u>\$ (85,420)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher 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 (asset)	\$ 512,398	\$ (85,420)	\$ (559,396)

Pension plan fiduciary net position

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

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

For the year ended September 30, 2024, the City recognized pension expense in the governmental activities and business-type activities of \$45,485 and \$730, respectively.

At September 30, 2024, the City reported deferred outflows and 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	\$ -	\$ 75,496
Changes in actuarial assumptions	-	16,722
Difference between projected and actual investment earnings	63,982	-
Contributions subsequent to the measurement date	255,879	-
Total	<u>\$ 319,861</u>	<u>\$ 92,218</u>

\$255,879 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ (16,743)
2026	(6,308)
2027	34,261
2028	(39,446)
Total	<u>\$ (28,236)</u>

F. Interfund balances

Interfund balances as of September 30, 2024 consisted of the following:

Due To	Due From	Amount
General	Water and sewer	\$ 1,632,500
Debt service	General	33,708
Nonmajor governmental	General	<u>66,763</u>
Total		<u>\$ 1,732,971</u>

G. Commitments and contingencies

Litigation

The City is often a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Federal and state grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amounts which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates the amounts, if any, will be immaterial.

Raw water

The City has entered into a contract with the City of Midlothian, Texas whereby Midlothian agrees to sell raw water to the City. The contract requires the City to purchase a minimum amount of water on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of thirty-five years commencing January 4, 2005 and ending January 1, 2040. Actual payments for the year ended September 30, 2024 were \$912,623.

Wastewater treatment

On December 1, 2009, the City entered into a contract with the Trinity River Authority – Mountain Creek Regional Wastewater System ("System") to obtain wastewater treatment services in effect for the entire useful life of the System. The City is obligated to pay minimum fees of the System's annual operation and maintenance costs equivalent to 61.32 million gallons of flow. Actual payments for the year ended September 30, 2024 were \$2,212,350. Complete separate financial statements for TRA may be obtained at Trinity River Authority of Texas, P.O. Box 60, Arlington, Texas 76004.

Bluestem Hills PID

On January 14, 2019, the City created Bluestem Hills Public Improvement District No. 1 (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$1,700,000 from special assessments levied and collected within the District. As of September 30, 2024, no reimbursements were due to the Developer.

Patriot Estates PID

On November 9, 2020, the City created Patriot Estates Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with LGI Homes-Texas, LLC (the "Developer") was executed on November 9, 2020. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$6,977,464 from special assessments levied and collected within the District. As of September 30, 2024, no reimbursements were due to the Developer.

Brahman Ranch PID

On January 15, 2021, the City created Brahman Ranch Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed \$1.7 million, from special assessments levied and collected within the District. As of September 30, 2024, no reimbursements were due to the Developer.

H. Risk management

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

I. Subsequent Event

In May 2025, the City obtained a loan from State Infrastructure Bank in the amount of \$1,415,000. The loan has an interest rate of 3.85% and matures in May 2045. The loan will be financed by future water and sewer revenues and will be used for utility relocations on FM 157.

J. New Accounting Guidance

Significant new accounting guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analysis for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF VENUS, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes and assessments	\$ 2,714,383	\$ 2,714,383	\$ 2,736,765	\$ 22,382
Sales taxes	831,000	831,000	1,102,114	271,114
Franchise taxes	152,000	152,000	169,916	17,916
Licenses and permits	521,660	521,660	570,484	48,824
Fines and forfeitures	108,900	108,900	104,121	(4,779)
Charges for service	266,000	266,000	33,853	(232,147)
Intergovernmental	685,084	685,084	648,693	(36,391)
Contributions and donations	23,387	23,387	8,756	(14,631)
Investment earnings	25,000	25,000	196,013	171,013
Miscellaneous	<u>338,882</u>	<u>338,882</u>	<u>34,767</u>	<u>(304,115)</u>
Total revenues	<u>5,666,296</u>	<u>5,666,296</u>	<u>5,605,482</u>	<u>(60,814)</u>
EXPENDITURES				
Current:				
General government	1,346,306	1,346,306	1,321,656	24,650
Public safety:				
Fire	977,711	977,711	849,958	127,753
Police	2,427,916	2,427,916	2,121,534	306,382
Municipal court	116,817	116,817	115,072	1,745
Public works	284,561	284,561	262,075	22,486
Economic development	346,460	346,460	290,566	55,894
Capital outlay	25,000	25,000	47,278	(22,278)
Debt service:				
Principal	254,048	254,048	237,407	16,641
Interest and fiscal charges	<u>4,423</u>	<u>4,423</u>	<u>2,223</u>	<u>2,200</u>
Total expenditures	<u>5,783,242</u>	<u>5,783,242</u>	<u>5,247,769</u>	<u>535,473</u>
Net change in fund balance	<u>(116,946)</u>	<u>(116,946)</u>	<u>357,713</u>	<u>474,659</u>
FUND BALANCE - BEGINNING	<u>3,211,955</u>	<u>3,211,955</u>	<u>3,211,955</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,095,009</u>	<u>\$ 3,095,009</u>	<u>\$ 3,569,668</u>	<u>\$ 474,659</u>

CITY OF VENUS, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2024

Budgets and Budgetary Accounting

An annual budget for the general fund is adopted on the modified accrual basis. Appropriations lapse at the end of the fiscal year. An annual adopted budget is not available for the Grant Fund, a major special revenue fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Excess Expenditures over Budgeted Appropriations

Expenditures exceeded budgeted appropriations in the following fund and functions. The City will cover these overages with the remaining excess fund balance.

General Fund		
Capital Outlay	\$	22,278

CITY OF VENUS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement date December 31,	2014	2015	2016	2017
Total pension liability				
Service Cost	\$ 88,650	\$ 122,666	\$ 147,811	\$ 161,586
Interest	80,660	91,101	88,713	99,640
Changes of benefit terms	-	-	6,433	-
Differences between expected and actual experience	57,782	(132,315)	(14,918)	(10,387)
Assumption changes	-	12,187	-	-
Benefit payments, including refunds of employee contributions	<u>(60,851)</u>	<u>(129,047)</u>	<u>(70,599)</u>	<u>(62,615)</u>
Net change in total pension liability	166,241	(35,408)	157,440	188,224
Total pension liability - beginning	<u>1,138,393</u>	<u>1,304,634</u>	<u>1,269,226</u>	<u>1,426,666</u>
Total pension liability - ending (a)	<u>\$ 1,304,634</u>	<u>\$ 1,269,226</u>	<u>\$ 1,426,666</u>	<u>\$ 1,614,890</u>
Plan fiduciary net position				
Contributions - employer	\$ 61,240	\$ 83,505	\$ 96,357	\$ 98,912
Contributions - member	46,611	51,820	61,043	64,194
Net investment income	62,682	1,777	81,713	190,996
Benefit payments	(60,851)	(129,047)	(70,599)	(62,615)
Administrative expense	(654)	(1,083)	(925)	(990)
Other	<u>(54)</u>	<u>(53)</u>	<u>(50)</u>	<u>(50)</u>
Net change in plan fiduciary net position	108,974	6,919	167,539	290,447
Plan fiduciary net position - beginning	<u>1,095,574</u>	<u>1,204,548</u>	<u>1,211,467</u>	<u>1,379,006</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,204,548</u>	<u>\$ 1,211,467</u>	<u>\$ 1,379,006</u>	<u>\$ 1,669,453</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 100,086</u>	<u>\$ 57,759</u>	<u>\$ 47,660</u>	<u>\$ (54,563)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.33%	95.45%	96.66%	103.38%
Covered payroll	\$ 665,869	\$ 740,288	\$ 872,040	\$ 917,058
Net pension liability (asset) as a percentage of covered payroll	15.03%	7.80%	5.47%	-5.95%

2018	2019	2020	2021	2022	2023
\$ 194,975	\$ 223,903	\$ 249,939	\$ 293,254	\$ 394,090	\$ 527,425
113,540	130,503	145,638	162,550	185,650	214,852
-	-	-	-	-	-
30,003	(25,397)	(31,738)	(17,526)	(51,902)	(52,803)
-	12,664	-	-	-	(21,228)
<u>(60,599)</u>	<u>(142,778)</u>	<u>(118,145)</u>	<u>(151,765)</u>	<u>(141,185)</u>	<u>(182,555)</u>
277,919	198,895	245,694	286,513	386,653	485,691
<u>1,614,890</u>	<u>1,892,809</u>	<u>2,091,704</u>	<u>2,337,398</u>	<u>2,623,911</u>	<u>3,010,564</u>
<u>\$ 1,892,809</u>	<u>\$ 2,091,704</u>	<u>\$ 2,337,398</u>	<u>\$ 2,623,911</u>	<u>\$ 3,010,564</u>	<u>\$ 3,496,255</u>
\$ 121,386	\$ 137,647	\$ 151,054	\$ 176,151	\$ 236,145	\$ 320,191
78,438	91,504	100,320	116,107	154,632	207,531
(50,015)	272,037	160,726	314,431	(209,387)	337,268
(60,599)	(142,778)	(118,145)	(151,765)	(141,185)	(182,555)
(966)	(1,535)	(1,039)	(1,452)	(1,805)	(2,136)
<u>(50)</u>	<u>(46)</u>	<u>(40)</u>	<u>10</u>	<u>2,156</u>	<u>(14)</u>
88,194	356,829	292,876	453,482	40,556	680,285
<u>1,669,453</u>	<u>1,757,647</u>	<u>2,114,476</u>	<u>2,407,352</u>	<u>2,860,834</u>	<u>2,901,390</u>
<u>\$ 1,757,647</u>	<u>\$ 2,114,476</u>	<u>\$ 2,407,352</u>	<u>\$ 2,860,834</u>	<u>\$ 2,901,390</u>	<u>\$ 3,581,675</u>
<u>\$ 135,162</u>	<u>\$ (22,772)</u>	<u>\$ (69,954)</u>	<u>\$ (236,923)</u>	<u>\$ 109,174</u>	<u>\$ (85,420)</u>
92.86%	101.09%	102.99%	109.03%	96.37%	102.44%
\$ 1,120,544	\$ 1,297,991	\$ 1,433,138	\$ 1,658,675	\$ 2,209,027	\$ 2,964,731
12.06%	-1.75%	-4.88%	-14.28%	4.94%	-2.88%

CITY OF VENUS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal year ending September 30,	2015	2016	2017	2018
Actuarially determined contribution	\$ 61,240	\$ 90,452	\$ 91,937	\$ 118,665
Contributions in relation to the actuarially determined contributions	<u>61,240</u>	<u>90,452</u>	<u>91,937</u>	<u>118,665</u>
Contribution excess (deficiency)	-	-	-	-
Covered payroll	665,869	815,090	850,004	1,093,819
Contributions as a percentage of covered payroll	9.20%	11.10%	10.82%	10.85%

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	25 years
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	
Salary increases	3.6% 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 generated 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	There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024
\$ 132,270	\$ 146,811	\$ 168,818	\$ 225,298	\$ 305,565	\$ 332,777
<u>132,270</u>	<u>146,811</u>	<u>168,818</u>	<u>225,298</u>	<u>305,565</u>	<u>332,777</u>
-	-	-	-	-	-
1,247,062	1,376,629	1,592,770	2,110,543	2,835,238	3,105,645
10.61%	10.66%	10.60%	10.67%	10.78%	10.72%

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COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Grant Fund - This fund is used to account for the proceeds of grants that are restricted to expenditures for specific purposes.

Brahman Ranch PID Fund - This fund is used to account for the operating costs of the Brahman Ranch Public Improvement District.

Venus Community Services Development Corporation – This fund is used to account for a half cent sales tax collection restricted for economic development.

Special Events Fund - This fund accounts for various community events funded by the City.

Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, computers and any other technology items needed for the court.

Court Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Truancy Prevention Fund – This fund is used to account for necessary costs relating to the position of a juvenile case manager in accordance with Article 45.056, Code of Criminal Procedure.

Street Tax Fund – This fund is used to account for a quarter cent sales tax collection restricted for street improvement projects in the City.

Blue Stem PID Fund – This fund is used to account for the operating costs of the Blue Stem Public Improvement District.

PID Funds – This fund is used to account for the operating costs of the multiple smaller Public Improvement Districts.

TIRZ #1 Fund – This fund is used to account for the operating costs of the City's Tax Increment Reinvestment Zone #1.

Allied PID Fund – This fund is used to account for the operating costs of the Allied Public Improvement District.

Capital Projects Funds account for the cost of planned current and future major projects for the acquisition and construction of buildings, infrastructure, and related improvements, and traffic and environmental projects.

Street Improvements Fund – This fund is used to account for street improvement projects in the City.

2018 CO Bonds Fund – This fund is used to account for improvements made to existing street and utility infrastructure and facilities.

CITY OF VENUS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	Special Revenue					
	Venus Community Services					
	Grant	Brahman Ranch PID	Development Corporation	Special Events	Court Technology	Court Security
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	213,957	24,766	762,750	-	6,324	13,926
Receivables (net of allowance)	-	-	73,803	-	-	-
Prepaid items	-	-	-	2,500	-	-
Total assets	<u>213,957</u>	<u>24,766</u>	<u>836,553</u>	<u>2,500</u>	<u>6,324</u>	<u>13,926</u>
LIABILITIES						
Accounts payable	-	2,481	840	181	-	-
Accrued liabilities	-	-	480	-	-	-
Due to other funds	-	-	-	21,042	-	-
Unearned revenue	<u>213,957</u>	<u>2,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>213,957</u>	<u>5,032</u>	<u>1,320</u>	<u>21,223</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	6,324	13,926
Streets	-	-	-	-	-	-
Capital improvements	-	19,734	-	-	-	-
Economic development	-	-	835,233	-	-	-
Committed for:						
Capital projects	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,723)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>19,734</u>	<u>835,233</u>	<u>(18,723)</u>	<u>6,324</u>	<u>13,926</u>
Total liabilities and fund balances	<u>\$ 213,957</u>	<u>\$ 24,766</u>	<u>\$ 836,553</u>	<u>\$ 2,500</u>	<u>\$ 6,324</u>	<u>\$ 13,926</u>

Special Revenue						Capital Projects		
Truancy Prevention	Street Tax	Blue Stem PID	PID Funds	TIRZ #1	Allied PID	Street Improvements	2018 CO Bonds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 386	\$ -	\$ -	\$ 260,000	\$ -	\$ 260,386
13,103	253,258	-	-	566,940	-	-	-	1,855,024
-	36,901	-	-	-	-	-	-	110,704
-	-	-	-	-	-	-	-	2,500
<u>13,103</u>	<u>290,159</u>	<u>-</u>	<u>386</u>	<u>566,940</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>2,228,614</u>
-	4,089	24,921	-	-	-	-	-	32,512
-	-	-	-	-	-	-	-	480
-	-	27,118	-	-	4,712	-	13,891	66,763
-	-	<u>35,727</u>	<u>1,287</u>	-	-	-	-	<u>253,522</u>
-	<u>4,089</u>	<u>87,766</u>	<u>1,287</u>	-	<u>4,712</u>	-	<u>13,891</u>	<u>353,277</u>
13,103	-	-	-	-	-	-	-	33,353
-	286,070	-	-	-	-	-	-	286,070
-	-	-	-	566,940	-	-	-	586,674
-	-	-	-	-	-	-	-	835,233
-	-	-	-	-	-	260,000	-	260,000
-	-	<u>(87,766)</u>	<u>(901)</u>	-	<u>(4,712)</u>	-	<u>(13,891)</u>	<u>(125,993)</u>
<u>13,103</u>	<u>286,070</u>	<u>(87,766)</u>	<u>(901)</u>	<u>566,940</u>	<u>(4,712)</u>	<u>260,000</u>	<u>(13,891)</u>	<u>1,875,337</u>
<u>\$ 13,103</u>	<u>\$ 290,159</u>	<u>\$ -</u>	<u>\$ 386</u>	<u>\$ 566,940</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 2,228,614</u>

CITY OF VENUS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Special Revenue					
			Venus Community Services Development Corporation	Special Events	Court Technology	Court Security
	Grant*	Brahman Ranch PID				
REVENUES						
Property taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	440,846	-	-	-
Fines and forfeitures	-	-	-	-	2,868	3,394
Intergovernmental	26,954	-	-	-	-	-
Contributions and donations	-	1,904	-	-	-	-
Investment earnings	-	-	10,424	-	-	-
Miscellaneous	-	-	851	-	-	-
Total revenues	<u>26,954</u>	<u>1,904</u>	<u>452,121</u>	<u>-</u>	<u>2,868</u>	<u>3,394</u>
EXPENDITURES						
Current:						
General government	26,954	-	-	-	-	-
Public works	-	2,552	-	-	-	-
Economic development	-	-	187,973	-	-	-
Capital outlay	-	-	2,272	-	-	-
Total expenditures	<u>26,954</u>	<u>2,552</u>	<u>190,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(648)</u>	<u>261,876</u>	<u>-</u>	<u>2,868</u>	<u>3,394</u>
FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED	-	20,382	573,357	(18,723)	3,456	10,532
ADJUSTMENTS						
Change in financial reporting entity - formerly a major fund*	-	-	-	-	-	-
FUND BALANCE - BEGINNING	<u>-</u>	<u>20,382</u>	<u>573,357</u>	<u>(18,723)</u>	<u>3,456</u>	<u>10,532</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ 19,734</u>	<u>\$ 835,233</u>	<u>\$ (18,723)</u>	<u>\$ 6,324</u>	<u>\$ 13,926</u>

Special Revenue						Capital Projects		Total Nonmajor Governmental Funds
Truancy Prevention	Street Tax	Blue Stem PID	PID Funds	TIRZ #1	Allied PID	Street Improvements	2018 CO Bonds	
\$ -	\$ -	\$ 59,135	\$ -	\$ 513,950	\$ -	\$ -	\$ -	\$ 573,085
-	220,423	-	-	-	-	-	-	661,269
3,301	-	-	-	-	-	-	-	9,563
-	-	-	-	-	-	-	-	26,954
-	-	-	-	-	499	-	-	2,403
-	-	-	-	-	-	-	-	10,424
-	-	-	-	-	-	-	-	851
<u>3,301</u>	<u>220,423</u>	<u>59,135</u>	<u>-</u>	<u>513,950</u>	<u>499</u>	<u>-</u>	<u>-</u>	<u>1,284,549</u>
-	-	-	-	-	-	-	-	26,954
-	79,052	124,140	901	-	-	-	-	206,645
-	-	-	-	-	-	-	-	187,973
-	-	-	-	-	-	-	-	2,272
<u>-</u>	<u>79,052</u>	<u>124,140</u>	<u>901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,844</u>
<u>3,301</u>	<u>141,371</u>	<u>(65,005)</u>	<u>(901)</u>	<u>513,950</u>	<u>499</u>	<u>-</u>	<u>-</u>	<u>860,705</u>
9,802	144,699	(22,761)	-	52,990	(5,211)	260,000	(13,891)	1,014,632
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,802</u>	<u>144,699</u>	<u>(22,761)</u>	<u>-</u>	<u>52,990</u>	<u>(5,211)</u>	<u>260,000</u>	<u>(13,891)</u>	<u>1,014,632</u>
<u>\$ 13,103</u>	<u>\$ 286,070</u>	<u>\$ (87,766)</u>	<u>\$ (901)</u>	<u>\$ 566,940</u>	<u>\$ (4,712)</u>	<u>\$ 260,000</u>	<u>\$ (13,891)</u>	<u>\$ 1,875,337</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S 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

Honorable Mayor and Members
of City Council
City of Venus, Texas

We have audited in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Venus, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Venus, Texas' internal control over financial reporting (internal control) as a basis for designing 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 the City of Venus, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Venus, Texas' 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 City of Venus, Texas' 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 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Venus, Texas' 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 financial statements. 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*.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
August 11, 2025

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

**CITY OF VENUS, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

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



proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

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

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



If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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