

PRELIMINARY OFFICIAL STATEMENT
DATED OCTOBER 14, 2025

Rating: Moody's: "A1"
See ("OTHER INFORMATION - RATING" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

IN THE OPINION OF BRACEWELL LLP, BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE CERTIFICATES IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE CERTIFICATES IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE CERTIFICATES. SEE "TAX MATTERS" HEREIN.

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

\$27,660,000*
CITY OF IOWA COLONY, TEXAS
(A political subdivision located within Brazoria County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

Dated Date: November 1, 2025
Interest Accrual Date: Date of Delivery

Due: April 1, as shown on page 2

PAYMENT TERMS . . . Interest on the \$27,660,000* City of Iowa Colony, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery (the "Delivery Date") and will be payable April 1 and October 1 of each year commencing April 1, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Act"), and an ordinance of the City of Iowa Colony, Texas (the "City") authorizing the issuance of the Certificates (the "Ordinance"). The Certificates constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and from a limited pledge of a subordinate lien on the surplus revenues of the City's utility system in an amount not to exceed \$1,000, as provided in the Ordinance (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) the design, construction, acquisition, and equipment of improvements to the City's water and sewer system and; (ii) the costs of professional services related thereto.

SEE MATURITY SCHEDULE ON PAGE 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION. . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such Term Certificate and continuing on April 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. See "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION."

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinions of the Attorney General of Texas and of Bracewell LLP, Bond Counsel, Houston, Texas (see "Appendix C, - FORM OF BOND COUNSEL'S OPINION"). Certain other legal matters will be passed upon for the City by Bracewell LLP, Houston, Texas, as the City's Disclosure Counsel.

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on or about November 12, 2025.

BIDS DUE OCTOBER 21, 2025, AT 10:00 A.M., CDT

*Preliminary, subject to change. (See THE SALE - "ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

\$27,660,000*
CITY OF IOWA COLONY, TEXAS
(A political subdivision located within Brazoria County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2025

MATURITY SCHEDULE*

Due April 1	Principal Amount	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP Number ⁽³⁾
2028	\$ 465,000	%	%	
2029	490,000			
2030	515,000			
2031	540,000			
2032	565,000			
2033	600,000			
2034	625,000			
2035	660,000			
2036	695,000			
2037	725,000	(1)		
2038	765,000	(1)		
2039	805,000	(1)		
2040	845,000	(1)		
2041	890,000	(1)		
2042	935,000	(1)		
2043	980,000	(1)		
2044	1,030,000	(1)		
2045	1,085,000	(1)		
2046	1,140,000	(1)		
2047	1,200,000	(1)		
2048	1,260,000	(1)		
2049	1,325,000	(1)		
2050	1,395,000	(1)		
2051	1,465,000	(1)		
2052	1,545,000	(1)		
2053	1,620,000	(1)		
2054	1,705,000	(1)		
2055	1,790,000	(1)		

*Preliminary, subject to change. (see THE SALE - "ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

- (1) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE CERTIFICATES – OPTIONAL REDEMPTION." Additionally, principal amounts for two or more consecutive maturities designated in the above schedule may be combined to create one or more term Certificate (the "Term Certificates"), with each such Term Certificate being subject to mandatory sinking fund redemption. See "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION."
- (2) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser of the Certificates (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser of the Certificates at any time.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Municipal Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Certificates described herein “deemed final” by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

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

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.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, BOND COUNSEL, OR DISCLOSURE COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement does not constitute an offer to sell bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. In accordance with their responsibilities under the federal securities law, the Initial Purchaser has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

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

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS. 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.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.....The City of Iowa Colony, Texas (the “City”), is a political subdivision and municipal corporation of the State of Texas (the “State”) located in Brazoria County, Texas. The City covers approximately 15 square miles (see “INTRODUCTION – DESCRIPTION OF THE CITY”).

THE CERTIFICATESThe Certificates are issued as \$27,660,000* Combination Tax and Revenue Certificates of Obligation, Series 2025. The Certificates are issued as serial Certificates maturing April 1, 2028 through and including April 1, 2055, unless the Initial Purchaser designates one or more maturities as Term Certificates (as defined herein) (see “THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES”).

PAYMENT OF INTERESTInterest on the Certificates accrues from the date of delivery and is payable April 1, 2026, and each October 1 and April 1 thereafter until maturity or prior redemption. See “THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES” and “THE CERTIFICATES - OPTIONAL REDEMPTION.”

AUTHORITY FOR

ISSUANCE.....The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code and an ordinance to be passed by the City Council of the City on October 21, 2025. See “THE CERTIFICATES - AUTHORITY FOR ISSUANCE.”

SECURITY FOR THE

CERTIFICATESThe Certificates constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax levied within the limits prescribed by law, on all taxable property within the City and a limited pledge of a subordinate lien on the surplus revenues of the City’s utility system in an amount not to exceed \$1,000 (see “THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT”).

OPTIONAL REDEMPTION.....The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - OPTIONAL REDEMPTION”). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Certificate. See “THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION.”

NOT QUALIFIED TAX-

EXEMPT OBLIGATIONS.....The City will not designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

TAX EXEMPTION.....In the opinion of Bracewell LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.

USE OF PROCEEDSProceeds from the sale of the Certificates will be used for (i) the design, construction, acquisition, and equipment of improvements to the City’s water and sewer system; and (ii) the costs of professional services related thereto.

RATING.....The Certificates are rated “A1” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement. See “OTHER INFORMATION – RATING.”

BOOK-ENTRY-ONLY

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

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

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation	Taxable Assessed Valuation Available for Payment of Debt Service ⁽²⁾	General Obligation Tax Debt	Fiscal Year Debt Service Tax Rate	% Total Collections
2022	9,500	\$ 773,368,370	\$ 480,543,109	\$13,785,000	\$ 0.01846	99.69%
2023	9,500	949,684,493	513,759,705	13,785,000	0.15722	99.80%
2024	10,000	1,143,186,009	612,380,396	13,455,000	0.25873	99.90%
2025	19,000	1,295,271,495	751,571,237	13,110,000	0.25975	99.72%
2026	21,500	1,448,735,757	884,165,729	40,415,000 ⁽³⁾	0.18000	⁽⁵⁾

(1) Source: The City.

(2) The City created Tax Increment Reinvestment Zone No. 2 (“TIRZ No. 2”) and adopted a Project Plan and Financing Plan for TIRZ No. 2, which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the “Authority”) 100% of the Tax Increments from TIRZ No. 2 less 30% cost of service to finance infrastructure being built in TIRZ No. 2. See “TAX INFORMATION – THE CITY’S TAX INCREMENT REINVESTMENT ZONE.” Because the Tax Increments collected on the taxable value of property within TIRZ No. 2 are not available to pay debt service on the City’s debt, the debt service tax rate that is required to pay the annual debt service on the City’s general obligation debt is calculated based on the City’s taxable value after deducting the taxable value in TIRZ No. 2.

(3) Preliminary, subject to change. Includes the Certificates.

(4) See “SELECTED ISSUER INFORMATION – TABLE 7 – TAX ADEQUACY.”

(5) In process of collections.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 6,283,645 ⁽¹⁾	\$ 5,582,336	\$ 3,942,040 ⁽²⁾	\$ 3,203,900	\$ 2,372,685
Total Revenue	8,720,669	6,034,252	6,784,183	5,906,630	4,768,142
Total Expenditures	8,797,902	6,114,863	5,073,887	4,984,965	5,514,283
Other Financing Sources (Uses)	(144,682)	137,682	(70,000)	(3,525)	1,577,356
Ending Balance	<u>\$ 6,061,730</u>	<u>\$ 5,639,407</u>	<u>\$ 5,582,336</u>	<u>\$ 4,122,040</u>	<u>\$ 3,203,900</u>

(1) Includes corrected error in initial General Fund Balances. In fiscal year 2024, the beginning General Fund balance was restated to increase fund balance by \$644,238 and the beginning Debt Service Fund balance was restated to decrease fund balance by \$644,238 to correct an error in allocating property tax revenues in a previous fiscal year. See “OTHER INFORMATION—AUDITED FINANCIAL STATEMENTS” AND “APPENDIX B—EXCERPTS FROM THE CITY’S FINANCIAL REPORT”—NOTE 16.

(2) Restated.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Title	Length of Service	Term Expires May
Wil Kennedy	Mayor	Mayor -2 years / Council- 2 years	2027
Nikki Brooks	Council Member	6 months	2026
Arnetta Hicks-Murray	Council Member	6 years	2026
Marquette Greene-Scott	Council Member/Mayor Pro-Term	4 years	2026
Timothy Varlack	Council Member	2 years	2027
Kareem Boyce	Council Member	1 1/2 years	2027
Sydney Hargroder	Council Member	4 years	2027

SELECTED ADMINISTRATIVE STAFF

Name	Title	Service to City	Total Governmental Service
Natasha Brooks-Anderson	Interim City Manager/City Attorney	2 1/2 years	2 1/2 years
Sandra Riley	Senior Accountant	1 year	1 year
Kayleen Rosser	City Secretary	9 years	9 years

CONSULTANTS AND ADVISORS

Auditor.....Whitley Penn LLP

Bond Counsel and Disclosure Counsel.....Bracewell LLP
Houston, Texas

Municipal Advisor Masterson Advisors LLC
Houston, Texas

For additional information regarding the City, please contact either:

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Interim City Manager
City of Iowa Colony
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Iowa Colony, Texas 77583
(281) 369-2471 Phone
(281) 369-0005 Fax

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Houston, Texas 77046
(713) 814-0555 Phone
(713) 814-0581 Fax

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$27,660,000
CITY OF IOWA COLONY, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page, and Appendices hereto, provides certain information regarding the issuance of the \$27,660,000* City of Iowa Colony, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Certificates (the “Ordinance”), to be adopted on October 21, 2025 by the City Council of the City of Iowa Colony, Texas (the “City”).

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Masterson Advisors LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

DESCRIPTION OF THE CITY

The City is a political subdivision incorporated in 1972 under the laws of the State of Texas (the “State”). In 2020 the City converted to a Home Rule Municipality and transitioned to the Council-Manager form of government in which the City is governed by an elected Mayor and six-member City Council. The term of office for councilmembers is two years with the terms of the Mayor and three of the Councilmembers’ expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative and executive officer for the City and manages all day-to-day operations. The 2020 Census population for the City was 8,154, and the estimated population for 2025 is 19,000. The City covers approximately 15 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated November 1, 2025, and mature on April 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1 of each year, commencing April 1, 2026. The definitive Certificates will be issued only in fully-registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE

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

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to an annual ad valorem tax levied, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. The Certificates also are payable from and secured by a limited pledge of a subordinate lien on the surplus revenues of the City’s utility system in an amount not to exceed \$1,000. See “TAX INFORMATION – DEBT TAX RATE LIMITATION.” However, value attributable to the Tax Increment (as defined herein) within TIRZ No. 2 (as defined herein) is not available to pay debt service on the City’s debt, including debt service on the Certificates. See “TAX INFORMATION – The City’s Tax Increment Reinvestment Zone.”

USE OF PROCEEDS

Proceeds from the sale of the Certificates will be used for the purpose of paying all or any part of the costs associated with (i) the design, construction, acquisition, and equipment of improvements to the City's water and sewer system; and (ii) the costs of professional services related thereto.

Par Amount of the Bonds	
Net Premium	
Total Sources of Funds	=====
Deposit to Project Fund	
Costs of Issuance ⁽¹⁾	
Underwriter's Discount	
Total Uses of Funds	=====

(1) Includes professional costs, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities (or mandatory sinking fund payments with respect to Term Certificates (as defined herein)) to be redeemed and shall direct the Paying Agent to call by lot or other custom method that results in random selection the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such Term Certificate and continuing on April 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

NOTICE OF REDEMPTION

The Paying Agent/Registrar shall give notice of any redemption of Certificates by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Certificate (or part thereof) to be redeemed, at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Certificates are to be surrendered for payment, and, if less than all the Certificates outstanding are to be redeemed, an identification of the Certificates or portions thereof to be redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Certificates under "OPTIONAL REDEMPTION" herein conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying

* Preliminary, subject to change. (see THE SALE - "ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale)

Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificates subject to conditional redemption where redemption has been rescinded shall remain outstanding.

DEFEASANCE

The City may defease any or all of the Certificates pursuant to the provisions of the Ordinance and discharge its obligations to the Owners in any manner now or hereafter permitted by law.

Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas, with the Paying Agent/Registrar or with any other escrow agent so authorized by law either (i) cash in an amount equal to the principal of and redemption premium, if any, of the Certificates plus interest thereon to the date of maturity or redemption or (ii) pursuant to an escrow or trust agreement, cash and (x) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (y) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (z) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable, but none of the City, the Municipal Advisor nor the Initial Purchaser take any responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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 Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Certificates in the aggregate principal of such maturity and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates 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, Certificates are required to be printed and delivered.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM... In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed bonds will be issued to the holders and the Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFERS AND EXCHANGES" below.

PAYING AGENT/REGISTRAR

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

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificates for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Certificate is overdue. Neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar for such Certificate to the extent of the sums paid.

TRANSFERS AND EXCHANGES

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office or the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee.

The ownership of a Certificate may be transferred only upon the presentation and surrender of the Certificate to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Certificate shall be effective until entered in the Register. The Certificates shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Certificate or Certificates of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Certificates presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver Certificates transferred or exchanged in accordance with the Ordinance.

A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificate being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, postage prepaid, to the Owner or his or her designee. Each Certificate delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Ordinance to the same extent as the Certificate or Certificates in lieu of which such Certificate is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Certificates. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Certificate.

REPLACEMENT CERTIFICATES

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon presentation and surrender of such mutilated Certificate to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Certificate issued in lieu of and in substitution for a Certificate that has been destroyed, stolen or lost, such new Certificate will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Certificate, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

RECORD DATE FOR INTEREST PAYMENT

The record date (“Record Date”) for the interest payable on the Certificates on any interest payment date means the close of business on the fifteenth (15th) day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Certificate 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.

REMEDIES IN THE EVENT OF DEFAULT

The Ordinance does not establish specific events of default with respect to the Certificates or any remedies to a registered owner if the City defaults on the payment of the principal of or interest on any Certificates. Further, the Ordinance does not provide for the appointment of a trustee to protect and enforce the interest of the registered owners upon the occurrence of such a default. If a registered owner of a Certificate does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the City to levy and collect taxes. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Certificate in the event of a default. A registered owner of a Certificate could file suit against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, a suit for monetary damages could be vulnerable to the defense of governmental immunity as discussed below, and any judgment could not be satisfied by execution against any property of the City.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of governmental 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 governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the city’s performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson’s petition for review of the appellate decision, the Court held that to determine if the city was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also 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 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 Certificate holders of an entity that has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce payment of the Certificates 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. As part of the bankruptcy proceedings, the City has the right to file a plan for adjustment of its debts. If such a plan were confirmed by the Bankruptcy Court, it could, among other things, affect owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities for the Certificates, and otherwise compromising and modifying the rights and remedies of the Owners' claims against the City. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

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. Reference is made to 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. See "– 2025 Legislative Session" for information on legislation affecting ad valorem taxation exemptions.

2025 LEGISLATIVE SESSION

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

The Governor has called two special sessions. Additional special sessions may be called by the Governor. The City can make no representations or predictions regarding the likelihood of additional special sessions, the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and cannot make any representations regarding the full impact of the legislation approved during the 89th Regular Session at this time.

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for county-wide 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 Brazoria County Appraisal District (the "Appraisal District"). Except as 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 on certain grounds by petition filed with the Appraisal Review Board.

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

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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.

TAXPAYER REMEDIES

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See “– Public Hearing And Maintenance And Operations 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.

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 one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

STATE MANDATED HOMESTEAD EXEMPTIONS FOR VETERANS

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 the appraised value of the homesteads of persons 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.

Cities, counties, and school districts are prohibited from repealing an optional homestead exemption described in clause (1) above 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.

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.

Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT EXEMPTIONS

Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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.

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 physically 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 physical damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

TAX INCREMENT REINVESTMENT ZONES

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (a "zone" or "TIRZ") within its boundaries, and other overlapping taxing units may agree to participate in the zone. The city or county adopts a project and financing plan for the zone. 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 the assessed valuation of taxable real property in the TIRZ and 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 is restricted to paying project and financing costs under the plan.

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.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE" herein.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

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

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

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

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

“unused increment rate” means the greater of zero and the rate expressed in dollars per \$100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city’s voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the “current total value” as defined in Section 26.012 of the Property Tax Code, and which may be applied to a city’s tax rate when calculating the voter-approval tax rate.

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

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

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

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

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

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

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

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

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

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

During the 89th Regular Session, the Legislature adopted Senate Bill 1851 ("SB 1851"), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date for the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary or city clerk, as applicable.

Chapter 26 of the Property Tax Code treats the ad valorem taxes levied to pay debt service on non-voted debt approved after December 1, 2022 as part of the maintenance and operations tax rate calculations, which could result in subjecting the tax levied for debt service on such non-voted debt to the maintenance and operations tax limitations described in this subcaption. The Certificates are not subject to the limitations imposed by Chapter 26 of the Property Tax Code.

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.

LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

DEBT 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 5, of the State Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

PENALTIES AND INTEREST

As of January 1 of each year, the City has a lien granted by statute for unpaid taxes on real property, which shall be levied for that tax year. In the event a taxpayer fails to make timely payment owing to the City on real property, a penalty of 6% of the unpaid taxes is incurred in the first month of delinquency and 1% is added monthly until July 1 when the penalty becomes 12%. In addition, interest on delinquent taxes accrues at the rate of 1% per month until paid. If an account is delinquent in July, the City may also impose an additional penalty to defray costs of collection by an attorney, not to exceed 20% of the total amount due.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property 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 addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF PROPERTY TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$40,000; the disabled are also granted an exemption of \$40,000.

The City has granted a general exemption of 10% of the market value of residence homesteads within a minimum of \$5,000. The maximum the City can grant is 20%.

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

The tax assessor and collector for the City may disregard a homestead exemption and assess and collect a tax pledged for payment of a City debt without deducting the amount of the exemption if (1) prior to the adoption of the exemption, the City pledged the taxes for payment of a debt, and (2) granting the exemption would impair the obligation of the contract creating the debt.

The City taxes nonbusiness personal property (residential inventory).

The Brazoria County Tax Office collects taxes for the City.

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

The City taxes Freeport Property.

The City does not exempt taxes on Goods-in-Transit.

The City does not collect an additional sales tax for reduction of ad valorem taxes.

The City does not have an adopted tax abatement policy.

The City has one TIRZ within its City limits established in 2010, TIRZ No. 2. A prior tax increment reinvestment zone, Zone No. 1, has been dissolved.

THE CITY'S TAX INCREMENT REINVESTMENT ZONE/BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

The City has created a tax increment reinvestment zone ("TIRZ No. 2") pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act"), encompassing approximately 1,082 acres within the boundaries of the City being developed as the master planned community of Meridiana, which approximately overlaps the boundaries of Brazoria County Municipal Utility District No. 55 ("Brazoria MUD 55"). The City has also established the Iowa Colony Development Authority, a public not-for-profit local government corporation (the "Authority") to aid, assist and act on behalf of the City in the performance of the City's governmental functions within TIRZ No. 2 and neighboring areas. The taxable value in TIRZ No. 2 made up approximately 49% of the City's taxable value in tax year 2025. None of the Tax Increments (as defined herein) are available to pay debt service on the Certificates.

As required under the TIF Act, the City approved a Project Plan and Reinvestment Zone Financing Plan for TIRZ No. 2, as amended (the "Project Plan"), which sets out the public improvements that are needed to induce development within TIRZ No. 2. The Plan provides for such public improvements to be constructed and paid for by the developer of Meridiana and for the Authority to reimburse the developer for such costs from the proceeds of bonds issued by the Authority. The Authority's bonds are payable from certain tax collections of the City and Brazoria County, Texas (the "Tax Increments") resulting from their taxation of the increase in the appraised value of real property located in TIRZ No. 2 since 2010 with respect to the original portion of TIRZ No. 2 consisting of approximately 956 acres, and since 2020 with respect to the annexed portion of TIRZ No. 2 consisting of approximately 126 acres. Any Tax Increments remaining after payment of annual debt service on the Authority's bonds, replenishment of the Authority's reserve fund, if necessary, and payment of trustee fees are deposited to the Authority's Surplus Fund.

The terms on which the City participates in TIRZ No. 2 are provided for in the Project Plan and an Amended and Restated Agreement among the City, TIRZ No. 2 and the Authority (the "Tri-Party Agreement"). Pursuant to the Project Plan and the Tri-Party Agreement, the City agreed to pay into a "Tax Increment Fund" in the City Treasury 100% of the Tax Increments it collects from the property in TIRZ No. 2 until

termination of TIRZ No. 2, currently set for December 31, 2050. The Tri-Party Agreement provides that all of such Tax Increments will be transferred to the Authority but requires the Authority to pay back to the City 30% of each such payment to be used for City services incurred as a result of the creation and development of TIRZ No. 2. The Authority may not pledge the payments owed to the City to secure its own debt.

Pursuant to an amendment to the Tri-Party Agreement approved by the City on May 16, 2022 (the “Amendment”), TIRZ No. 2 and the Authority agreed that the Authority will pay to the City, solely from Tax Increments derived from the collection of City taxes, up to \$300,000 per year to offset TIRZ No. 2’s share of increased expenditures incurred by the City as a result of the issuance of the City’s Combination Tax and Revenue Certificates of Obligation, Series 2022. The payments are made solely from amounts held in the Authority’s Surplus Fund, provided that the Authority will first reserve the funds necessary to pay the reasonable operation and administrative expenses of the Authority and TIRZ No. 2. If there are not enough funds to pay the \$300,000 from the Surplus Fund after reserving the amount necessary for the operation and administrative expenses of the Authority and TIRZ No. 2, then the \$300,000 will be reduced to the extent necessary. The \$300,000 payment may also be reduced pursuant to a formula in the Amendment in the event the City voluntarily lowers its ad valorem tax rate from the current rate. It is not anticipated any similar arrangement will be agreed to between TIRZ No. 2 and the City with respect to payments in consideration of the Certificates.

MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY LIMITS AND EXTRATERRITORIAL JURISDICTION OF THE CITY

The City contains several MUDs within its city limits and extra-territorial jurisdiction (collectively, the “City MUDs”). Each City MUD was initially created to provide a mechanism for financing and constructing water, sewer, and drainage facilities to serve the area within the boundaries of such City MUD. Traditionally, the developers of the property within a City MUD would construct the water, sewer, and drainage facilities to serve the area within such City MUD and subsequently be reimbursed for the costs of such facilities from the proceeds of bonds issued by the City MUD (collectively, the “MUD Bonds”). Each City MUD is authorized to tax the property within its boundaries to pay the principal of and interest on its MUD Bonds and to pay its operation and maintenance expenses.

In connection with the creation of the City’s Utility System in fiscal year 2024, the City reached agreements with all City MUDs (except MUD No. 55 (as defined below) and MUD No. 57 (as defined below)) for the City MUDs to (i) convey their completed water and sanitary sewer infrastructure to the City and (ii) convey any new water and sanitary sewer infrastructure as it is constructed to the City for the City’s ownership, operation and maintenance. The City expects to reach an agreement for MUD No. 55 to convey its water and sanitary sewer facilities to the City in late 2026 or early 2027. The City expects to reach an agreement for MUD No. 57 to convey its water and sanitary sewer facilities to the City in late 2025 or early 2026.

The following subsections provide additional detail regarding each City MUD. See “APPENDIX D” for a detailed map of the City and City MUDs.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31

Brazoria County Municipal Utility District No. 31 (“MUD No. 31”) is a political subdivision of the State consisting of approximately 977 acres.

Pursuant to a Strategic Partnership Agreement between MUD No. 31 and the City dated July 7, 2006, the City exercised its right to annex the property within MUD No. 31 in April 2019. Pursuant to a Development Agreement and a Facility Conveyance Agreement, dated March 11, 2024, MUD No. 31 conveyed its water and sanitary sewer systems to the City for ownership, operation and maintenance. MUD No. 31 reserved capacity in such systems to serve existing and future development within MUD No. 31 and MUD No. 32 (as defined herein).

Although MUD No. 31 no longer owns or operates its water and sanitary sewer systems and has been annexed into the City, MUD No. 31 remains in existence, continues to provide drainage and parks and recreation services and may issue bonds until it is abolished by the City. When and if MUD No. 31 is abolished by the City, the City will assume MUD No. 31’s debts, if any. The taxable value in MUD No. 31 made up approximately 40% of the City’s taxable value in tax year 2025.

Beginning in 2020, the City began to levy its ad valorem taxes on property within MUD No. 31 and entered into a Rebate Agreement with the MUD (the “Rebate Agreement”). The Rebate Agreement provides that the City will rebate to MUD No. 31 a total of 70 percent of the maintenance and operations tax levy collected within MUD No. 31, subject to certain conditions, and retain the remaining 30 percent. The purpose of the Rebate Agreement is to compensate MUD No. 31 if it chooses to reduce its property tax levy for debt; however, MUD No. 31 is not obligated to do so. Regardless of any other provision, the payments from the City will not exceed the amount by which MUD No. 31 reduces its debt service property tax levy, as calculated pursuant to the terms of the Rebate Agreement, and assuming a MUD debt service tax rate of not more than \$0.80 per \$100 assessed valuation.

The rebate began with taxes levied in 2020 and is payable semiannually on the last day of March and August for a period of twenty years. According to the City’s financial audit for fiscal year ended September 30, 2024, the City paid MUD No. 31 \$739,886 during the fiscal year ended 2024. See “APPENDIX B, “Excerpts from the City’s Financial Report”—Note 14. The amount of the rebate paid to MUD No. 31 will vary from year to year based on the maintenance and operations tax levy within MUD No. 31.

The City retains the full amount of the taxes it collects for debt service on assessed values within MUD No. 31. The City's debt service tax levy is used to make payments of principal and interest on the Certificates as well as other general obligation debt of the City.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 32

Brazoria County Municipal Utility District No. 32 ("MUD No. 32") is a political subdivision of the State consisting of approximately 591 acres.

Pursuant to a Strategic Partnership Agreement between MUD No. 32 and the City effective July 18, 2016, the City annexed the property within MUD No. 32 for limited purposes. Pursuant to the agreement, the City remits half of all sales and use tax revenues generated within the boundaries of MUD No. 32 to MUD No. 32; however, the City does not remit any property tax revenues to MUD No. 32.

The City has agreed that it will not annex MUD No. 32 for full purposes until 90% of the developable acreage in MUD No. 32 has been developed. The City currently expects to fully annex the property within MUD No. 32 into the City in calendar year 2026. Once annexed into the City, MUD No. 32 will remain in existence and may issue bonds until it is abolished by the City. Upon annexation, City will tax the property within MUD No. 32 on the same basis as other City property.

In November of 2024, the City and MUD No. 32 entered into a Utility Conveyance and Security Agreement pursuant to which MUD No. 32 conveyed its water and sanitary sewer facilities to the City for ownership, operation and maintenance.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 53

Brazoria County Municipal Utility District No. 53 ("MUD No. 53") is a political subdivision of the State consisting of approximately 502 acres.

Pursuant to a Strategic Partnership Agreement between MUD No. 53 and the City effective January 10, 2022, the City may annex any commercial portion of MUD No. 53 from time to time for the purpose of the levy and collection of the City's sales and use taxes. As of September 30, 2024, no such area has been annexed.

The City has agreed that it will not annex MUD No. 53 for full purposes until either 90% of the developable acreage in MUD No. 53 has been developed and the developer of such acreage has been reimbursed by MUD No. 53 to the maximum extent permitted by the Texas Commission on Environmental Quality (or the City assumes such reimbursement obligation), or 20 years have passed since the date of the Strategic Partnership Agreement (whichever occurs first). The City currently expects that the pace of development will place the City in position to fully annex the property within MUD No. 53 in 2028. Once annexed into the City, MUD No. 53 will remain in existence and may issue bonds until it is abolished by the City. Upon annexation, City will tax the property within MUD No. 53 on the same basis as other City property.

In November of 2024, the City and MUD No. 53 entered into a Facility Conveyance Agreement pursuant to which MUD No. 53 conveyed its water and sanitary sewer facilities to the City for ownership, operation and maintenance. MUD No. 53 reserved capacity in such systems to serve existing and future development within its boundaries.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 57

Brazoria County Municipal Utility District No. 57 ("MUD No. 57") is a political subdivision of the State consisting of approximately 1,400 acres. A portion of MUD No. 57 is within the city limits of the City and another portion is within the city limits of the City of Manvel.

The portion of MUD No. 57 that is within the city limits of the City has been fully annexed into the City. MUD No. 57 remains in existence and may issue bonds until it is abolished. The City currently taxes property within MUD No. 57 on the same basis as other property within the City.

The water and sanitary sewer infrastructure within MUD No. 57 is currently under construction and has not been conveyed to the City. The City and MUD No. 57 are currently negotiating a Facilities Conveyance Agreement pursuant to which MUD No. 57 will convey its water and sanitary sewer facilities to the City for ownership, operation and maintenance as each facility is completed. The City currently anticipates finalizing such an agreement in late 2025 or early 2026.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87

Brazoria County Municipal Utility District No. 87 ("MUD No. 87") is a political subdivision of the State consisting of approximately 639 acres.

MUD No. 87 has been annexed into the City at the landowners' request, entitling the City to tax the property within MUD No. 87 on the same basis as other property within the City. The City and MUD No. 87 have no agreements that would require the City to rebate any City taxes to MUD No. 87.

In May of 2022, the City and MUD No. 87 entered into a Facility Conveyance Agreement pursuant to which MUD No. 87 conveyed its water and sanitary sewer facilities to the City for ownership, operation and maintenance upon completion of construction and acceptance by the City.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 90

Brazoria County Municipal Utility District No. 90 (“MUD No. 90”) is a political subdivision of the State consisting of approximately 806 acres.

MUD No. 90 has been fully annexed into the City. MUD No. 90 remains in existence and may issue bonds until it is abolished. The City currently taxes property within MUD No. 90 on the same basis as other property within the City.

The City makes an annual rebate payment to MUD No. 90 from real property taxes collected from property located within MUD No. 90. These revenues generated by the M&O portion of the City tax rate are rebated to MUD No. 90 beginning on February 1 in the calendar year following the calendar year in which MUD No. 90 initially received a tax roll from Brazoria County Appraisal District and are payable each May 1 thereafter (e.g., if MUD No. 90 receives a tax roll for calendar year 2026, the annual payment for such year will be due May 1, 2027). The structure of the annual payments is as follows: 2025 – 2029 payment will be equal to 100% of M&O taxes collected; 2030 – 2034 payment will be equal to 75% of M&O taxes collected; and 2035-2039 will be equal to 50% of M&O taxes collected.

In August of 2024, the City entered into a Utility Functions Agreement with four developers on behalf of MUD No. 90. Pursuant to the agreement, all water and wastewater facilities constructed or acquired by MUD No. 90 are conveyed to the City for ownership, operation and maintenance upon completion of construction and acceptance by the City. The water and sanitary sewer facilities within MUD No. 90 are currently in the design phase.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 92

Brazoria County Municipal Utility District No. 92 (“MUD No. 92”) is a political subdivision of the State consisting of approximately 870 acres.

MUD No. 92 has been fully annexed into the City. MUD No. 92 remains in existence and may issue bonds until it is abolished. The City currently taxes property within MUD No. 92 on the same basis as other property within the City.

The City makes an annual rebate payment to MUD No. 92 from real property taxes collected from property located within MUD No. 92. These revenues generated by the M&O portion of the City tax rate are rebated to MUD No. 92 beginning on February 1 in the calendar year following the calendar year in which MUD No. 92 initially received a tax roll from Brazoria County Appraisal District and are payable each May 1 thereafter (e.g., if MUD No. 92 receives a tax roll for calendar year 2026, the annual payment for such year will be due May 1, 2027). The structure of the annual payments is as follows: 2025 – 2029 payment will be equal to 100% of M&O taxes collected; 2030 – 2034 payment will be equal to 75% of M&O taxes collected; and 2035-2039 will be equal to 50% of M&O taxes collected.

In August of 2022, the City and MUD No. 92 entered into a Utility Functions Agreement. Under the agreement, as water and wastewater facilities are constructed by MUD No. 92, they are conveyed to the City for ownership, operation and maintenance upon completion of and acceptance by the City. MUD No. 92 will construct the water plant and sewer plant to serve development in MUD No. 92.

SELECTED ISSUER INFORMATION

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued debt outstanding. Under State law, the City may issue certain obligations, such as the Certificates, secured by ad valorem taxes without an election.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate issuing any additional general obligation debt in the next twelve months.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” - Note 11.

OTHER POST-EMPLOYMENT BENEFITS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. See APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 12.

TABLE 1 – VALUATION, EXEMPTION AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Brazoria County Appraisal District \$1,774,382,458 ⁽¹⁾
(excluding totally exempt property)

Less Exemptions/Reductions at 100% Market Value:

Over 65	\$26,812,127	
Disabled Persons	2,462,160	
Disabled Veteran	111,525,722	
Special Inventory	439,422	
Freeze	304,756	
Homestead	108,990,893	
Homestead Cap	20,366,378	
23.231 Cap	10,226,077	
Productivity Loss	44,519,166	\$ 325,646,701

2025/2026 Taxable Assessed Valuation 1,448,735,757

Less: Value Attributable to TIRZ No. 2 ⁽²⁾ 564,570,028

2025/2026 Taxable Assessed Value for Calculation of Debt Service Taxes 884,165,729

General Obligation Debt as of 4/30/2025

Certificates of Obligation, Series 2020	\$ 870,000
Combined Tax & Revenue Certificates of Obligation, Series 2022	12,240,000
The Certificates* ⁽³⁾	27,660,000

Total Outstanding Debt \$ 40,770,000

Less: Interest and Sinking Fund as of September 30, 2025 ⁽⁴⁾ 1,201,262

General Obligation Debt Payable from Ad Valorem Taxes \$ 39,568,738

Fiscal Year 2026 Debt Service Requirements \$ 1,653,198

2025/2026 Taxable Assessed Valuation Debt Service Tax Rate Required **\$ 0.19079** ⁽⁵⁾

Ratio of General Obligation Tax Debt to Taxable Assessed Valuation 2.73%

2025 Estimated Population - 21,500

Per Capita Taxable Assessed Valuation - \$67,383

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,896

* Preliminary, subject to change.

(1) As reported by the Brazoria County Appraisal District. Subject to change due to protest and arbitration process.

(2) The City created TIRZ No. 2 and adopted a Project Plan and Financing Plan for TIRZ No. 2 which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the "Authority") 100% of the Tax Increments less 30% cost of service from TIRZ No. 2 to finance infrastructure being built in TIRZ No. 2. See "TAX INFORMATION - THE CITY'S TAX INCREMENT REINVESTMENT ZONE." Because the Tax Increments collected on the taxable value of property within TIRZ No. 2 are not available to pay debt service on the City's debt, the debt service tax rate which is required to pay the annual debt service on the City's general obligation debt is calculated based on the City's taxable value after deducting the taxable value in TIRZ No. 2.

(3) It is the expectation that the debt service on the Certificates will be self-supported by the utility fund.

(4) Unaudited. This information has not been prepared or received by the City's independent auditor. The unaudited information is derived from internal account balances of the City as calculated by the City, and is subject to change upon completion of the City's annual audit.

(5) Based on the taxable assessed valuation for calculation of debt service taxes. The City's 2025 total tax rate is \$0.519209 per \$100 assessed valuation. See "FINANCIAL INFORMATION - TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY."

TABLE 2 – TAXABLE ASSESSED VALUATION 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	\$ 1,449,634,080	81.70%	\$ 1,344,979,248	83.83%	\$ 1,197,102,020	87.79%
Real, Residential, Multi-Family	17,060,550	0.96%	15,831,920	0.99%	471,400	0.03%
Real, Vacant Lots/Tracts	13,474,715	0.76%	15,088,523	0.94%	12,859,356	0.94%
Real, Acreage (Land Only)	45,215,246	2.55%	40,927,620	2.55%	33,651,713	2.47%
Real, Farm and Ranch Improvements	58,211,212	3.28%	62,632,854	3.90%	34,578,343	2.54%
Real, Commercial & Industrial	49,043,912	2.76%	38,650,674	2.41%	30,629,574	2.25%
Real and Intangible Personal Utilities	17,150,113	0.97%	17,386,939	1.08%	18,030,329	1.32%
Tangible Personal, Commercial & Industrial	18,720,560	1.06%	10,247,340	0.64%	9,347,720	0.69%
Tangible Personal, Other	2,310,510	0.13%	2,186,450	0.14%	2,072,700	0.15%
Real Property Inventory	103,561,560	5.84%	56,412,584	3.52%	24,833,320	1.82%
Total Appraised Value Before Exemptions	1,774,382,458	100.00%	1,604,344,152	100.00%	1,363,576,475	100.00%
Less: Total Exemptions/Reductions	325,646,701		309,072,657		220,390,466	
Total Taxable Assessed Value (TAV)	\$ 1,448,735,757		\$ 1,295,271,495		\$ 1,143,186,009	
Less: Value Attributable to TIRZ No. 2	564,570,028		543,700,258		530,805,613	
TAV for Calculation of Debt Service Taxes	\$ 884,165,729		\$ 751,571,237		\$ 612,380,396	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,020,731,631	88.33%	\$ 761,998,579	83.99%
Real, Residential, Multi-Family	358,440	0.03%	339,120	0.04%
Real, Vacant Lots/Tracts	8,872,047	0.77%	6,412,698	0.71%
Real, Acreage (Land Only)	28,259,427	2.45%	21,629,241	2.38%
Real, Farm and Ranch Improvements	30,219,107	2.61%	26,513,658	2.92%
Real, Commercial & Industrial	17,589,105	1.52%	14,970,498	1.65%
Real and Intangible Personal Utilities	19,223,668	1.66%	19,034,654	2.10%
Tangible Personal, Commercial & Industrial	8,163,630	0.71%	6,472,340	0.71%
Tangible Personal, Other	1,241,880	0.11%	861,170	0.09%
Real Property Inventory	20,957,050	1.81%	49,018,209	5.40%
Special Inventory	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	1,155,615,985	100.00%	907,250,167	100.00%
Less: Total Exemptions/Reductions	205,931,492		133,881,797	
Total Taxable Assessed Value (TAV)	\$ 949,684,493		\$ 773,368,370	
Less: Value Attributable to TIRZ No. 2	435,924,788		292,825,261	
TAV for Calculation of Debt Service Taxes	\$ 513,759,705		\$ 480,543,109	

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

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2022	9,500	\$ 773,368,370	\$ 81,407	\$ 13,785,000	1.78%	\$ 1,451
2023	9,500	949,684,493	99,967	13,785,000	1.45%	1,451
2024	10,000	1,143,186,009	114,319	13,455,000	1.18%	1,346
2025	19,000	1,295,271,495	68,172	13,110,000	1.01%	690
2026	21,500	1,448,735,757	67,383	40,415,000 ⁽³⁾	2.79%	1,880

(1) Source: The City.

(2) As reported by the Brazoria County Appraisal District; subject to change during the ensuing year. Includes value attributable to TIRZ No. 2. See “TAX INFORMATION—THE CITY’S TAX INCREMENT REINVESTMENT ZONE/BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55” and “TABLE 5—CALCULATION OF INTEREST AND SINKING FUND TAXES” for explanation on the impact of TIRZ No. 2 on taxable assessed valuation available to pay debt service.

(3) Includes the Certificates. 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	Total Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
2022	\$ 0.489209	\$ 0.470752	\$ 0.018457	\$ 3,783,388	99.50%	99.69%
2023	0.489209	0.361992	0.157217	4,645,942	99.48%	99.80%
2024	0.489209	0.260478	0.258731	5,592,569	99.53%	99.90%
2025	0.519209	0.259457	0.259752	6,725,166	99.41%	99.72%
2026	0.519209	0.339209	0.180000	7,521,966	(2)	(2)

(1) Total tax levy is calculated before payment to MUD No. 31 and TIRZ No. 2.

(2) In process of collection.

TABLE 5 – CALCULATION OF INTEREST AND SINKING FUND TAXES

Fiscal Year Ended 9/30	Taxable Assessed Valuation Attributable to Payment of Debt Service	Interest and Sinking Fund Tax Rate	Interest and Sinking Fund Tax Levy	% Current Collections	% Total Collections
2022	\$ 480,543,109	\$ 0.018457	\$ 88,694	99.50%	99.69%
2023	513,759,705	0.157217	807,718	99.48%	99.80%
2024	612,380,396	0.258731	1,584,418	99.53%	99.90%
2025	751,571,237	0.259752	1,952,221	99.41%	99.72%
2026	884,165,729	0.180000	1,591,498	(1)	(1)

(1) In process of collection.

TABLE 6 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Balcara MSP Meridiana Property	Land Developer	\$ 18,600,000	1.28%
Seaway Crude Popline Company LLC	Oil and Gas	10,753,720	0.74%
LGI Homes - Texas LLC	Home Builder	9,712,658	0.67%
DR Horton Texas LTD	Home Builder	6,634,120	0.46%
Shops at Sterling Lakes LLC	Retail	5,573,780	0.38%
521 UM Holdings 770 Acres LP	Land Developer	5,372,700	0.37%
GMJ Paving Company LLC	Contractor	5,132,700	0.35%
Chesmar Homes LLC	Home Builder	5,028,284	0.35%
Castlerock Communities LLC	Single-Family Residential	4,487,000	0.31%
GR-M1 LTD	Land Developer	3,994,199	0.28%
		<u>\$ 75,289,161</u>	<u>5.20%</u>

TABLE 7 – TAX ADEQUACY*

Annual General Obligation Debt Service Requirements (2026)	\$ 1,653,198
\$0.19080 taxrate on \$884,165,729 Taxable Assessed Value at 98% Collection Produces	\$ 1,653,248 ⁽¹⁾⁽²⁾
Average Annual General Obligation Debt Service Requirements (2026-2055)	\$ 2,527,949
\$0.29175 taxrate on \$884,165,729 Taxable Assessed Value at 98% Collection Produces	\$ 2,527,962 ⁽¹⁾⁽²⁾
Maximum Annual General Obligation Debt Service Requirements (2047)	\$ 2,852,250
\$0.32918 taxrate on \$884,165,729 Taxable Assessed Value at 98% Collection Produces	\$ 2,852,287 ⁽¹⁾⁽²⁾

* Preliminary, subject to change.

- (1) The City created TIRZ No. 2 and adopted a Project Plan and Financing Plan for TIRZ No. 2 which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the "Authority") 100% of the Tax Increments less 30% for cost of service from TIRZ No. 2 to finance infrastructure being built in TIRZ No. 2. See "TAX INFORMATION - THE CITY'S TAX INCREMENT REINVESTMENT ZONE/BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55." Because the Tax Increments collected on the taxable value of property within TIRZ No. 2 are not available to pay debt service on the City's debt, the debt service tax rate which is required to pay the annual debt service on the City's general obligation debt is calculated based on the City's taxable value after deducting the taxable value in TIRZ No. 2. The taxable assessed valuation presented in the table is the value available after deducting the taxable value in TIRZ No. 2.
- (2) While the City will initially pay debt service on the Certificates from ad valorem taxes, the City's long-term plan is to have the Utility System generate sufficient revenues to pay for Utility System operations and maintenance and to support an increasing amount of debt service on the Certificates and other debt issued for Utility System purposes as additional development occurs within the City. See "UTILITY SYSTEM."

TABLE 8 – ESTIMATED OVERLAPPING DEBT

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

	2024/2025 Taxable Assessed Value	2024/2025 Tax Rate	Total G.O. Debt as of 9/30/2025	Estimated % Applicable	City's Overlapping G.O Debt 9/30/2025
City of Iowa Colony ⁽⁴⁾	\$ 1,448,735,757	\$ 0.519209	\$ 40,770,000 ⁽¹⁾	100.00%	\$ 40,770,000 ⁽¹⁾
Brazoria County	36,362,970,187	0.386530 ⁽²⁾	213,253,313 ⁽³⁾	1.46%	3,113,498
Alvin ISD	10,541,864,531	1.397700	973,510,000	6.73%	65,517,223
Brazoria County MUD No. 31	379,031,405	0.710000	38,930,000	100.00%	38,930,000
Brazoria County MUD No. 53	26,447,185	1.350000	5,440,000	3.11%	169,184
Brazoria County MUD No. 55	348,538,777	0.885000	50,595,000	100.00%	50,595,000
Port Freeport	16,255,670,851	0.000000	68,490,000	0.85%	582,165
Total Direct and Overlapping Debt					\$ 199,677,070

(1) Preliminary, subject to change. Includes the Certificates.

(2) Includes the Brazoria County Road and Bridge Fund.

(3) Includes debt issued by Brazoria County Toll Road Authority.

(4) Includes 2025/2026 Taxable Assessed Value and 2025/2026 Tax Rate. The taxable assessed valuation presented in the table is the value available before deducting the taxable value in TIRZ No. 2. See “TAX INFORMATION—THE CITY’S TAX INCREMENT REINVESTMENT ZONE/BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55” and “TABLE 5-CALCULATION OF INTEREST AND SINKING FUND TAXES” for explanation on the impact of TIRZ No. 2 on taxable assessed valuation available to pay debt service.

DEBT INFORMATION

TABLE 9 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt	The Certificates*			Debt Service Requirements*
		Principal	Interest	Total	
2026	\$ 984,748		\$ 668,450	\$ 668,450	\$ 1,653,198
2027	989,366		1,383,000	1,383,000	2,372,366
2028	987,984	\$ 465,000	1,383,000	1,848,000	2,835,984
2029	985,852	490,000	1,359,750	1,849,750	2,835,602
2030	988,118	515,000	1,335,250	1,850,250	2,838,368
2031	989,384	540,000	1,309,500	1,849,500	2,838,884
2032	984,798	565,000	1,282,500	1,847,500	2,832,298
2033	989,462	600,000	1,254,250	1,854,250	2,843,712
2034	987,876	625,000	1,224,250	1,849,250	2,837,126
2035	985,438	660,000	1,193,000	1,853,000	2,838,438
2036	987,000	695,000	1,160,000	1,855,000	2,842,000
2037	984,500	725,000	1,125,250	1,850,250	2,834,750
2038	985,750	765,000	1,089,000	1,854,000	2,839,750
2039	985,500	805,000	1,050,750	1,855,750	2,841,250
2040	988,750	845,000	1,010,500	1,855,500	2,844,250
2041	985,250	890,000	968,250	1,858,250	2,843,500
2042	985,250	935,000	923,750	1,858,750	2,844,000
2043	988,500	980,000	877,000	1,857,000	2,845,500
2044	984,750	1,030,000	828,000	1,858,000	2,842,750
2045	984,250	1,085,000	776,500	1,861,500	2,845,750
2046	986,750	1,140,000	722,250	1,862,250	2,849,000
2047	987,000	1,200,000	665,250	1,865,250	2,852,250
2048	-	1,260,000	605,250	1,865,250	1,865,250
2049	-	1,325,000	542,250	1,867,250	1,867,250
2050	-	1,395,000	476,000	1,871,000	1,871,000
2051	-	1,465,000	406,250	1,871,250	1,871,250
2052	-	1,545,000	333,000	1,878,000	1,878,000
2053	-	1,620,000	255,750	1,875,750	1,875,750
2054	-	1,705,000	174,750	1,879,750	1,879,750
2055	-	1,790,000	89,500	1,879,500	1,879,500
	<u>\$ 21,706,276</u>	<u>\$ 27,660,000</u>	<u>\$ 26,472,200</u>	<u>\$ 54,132,200</u>	<u>\$ 75,838,476</u>

* Preliminary, subject to change.

TABLE 10 – INTEREST AND SINKING FUND BUDGET PROJECTIONS ⁽¹⁾

Debt Service Requirements, Fiscal Year Ending 9/30/2026		\$ 1,653,198
Unaudited Interest and Sinking Fund Balance as of 9/30/2025 ⁽²⁾	\$ 1,201,262	
Calculated Property Tax Collection, Fiscal Year Ending 9/30/2026	<u>1,591,498</u>	<u>2,792,760</u>
Estimated Interest and Sinking Fund Balance, 9/30/2026		\$ 1,139,562

(1) It is the expectation that the debt service on the Certificates will be self-supported by the utility fund.

(2) Unaudited. This information has not been prepared or received by the City's independent auditor. The unaudited information is derived from internal account balances of the City as calculated by the City, and is subject to change upon completion of the City's annual audit.

FINANCIAL INFORMATION

TABLE 11 – CHANGE IN NET POSITION

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
General Revenues:					
Property Taxes	\$ 3,069,482	\$ 2,763,388	\$ 2,345,841	\$ 1,974,318	\$ 946,890
Franchise Taxes	567,534	257,885	208,568	94,775	82,938
Sales and Use Taxes	1,155,331	886,097	779,267	716,990	449,280
Unrestricted Investment Earnings	608,262	380,391	(24,896)	41	2,943
Gain on Sale of Capital Assets	-	247,532	-	-	-
Miscellaneous	513,532	58,958	49,709	12,171	415,787
Program Revenues:					
Charges for Services	5,122,604	3,771,571	3,740,766	3,374,414	2,943,016
Operating Grants and Contributions	118,492	225,043	179,197	71,721	133,280
Capital Grants and Contributions	-	2,900,702	904,848	987,315	1,862,302
Total Revenues	<u>\$ 11,155,237</u>	<u>\$ 11,491,567</u>	<u>\$ 8,183,300</u>	<u>\$ 7,231,745</u>	<u>\$ 6,836,436</u>
Expenses:					
General Government	\$ 1,685,906	\$ 1,129,739	\$ 663,074	\$ 566,093	\$ 496,397
Public Safety	2,978,731	2,212,073	1,811,754	1,159,025	858,642
Public Works	437,624	868,946	273,047	323,010	615,068
Municipal Courts	235,476	240,001	209,108	348,048	203,796
Community Development	3,159,410	2,707,085	2,522,980	2,978,541	2,448,532
Parks and Recreation	187,903	190,120	118,249	-	-
Interest	641,863	661,128	447,688	18,277	-
Total Expenses	<u>\$ 9,326,913</u>	<u>\$ 8,009,092</u>	<u>\$ 6,045,900</u>	<u>\$ 5,392,994</u>	<u>\$ 4,622,435</u>
Changes in Net Position	\$ 1,828,324	\$ 3,482,475	\$ 2,137,400	\$ 1,838,751	\$ 2,214,001
Net Position - Beginning of Year	20,686,362	17,203,887	15,066,487	13,227,736	11,013,735
Net Position - End of Year	<u>\$ 22,514,686</u>	<u>\$ 20,686,362</u>	<u>\$ 17,203,887</u>	<u>\$ 15,066,487</u>	<u>\$ 13,227,736</u>

Source: The City's audited financial statements.

TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Property Taxes ⁽¹⁾	\$ 1,493,443	\$ 1,285,567	\$ 2,196,508	\$ 1,847,721	\$ 929,518
Sales and Use Taxes	828,921	629,823	547,698	506,351	309,073
Franchise Taxes	567,534	257,885	208,568	94,155	81,867
Licenses and Permits ⁽²⁾	3,857,581	2,425,227	3,091,045	2,710,296	2,590,668
Charges for Services - Admin Fees	853,143	950,279	421,506	318,966	231,937
Fines and Forfeitures	392,067	370,827	255,414	409,003	176,426
Earnings on Investments	214,198	55,686	13,735	41	2,943
Intergovernmental	250	-	-	7,926	29,723
Other	513,532	58,958	49,709	12,171	415,987
Total Revenues	\$ 8,720,669	\$ 6,034,252	\$ 6,784,183	\$ 5,906,630	\$ 4,768,142
Expenditures:					
General Government	\$ 1,330,148	\$ 1,038,691	\$ 791,089	\$ 613,053	\$ 531,064
Public Safety	2,466,177	1,840,987	1,565,077	1,022,180	902,228
Public Works	623,788	628,070	202,976	319,389	557,379
Municipal Courts	237,243	234,001	208,175	351,596	207,723
Community Development ⁽³⁾	2,519,979	2,136,173	2,052,207	2,489,820	1,825,874
Principal & Interest	3,790	190,120	118,249	-	-
Bond Issuance Costs	-	3,159	-	-	52,275
Capital Outlay	1,616,777	43,662	136,114	188,927	1,437,740
Total Expenditures	\$ 8,797,902	\$ 6,114,863	\$ 5,073,887	\$ 4,984,965	\$ 5,514,283
Revenues Over (Under) Expenditures	\$ (77,233)	\$ (80,611)	\$ 1,710,296	\$ 921,665	\$ (746,141)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	-	247,532	-	-	322,356
Transfers In (Out)	(144,682)	(127,000)	(70,000)	(3,525)	-
Issuance of Debt -Leases	-	17,150	-	-	-
Proceeds from Issuance of Long-Term Debt	-	-	-	-	1,255,000
Total Other Financing	\$ (144,682)	\$ 137,682	\$ (70,000)	\$ (3,525)	1,577,356
Changes in Fund Balance	\$ (221,915)	\$ 57,071	\$ 1,640,296	\$ 918,140	\$ 831,215
Fund Balances - Beginning of Year	6,283,645 ⁽⁴⁾	5,582,336	3,942,040 ⁽⁵⁾	3,203,900	2,372,685
Fund Balances - End of Year	\$ 6,061,730	\$ 5,639,407	\$ 5,582,336	\$ 4,122,040	\$ 3,203,900

Source: The City's audited financial statements.

(1) Tax collections shown are net of tax collections attributable to property within the TIRZ. See "INVESTMENT CONSIDERATIONS - IMPACT ON GENERAL FUND REVENUES."

(2) Includes fees for building permits. The City issued approximately 600 residential building permits in fiscal year 2023 and approximately 1,000 in fiscal year 2024.

(3) Includes a payment to Brazoria County Municipal Utility District No. 31 of \$1,000,618 in 2024. See "MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY LIMITS AND EXTRATERRITORIAL JURISDICTION OF THE CITY- BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31."

(4) Includes corrected error in initial General Fund Balances. In fiscal year 2024, the beginning General Fund balance was restated to increase fund balance by \$644,238 and the beginning Debt Service Fund balance was restated to decrease fund balance by \$644,238 to correct an error in allocating property tax revenues in a previous fiscal year. See "OTHER INFORMATION—AUDITED FINANCIAL STATEMENTS."

(5) Restated.

FINANCIAL POLICIES

Basis of Accounting . . . Budgets for the General Fund, and the Debt Service Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (“GAAP”). The budgetary basis of accounting is different than the basis of accounting for auditing purposes. The City does not budget for all component units that are accounted for in the Annual Financial Report.

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

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

Capital Projects Fund . . . The Capital Projects Fund is used to account for the proceeds of capital-related bonds and their related capital spending for major building additions and renovations.

Utility Fund . . . The Utility Fund accounts for the City’s water and sewer services.

Budgetary Procedures . . . The budget process starts many months before the adoption of the annual budget. In the month of May or June each year, the departments submit their budgetary needs to the City Manager. On or before the first day of August each year, the City Manager is required to submit a budget to the City Council for the ensuing fiscal year with an accompanying message. The budget and all supporting schedules must be filed with the City Secretary when submitted to the City Council and open for public inspection.

The City Council must analyze the budget, making any additions or deletions that they feel appropriate and must, at least ten (10) days prior to the beginning of the next fiscal year, adopt the budget. On final adoption by the City Council, the budget takes effect for the next fiscal year.

Adoption of the budget constitutes adoption of an ordinance appropriating the amounts specified as proposed expenditures and an ordinance levying the property tax as the amount of the tax to be assessed and collected for the corresponding tax year. A separate ordinance is adopted to set the tax rate. Estimated expenditures cannot exceed available resources. Unused appropriations may be transferred to any item required for the same general purpose, except when otherwise specified by the City’s charter or State law. Under conditions that may arise and that could not reasonably have been foreseen in the normal process of planning the budget, the City Council may amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments must be by ordinance, and become an attachment to the original budget.

UTILITY SYSTEM

In fiscal year 2024, the City created its utility system (the “Utility System”). The Utility System is initially made up of water and sanitary sewer facilities conveyed to the City by the City MUDs. See “MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY LIMITS AND EXTRATERRITORIAL JURISDICTION OF THE CITY.” The major components of the Utility System are (i) the City’s water system, consisting of three existing water treatment plants with a current capacity of 2.2 million gallons per day (“MGD”) and an additional water treatment plant planned to begin operations in fiscal year 2026, with a design capacity of 0.54 MGD, and (ii) the City’s sanitary sewer system, consisting of two wastewater treatment plants with a combined capacity of 1.43 MGD. The City is currently planning several expansions to the System, including the planned construction of new interim wastewater treatment plants within the boundaries of MUD No. 92 and MUD No. 90, as well as a new permanent wastewater treatment plant to be cost-shared with a MUD within the City. The Certificates are being issued as part of a comprehensive plan to build out the Utility System in a way that will support planned growth within the City limits. In addition to the proceeds of obligations issued for Utility System purposes and Utility System revenues, the City may also utilize impact fees related to development that is not served by its own utility system for the construction of eligible expansions to the Utility System.

While the City will initially pay debt service on the Certificates from ad valorem taxes, the City’s long-term plan is to have the Utility System generate sufficient revenues to pay for Utility System operations and maintenance and to support an increasing amount of debt service on the Certificates and other debt issued for Utility System purposes as additional development occurs within the City. As an initial step in this process, the City is planning to conduct a rate study to help establish rates that will generate adequate funding to meet these goals in the future.

TABLE 13 – COMPARATIVE STATEMENT OF REVENUES AND EXPENSES OF THE CITY’S UTILITY SYSTEM

	For Fiscal Year Ended September 30, 2024
Revenues:	
Charges for Services:	
Water	\$ 470,012
Sewer	294,800
Garbage	183,181
Inspection Fees	107,661
Other Fees and Charges	75,412
Miscellaneous	2,812
Total Revenues	<u>\$ 1,133,878</u>
Expenditures:	
Contractual Services	\$ 218,827
Materials and Supplies	169,451
Utilities and Insurance	114,866
Depreciation	173,027
Total Expenditures	<u>\$ 676,171</u>
Revenues Over (Under) Expenditures	<u>\$ 457,707</u>
Other Financing Sources (Uses):	
Investment Earnings	113,523
Capital Contributions	22,351,043
Interest Expense	(188,278)
Total Other Financing	<u>\$ 22,276,288</u>
Changes in Fund Balance	\$ 22,733,995
Fund Balances - Beginning of Year	- ⁽¹⁾
Fund Balances - End of Year	<u><u>\$ 22,733,995</u></u>

(1) During the 2024 fiscal year, Brazoria County MUD No. 31 transferred water/sewer facilities to the City. During the 2025 fiscal year, Brazoria County Municipal Utility District No. 55 transferred water/sewer facilities to the City.

INVESTMENTS

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

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 directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

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

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each 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 Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) 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 entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment

policy; (6) provide specific investment training for the 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 July 31, 2025, the City’s investable funds were invested in the following categories:

Type of Investments	Book	Market
Certificates of Deposit	\$ 145,000	\$ 145,000
Cash in Demand Accounts	8,862,502	8,862,502
Texas Class Investment	2,787,297	2,787,297
	<u>\$ 11,794,799</u>	<u>\$ 11,794,799</u>

TAX MATTERS

In the opinion of Bracewell LLP, Bond Counsel, (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Certificates is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

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

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

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

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

INVESTMENT CONSIDERATIONS

RISKS FROM WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

SPECIFIC FLOOD TYPE RISKS

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Both could impact the City.

EXPOSURE TO OIL AND GAS INDUSTRY

Many energy companies are centered in the Houston area and have manufacturing facilities and offices in the area. Energy is a major driver of the Houston economy. Any downturn in the oil and gas industry could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the City.

LITIGATION

The City is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The City has obtained commercial insurance coverage for some of these risks and provided various employee education and prevention programs. Various claims and lawsuits may be pending against the City at any given time, however in the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially adversely affect the City's financial position.

OTHER INFORMATION

RATING

The Certificates are rated "A1" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

MUNICIPAL BOND INSURANCE

The City anticipates receiving bids from various municipal bond insurers for bond insurance on the Certificates and plans to evaluate whether to have some or all maturities of the Certificates insured based on an analysis of bids actually received from such companies. In the event the City obtains bond insurance from a municipal bond insurance company (the "Bond Insurer") for some or all maturities of the Certificates, the final Official Statement for the Certificates will disclose any relevant information relating to any such municipal bond insurance policy (the "Policy").

MUNICIPAL BOND INSURANCE RISKS

The City has yet to determine whether any insurance will be purchased for some or all maturities of the Certificates. If an insurance policy is purchased, the following are risk factors would apply to such bond insurance.

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

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – REMEDIES IN THE EVENT OF DEFAULT"). The Bond 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 Bondholders.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the levy and collection of ad valorem taxes and the subordinate pledge of revenues as described herein. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Bond Insurer and its claims-paying ability. The Bond 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 Bond Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

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

LEGAL OPINIONS

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion by Bracewell LLP, Houston, Texas, Bond Counsel for the City, in substantially the form attached hereto as APPENDIX C. The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Certificates, including the approving opinion of the Attorney General of the State of Texas as recorded in the Certificate Register of the Comptroller of Public Accounts of the State, to the effect that the Certificates are valid and legally binding obligations of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX C.

In its capacity as Bond Counsel, Bracewell LLP, Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Certificates in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed upon for the City by Bracewell LLP, Houston, Texas in its role as Disclosure Counsel. The legal fee to be paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Certificates, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees and for municipalities and other political subdivision or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Certificates have a rating of not less than "A" or its equivalent to be legal investments of such entity's funds. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter must be secured by eligible security. "Eligible Security" is defined to include local government obligations (such as the Certificates) with a rating from a nationally recognized investment firm of "A" or its equivalent.

REGISTRATION, SALE AND DISTRIBUTION

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other jurisdiction in which the Certificates may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

AUDITED FINANCIAL STATEMENTS

Whitley Penn LLP, the City's independent auditor, has consented to the inclusion of its opinion and the financial statements of the governmental activities, each major fund, and the discretely presented component unit of the City as of and for the year ended September 30, 2024, as APPENDIX B to the Official Statement. Whitley Penn LLP has not performed any procedures on such financial statements since the date of such reports, nor have they performed any procedures on any other financial information of the City, including without limitation any of the information contained in the Official Statement.

In fiscal year 2024, the beginning General Fund balance was restated to increase fund balance by \$644,238 and the beginning Debt Service Fund balance was restated to decrease fund balance by \$644,238 to correct an error in allocating property tax revenues in a previous fiscal year. See "APPENDIX B – Excerpts from the City's Financial Report"—Note 16.

APPROVAL OF THE OFFICIAL STATEMENT

City Council took action to authorize the preparation of the Preliminary Official Statement and authorized certain officials of the City to deem the Preliminary Official Statement final within the meaning of the Rule. In the Ordinance, the City Council will approve the Initial Purchaser's use of the Official Statement in connection with the public offering and the sale of the Certificates in accordance with the Rule.

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 Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes (i) 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 7 and 9 through 14 and in APPENDIX B, if audited financial statements are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (a) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded fiscal year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (b) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's website or filed with the SEC, as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, it must provide updated information by 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 the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of successor or additional paying agent/registrars or

the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, (A) 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, (B) as used in (15) and (16), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the City intends the words used in paragraphs (15) and (16) and the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide the required annual financial information described above under "- ANNUAL REPORTS" in accordance with the Ordinances by the time required.

LIMITATIONS AND AMENDMENTS

The City has agreed to update information and to provide notices of certain specified events only as described above. The City shall be obligated to observe and perform such obligations for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any bond calls and any defeasances that cause the City to be no longer an "obligated person."

The provisions of the City's continuing disclosure undertaking are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in the City's continuing disclosure undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City has undertaken to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide as described above and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or undertaken to update any information provided, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Certificates at any future date.

Under no circumstances shall the City be liable to the owner or beneficial owner of any Certificate or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the City, whether negligent or with or without fault on its part, of any covenant specified in its undertaking, and any right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance. No default by the City in observing or performing its obligations under its continuing disclosure undertaking shall constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The City may amend its continuing disclosure undertaking 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, but only if (i) the provisions of undertaking, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates 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 Owners of a majority in aggregate principal amount of the outstanding Certificates consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Certificates. The provisions of the City's undertaking may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of its undertaking, it shall include with any amended financial information or operating data next provided as described in Annual Reports, above, an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

In connection with the issuance of its Combination Tax and Revenue Certificates of Obligation, Series 2022, the City agreed to file certain updated financial information and operating data on an annual basis. As contemplated in its continuing disclosure undertaking, the City filed required table information for the City's fiscal year ended September 30, 2022 ("FY 2022") on March 30, 2023, and its audited financial statements on July 17, 2023. The City did not file unaudited financial information prior to the availability of the City's audited financial statements for FY 2022. As contemplated in its continuing disclosure information, the City filed required table information for the City's fiscal year ended September 30, 2024 ("FY 2024") on March 31, 2025, and its audited financial statements on August 4, 2025. The City filed unaudited financial statements for FY 2024 on June 4, 2025.

MUNICIPAL ADVISOR

Masterson Advisors LLC is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Masterson Advisors LLC, 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 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER

INITIAL PURCHASER

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

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 AND NO-LITIGATION CERTIFICATE

At the time of payment for and delivery of the Certificates, the Initial Purchaser will be furnished a certificate, executed by the proper City officials, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of purchase of said Certificates, and on the date of 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 that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since September 30, 2024, the date of the last audited financial statements of the City and (e) except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, of which the City has notice to restrain or enjoin the issuance, execution or delivery of the Certificates, in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or which would affect the provisions made for their payment or security, or in any manner question the validity of the Certificates.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Iowa Colony, Texas (the “City”) is located in northern Brazoria County on Texas State Highway 288 south of Pearland city limits. It is 22 miles south of the City of Houston. The City has a total area of 7.3 square miles.

The City consists primarily of single-family residential development with some ancillary retail development. There are two master planned communities within the City’s boundaries where single family home development is proceeding. The City issued approximately 600 residential building permits in fiscal year 2023, approximately 1,000 in 2024, and anticipates issuing approximately 1,000 in fiscal year 2025. Currently, the City estimates that there are between 4,000 – 4,500 completed single-family houses in Iowa Colony.

The City has seen significant commercial growth in the last 5 years. Recent construction includes a new McDonald’s restaurant, several new retail centers totaling over 40,000 SF, and a new KIA dealership is currently under construction.

POPULATION

2010 Official Census	2020 Official Census	2025 Estimate
1,170	8,154	19,000

Source: United States Census Bureau

CITY FACILITIES

The City currently operates within two facilities: the City Hall/Police Department and Municipal Court are located together at the Public Works building and the Parks Department is located at the former City Hall site.

EDUCATION

Alvin ISD is Brazoria County’s second largest district with two high schools, six middle schools and 14 elementary schools. Alvin schools have earned exemplary ratings from the Texas Education Agency.

BRAZORIA COUNTY

Brazoria County (the “County”), within which the City is located, covers an area of 1,609 square miles and comprises the Brazoria Primary Metropolitan Statistical Area, a component of the Houston Metropolitan Statistical Area. The population of the County as of the 2024 Census estimate was 374,264. In 2022, the total Gross Domestic Product in Brazoria County was slightly over \$21 billion, with manufacturing contributing the largest portion of that at \$10.2 billion. The world’s largest basic chemical complex, The Dow Chemical Company, is located in the County, contributing to the extensive petroleum and chemical production in the area. (Source: The Economic Development Alliance for Brazoria County.)

MAJOR EMPLOYERS⁽¹⁾

Employer	Location	Type	Number of Employees
Alvin I.S.D.	Alvin	Education	4,234
The Dow Chemical Company	Freeport	Chemical	3,558
Pearland I.S.D.	Pearland	Education	2,669
Texas Dept. of Criminal Justice	County-wide	Criminal Justice	2,437
Brazosport I.S.D.	Clute	Education	1,900
Kelsey-Seybold	Pearland	Medical	1,839
Brazoria County	County-wide	Government	1,484
Zachry Group	Pearland	Chemical	1,474
Turner Industries	Freeport	Contractor	1,272
Brand/Safway	Angleton	Scaffolding Systems	1,127
Angleton I.S.D.	Angleton	Education	1,076
Olin Corporation	Freeport	Chemical	1,070
Phillips 66	Sweeny	Refining	1,028
BASF Corporation	Freeport	Chemical	986
City of Pearland	Pearland	Government	930
Wood Group (formerly The Infinity Group)	Clute	Contractor	750
UTMB Health Angleton Danbury	Angleton	Healthcare	690
Chevron Phillips Chemical Co.	Sweeny	Chemical	650
INEOS Olefins & Polymers USA	Alvin	Chemical	600
Memorial Hermann	Pearland	Healthcare	592
Community Health Network	Angleton	Healthcare	483

Source: Economic Development Alliance for Brazoria County

(1) Data as of July 31, 2025

EMPLOYMENT STATISTICS

Brazoria County				
Calendar Year	Labor Force	Employment	Unemployment	Unemployment Rate
2020	177,312	162,103	15,209	8.6%
2021	180,207	167,799	12,408	6.9%
2023	193,638	185,065	8,573	4.4%
2024	198,326	189,551	8,775	4.4%
2025 ⁽¹⁾	201,379	192,529	8,850	4.4%

Source: Texas Workforce Commission

(1) As of July 31, 2025.

APPENDIX B

CITY OF IOWA COLONY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Iowa Colony, 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.

CITY OF IOWA COLONY, TEXAS

ANNUAL FINANCIAL REPORT

September 30, 2024



CITY OF IOWA COLONY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council of
City of Iowa Colony, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Iowa Colony, 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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position 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). 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.

Responsibilities of Management for the Financial Statements

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

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

To the Honorable Mayor and
Members of City Council of
City of Iowa Colony, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 management's discussion and analysis, general fund budgetary comparison schedule, and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and
Members of City Council of
City of Iowa Colony, Texas

Supplementary Information

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

Whitley Penn LLP

Houston, Texas
July 21, 2025



CITY OF IOWA COLONY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 government-wide financial statements include the governmental activities, the business-type activities and the City's discretely presented component unit.

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

The statement of activities presents information showing how the City's net position changed during the 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 vacation leave).

Both 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 administration, finance, police, animal control, emergency management, municipal court, public works, parks and recreation, community development, fire marshal/inspections, intergovernmental, and interest on long-term debt. The business-type activities of the City include the Utility fund.

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

The government-wide financial statements can be found beginning on page 12 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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.

CITY OF IOWA COLONY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The City maintains eleven (11) 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 General Fund, American Rescue Plan Act (ARPA) Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered major funds for reporting purposes. Data from the non-major governmental funds is provided in the form of combining statements found beginning on page 52 of this report.

The basic governmental fund financial statements can be found beginning on page 14 of this report.

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 an enterprise fund to account for its Utility operations (water & sewer).

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

The basic proprietary fund financial statements can be found beginning on page 18 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Iowa Colony's general fund budgetary comparisons and required supplementary pension plan information. Required supplementary information can be found beginning on page 46 of this report.

Government-wide Financial Analysis

Below is a condensed schedule of Net Position as of September 30, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current assets	\$ 13,873,161	\$ 14,828,587	\$ 2,110,570	\$ -	\$ 15,983,731	\$ 14,828,587
Capital assets	29,806,684	26,106,090	24,978,559	-	54,785,243	26,106,090
Total Assets	43,679,845	40,934,677	27,089,129	-	70,768,974	40,934,677
Deferred Outflows of Resources	214,571	216,823	-	-	214,571	216,823
Liabilities						
Other liabilities	6,658,114	5,348,084	871,856	-	7,529,970	5,348,084
Long term liabilities	14,681,024	15,081,115	3,483,278	-	18,164,302	15,081,115
Total Liabilities	21,339,138	20,429,199	4,355,134	-	25,694,272	20,429,199
Deferred Inflows of Resources	40,592	35,939	-	-	40,592	35,939
Net Position:						
Net investment						
in capital assets	15,254,435	13,955,472	22,102,864	-	37,357,299	13,955,472
Restricted	880,888	751,319	-	-	880,888	751,319
Unrestricted	6,379,363	5,979,571	631,131	-	7,010,494	5,979,571
Total Net Position	\$ 22,514,686	\$ 20,686,362	\$ 22,733,995	\$ -	\$ 45,248,681	\$ 20,686,362

Net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$45,248,681 million. Of this amount, \$37,357,299 was invested in capital assets, \$6,379,363 was unrestricted and the balance of \$880,888 was restricted.

CITY OF IOWA COLONY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Below is a condensed schedule of Changes in Net Position for fiscal year 2024 and 2023, in thousands:

	Governmental Activities		Business-type Activities		Total	
Revenues	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for services	\$ 5,122,604	\$ 3,771,571	\$ 1,131,066	\$ -	\$ 6,253,670	\$ 3,771,571
Operating grants	118,492	225,043	-	-	118,492	225,043
Capital grants	-	2,900,702	22,351,043	-	22,351,043	2,900,702
General revenues:						
Property taxes	3,069,482	2,763,388	-	-	3,069,482	2,763,388
Sales taxes	1,155,331	886,097	-	-	1,155,331	886,097
Franchise taxes	567,534	257,885	-	-	567,534	257,885
Investment earnings	608,262	380,391	113,523	-	721,785	380,391
Other	513,532	306,490	2,812	-	516,344	306,490
Total Revenues	11,155,237	11,491,567	23,598,444	-	34,753,681	11,491,567
Expenses:						
Administration	1,472,568	988,759	-	-	1,472,568	988,759
Finance	213,338	140,980	-	-	213,338	140,980
Police	2,061,078	1,730,924	-	-	2,061,078	1,730,924
Animal control	90,523	84,868	-	-	90,523	84,868
Emergency management	322,612	895	-	-	322,612	895
Municipal court	235,476	240,001	-	-	235,476	240,001
Public works	437,624	868,946	-	-	437,624	868,946
Parks and recreation	187,903	190,120	-	-	187,903	190,120
Community development	3,159,410	2,707,085	-	-	3,159,410	2,707,085
Fire marshal/inspections	504,518	395,386	-	-	504,518	395,386
Interest	641,863	661,128	-	-	641,863	661,128
Utilities	-	-	864,449	-	864,449	-
Total Expenses	9,326,913	8,009,092	864,449	-	10,191,362	8,009,092
Change in net position	1,828,324	3,482,475	22,733,995	-	24,562,319	3,482,475
Beginning Net Position	20,686,362	17,203,887	-	-	20,686,362	17,203,887
Ending Net Position	\$ 22,514,686	\$ 20,686,362	\$ 22,733,995	\$ -	\$ 45,248,681	\$ 20,686,362

Governmental Activities. The net position of the governmental activities increased by approximately \$1.8 million during the current fiscal year. This increase was mostly due to revenues for community development and property taxes exceeding the current period expenses.

Business-type Activities. The net position of the business-type activities increased by approximately \$22.7 million during the current fiscal year due to contribution of capital assets due to a conveyance agreement with Brazoria County Municipal Utility District No. 31.

CITY OF IOWA COLONY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As shown below, revenues generated by the City's programs are not sufficient to cover the costs. The City relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.

	Expenses		Program Revenues		Net (Cost) of Services	
	2024	2023	2024	2023	2024	2023
Program:						
Administration	\$ 1,472,568	\$ 988,759	\$ 853,393	\$ 950,279	\$ (619,175)	\$ (38,480)
Finance	213,338	140,980	-	-	(213,338)	(140,980)
Police	2,061,078	1,730,924	433,285	3,331,631	(1,627,793)	1,600,707
Animal control	90,523	84,868	-	-	(90,523)	(84,868)
Emergency management	322,612	895	-	-	(322,612)	(895)
Municipal court	235,476	240,001	-	-	(235,476)	(240,001)
Public works	437,624	868,946	96,837	190,179	(340,787)	(678,767)
Parks and recreation	187,903	190,120	-	-	(187,903)	(190,120)
Community development	3,159,410	2,707,085	3,857,581	2,425,227	698,171	(281,858)
Fire marshal/inspections	504,518	395,386	-	-	(504,518)	(395,386)
Interest	641,863	661,128	-	-	(641,863)	(661,128)
	<u>\$ 9,326,913</u>	<u>\$ 8,009,092</u>	<u>\$ 5,241,096</u>	<u>\$ 6,897,316</u>	<u>\$ (4,085,817)</u>	<u>\$ (1,111,776)</u>

Financial Analysis of the Government's Funds

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 spending at the end of the fiscal year.

The General Fund reported an ending fund balance of \$6,061,730, a decrease in fund balance from current year activity of \$221,915. In addition, the beginning fund balance was restated to increase fund balance by \$644,238 due to an error correction in allocating property tax revenues in a previous fiscal year.

The American Rescue Plan Act (ARPA) Fund reported an ending fund balance of \$0 as all funds in this account were received in advance and no spending has occurred as of the end of the fiscal year.

The Debt Service Fund reported an ending fund balance of \$494,010, an increase in fund balance from current year activity of \$574,591 due to property tax collections exceeding debt service payments. In addition, the beginning fund balance was restated to decrease fund balance by \$644,238 due to an error correction in allocating property tax revenues in a previous fiscal year.

The Capital Projects Fund reported an ending fund balance of \$0, a decrease from the previous fiscal year of \$2,746,117 due to planned spending from the Series 2022 Tax and Revenue Certificates of Obligation funds to construct the new public safety building.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2024 amounted to \$29,806,684 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, park facilities, machinery and equipment, construction in progress, and the intangible right-to-use assets.

Additional information on the City's capital assets can be found in Note 8 to the basic financial statements of this report.

CITY OF IOWA COLONY, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Debt Administration. At the end of the current fiscal year, the City had total certificates of obligation and general obligation bonds outstanding of \$13,455,000.

General Fund Budgetary Highlights

During the 2024 fiscal year, the City’s final amended budget planned for \$7,949,350 in revenues and \$6,248,750 in expenditures. Actual revenues were greater than estimated revenues by \$771,319 and total expenditures were greater than appropriations by \$2,549,152 resulting in an ending fund balance of \$6,061,730 which was less than anticipated.

Economic Factors and Next Year’s Budgets and Rates

The city has adopted a General Fund operating budget for the 2025 fiscal year as follows:

	<u>Fiscal Year</u>
	<u>2025</u>
General Fund:	
Revenues	\$ 8,423,600
Expenditures	<u>(8,407,910)</u>
Revenues Over/(Under) Expenditures	<u>\$ 15,690</u>

The 2025 budget includes property tax rates of \$0.234209 for maintenance and operations (M&O) and \$0.285000 for the interest and sinking fund (I&S) per \$100 of value on real and personal property within the City limits, for a total tax rate of \$0.519209. This was no change, in total, from the 2024 fiscal year tax rate of \$0.519209 per \$100 of value on real and personal property within the City limits.



BASIC FINANCIAL STATEMENTS

CITY OF IOWA COLONY, TEXAS

STATEMENT OF NET POSITION

September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	ICDA
Assets				
Cash and cash equivalents	\$ 13,454,645	\$ 519,247	\$ 13,973,892	\$ 3,477,074
Investments	151,290	-	151,290	-
Restricted cash and cash equivalents	-	1,259,218	1,259,218	-
Receivables:				
Accounts receivable, net	254,013	332,105	586,118	-
Due from other governments	13,213	-	13,213	-
Capital assets not being depreciated:				
Non-depreciable	5,381,892	2,800,543	8,182,435	-
Depreciable, net	24,424,792	22,178,016	46,602,808	-
Total Assets	43,679,845	27,089,129	70,768,974	3,477,074
Deferred Outflows of Resources				
Deferred outflows - pension	214,571	-	214,571	-
Total Deferred Outflows of Resources	214,571	-	214,571	-
Liabilities				
Accounts payable and accrued expenses	1,337,178	685,855	2,023,033	10,931
Unearned revenue	2,763,399	20,906	2,784,305	-
Developer deposits	2,236,983	-	2,236,983	-
Customer deposits	-	165,095	165,095	-
Accrued interest payable	320,554	-	320,554	519,030
Noncurrent liabilities:				
Due within one year - bonds, leases, financing arrangements	348,402	-	348,402	840,000
Due in more than one year - bonds, leases, financing arrangements	14,203,847	3,483,278	17,687,125	33,257,107
Net pension liability	128,775	-	128,775	-
Total Liabilities	21,339,138	4,355,134	25,694,272	34,627,068
Deferred Inflows of Resources				
Deferred inflows - pension	40,592	-	40,592	-
Total Deferred Inflows of Resources	40,592	-	40,592	-
Net Position				
Net investment in capital assets	15,254,435	22,102,864	37,357,299	-
Restricted for:				
Public safety	664,477	-	664,477	-
Debt service	193,889	-	193,889	-
Grants	22,522	-	22,522	-
Unrestricted	6,379,363	631,131	7,010,494	(31,149,994)
Total Net Position	\$ 22,514,686	\$ 22,733,995	\$ 45,248,681	\$(31,149,994)

CITY OF IOWA COLONY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			Component Unit
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	Business-type	Total	ICDA
		Services	Contributions	Contributions	Activities	Activities		
Primary Government:								
Governmental Activities:								
Administration	\$ 1,472,568	\$ 853,143	\$ 250	\$ -	\$ (619,175)	\$ -	\$ (619,175)	\$ -
Finance	213,338	-	-	-	(213,338)	-	(213,338)	-
Police	2,061,078	411,880	21,405	-	(1,627,793)	-	(1,627,793)	-
Animal control	90,523	-	-	-	(90,523)	-	(90,523)	-
Emergency management	322,612	-	-	-	(322,612)	-	(322,612)	-
Municipal court	235,476	-	-	-	(235,476)	-	(235,476)	-
Public works	437,624	-	96,837	-	(340,787)	-	(340,787)	-
Parks and recreation	187,903	-	-	-	(187,903)	-	(187,903)	-
Community development	3,159,410	3,857,581	-	-	698,171	-	698,171	-
Fire marshal/inspections	504,518	-	-	-	(504,518)	-	(504,518)	-
Intergovernmental	-	-	-	-	-	-	-	-
Interest	641,863	-	-	-	(641,863)	-	(641,863)	-
Total Governmental Activities	9,326,913	5,122,604	118,492	-	(4,085,817)	-	(4,085,817)	-
Business-type Activities:								
Utilities	864,449	1,131,066	-	22,351,043	-	22,617,660	22,617,660	-
Total business-type Activities:	864,449	1,131,066	-	22,351,043	-	22,617,660	22,617,660	-
Total Primary Government	\$ 10,191,362	\$ 6,253,670	\$ 118,492	\$ 22,351,043	(4,085,817)	22,617,660	18,531,843	-
Component Unit								
ICDA	\$ 2,493,111	\$ -	\$ -	\$ -				(2,493,111)
General Revenues:								
Taxes:								
Property taxes					3,069,482	-	3,069,482	3,277,825
Sales taxes					1,155,331	-	1,155,331	-
Franchise taxes					567,534	-	567,534	-
Unrestricted investment earnings					608,262	113,523	721,785	102,367
Miscellaneous					513,532	2,812	516,344	-
Total General Revenues					5,914,141	116,335	6,030,476	3,380,192
Change in net position					1,828,324	22,733,995	24,562,319	887,081
Net Position - beginning					20,686,362	-	20,686,362	(32,037,075)
Net Position - ending					\$ 22,514,686	\$ 22,733,995	\$ 45,248,681	\$ (31,149,994)

CITY OF IOWA COLONY, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2024

	General Fund	American Rescue Plan Act (ARPA) Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,033,995	\$ 900,751	\$ 494,010	\$ 6,159,765	\$ 866,124	\$ 13,454,645
Investments	151,290	-	-	-	-	151,290
Due from other funds	5,682,771	-	-	-	-	5,682,771
Property taxes receivable	42,056	-	20,433	-	-	62,489
Sales tax receivable	122,693	-	-	-	53,130	175,823
Fines and forfeitures receivable	15,701	-	-	-	-	15,701
Due from other governments	-	-	-	-	13,213	13,213
Total Assets	\$ 11,048,506	\$ 900,751	\$ 514,443	\$ 6,159,765	\$ 932,467	\$ 19,555,932
Liabilities						
Accounts payable	\$ 765,303	\$ -	\$ -	\$ 482,080	\$ 24,617	\$ 1,272,000
Accrued expenses	64,085	-	-	-	1,093	65,178
Due to other funds	-	-	-	5,677,685	5,086	5,682,771
Developer deposits	2,236,983	-	-	-	-	2,236,983
Unearned revenue	1,862,648	900,751	-	-	-	2,763,399
Total Liabilities	4,929,019	900,751	-	6,159,765	30,796	12,020,331
Deferred Inflows of Resources						
Unavailable revenue - property taxes	42,056	-	20,433	-	-	62,489
Unavailable revenue - fines	15,701	-	-	-	-	15,701
Total Deferred Inflows of Resources	57,757	-	20,433	-	-	78,190
Fund Balances						
Restricted:						
Public safety	-	-	-	-	664,477	664,477
Debt Service	-	-	494,010	-	-	494,010
Grants	-	-	-	-	22,522	22,522
Assigned:						
Park Reserves	-	-	-	-	214,672	214,672
Capital improvements	1,625,000	-	-	-	-	1,625,000
Unassigned	4,436,730	-	-	-	-	4,436,730
Total Fund Balances	6,061,730	-	494,010	-	901,671	7,457,411
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,048,506	\$ 900,751	\$ 514,443	\$ 6,159,765	\$ 932,467	\$ 19,555,932

CITY OF IOWA COLONY, TEXAS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total Fund Balance, Governmental Funds	\$ 7,457,411
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	29,806,684
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Uncollected adjudicated fines and outstanding property taxes that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	78,190
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Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Certificates of obligation	(13,455,000)
Premium on bonds	(1,085,994)
Leases payable	(11,255)
Net pension asset/(liability)	(128,775)
Accrued interest payable on long-term debt	(320,554)

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.

Deferred outflows - pension related	214,571
Deferred inflows - pension related	(40,592)

Net Position of Governmental Activities	<u>\$ 22,514,686</u>
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CITY OF IOWA COLONY, TEXAS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2024

	General Fund	American Rescue Plan Act (ARPA) Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 1,493,443	\$ -	\$ 1,564,251	\$ -	\$ -	\$ 3,057,694
Sales taxes	828,921	-	-	-	326,410	1,155,331
Franchise taxes	567,534	-	-	-	-	567,534
License and permits	3,857,581	-	-	-	-	3,857,581
Intergovernmental	250	-	-	-	118,242	118,492
Charges for services - Intergovernmental	853,143	-	-	-	-	853,143
Fines and forfeitures	392,067	-	-	-	20,170	412,237
Investment earnings	214,198	-	-	355,018	39,046	608,262
Miscellaneous revenue	513,532	-	-	-	-	513,532
Total Revenues	8,720,669	-	1,564,251	355,018	503,868	11,143,806
Expenditures						
Current:						
Administration	1,113,810	-	-	290,270	6,823	1,410,903
Finance	216,338	-	-	-	-	216,338
Police	1,545,524	-	-	-	142,831	1,688,355
Animal control	91,523	-	-	-	-	91,523
Emergency management	322,612	-	-	-	-	322,612
Municipal court	237,243	-	-	-	233	237,476
Public works	435,885	-	-	-	-	435,885
Parks and recreation	187,903	-	-	-	-	187,903
Community development	2,519,979	-	-	-	-	2,519,979
Fire marshal/inspections	506,518	-	-	-	-	506,518
Debt service:						
Principal	3,269	-	330,000	-	-	333,269
Interest and fees	521	-	658,910	-	-	659,431
Bond issuance costs	-	-	750	-	-	750
Capital outlay	1,616,777	-	-	2,843,547	356,528	4,816,852
Total Expenditures	8,797,902	-	989,660	3,133,817	506,415	13,427,794
Revenues Over (Under) Expenditures	(77,233)	-	574,591	(2,778,799)	(2,547)	(2,283,988)
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	32,682	112,000	144,682
Operating transfers out	(144,682)	-	-	-	-	(144,682)
Total Other Financing Sources (Uses)	(144,682)	-	-	32,682	112,000	-
Changes in Fund Balance	(221,915)	-	574,591	(2,746,117)	109,453	(2,283,988)
Fund Balances - Beginning, as Previously Reported	5,639,407	-	563,657	2,746,117	792,218	9,741,399
Error correction	644,238	-	(644,238)	-	-	-
Fund Balances - Beginning	6,283,645	-	(80,581)	2,746,117	792,218	9,741,399
Fund Balances - Ending	\$ 6,061,730	\$ -	\$ 494,010	\$ -	\$ 901,671	\$ 7,457,411

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

Net Change in Fund Balances - Total Governmental Funds: \$ (2,283,988)

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	4,816,852
Depreciation/amortization	(1,116,258)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	11,788
Fines and forfeitures	(357)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	330,000
Principal paid on leases	3,269

Some expenses reported in the statement of activities do not require the use of current resources and these are not reported as expenditures in governmental funds:

Accrued interest on long-term debt	7,101
Amortization of bond premiums and discounts	11,217
Changes in pension liabilities and related deferred outflows and inflows of resources	48,700

Change in net financial net position of governmental activities \$ 1,828,324

CITY OF IOWA COLONY, TEXAS
PROPRIETARY FUND
STATEMENT OF NET POSITION
For the Year Ended September 30, 2024

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 519,247
Restricted cash and cash equivalents	1,259,218
Receivables:	
Accounts receivable, net	332,105
Total Current Assets	<u>2,110,570</u>
Noncurrent Assets:	
Capital assets:	
Construction in progress	2,800,543
Buildings, improvements and roads	22,351,043
Less accumulated depreciation	(173,027)
Total capital assets	<u>24,978,559</u>
Total Noncurrent Assets	<u>24,978,559</u>
Total Assets	<u>27,089,129</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued expenses	685,855
Unearned revenue	20,906
Customer deposits	165,095
Total Current Liabilities	<u>871,856</u>
Noncurrent liabilities:	
Financing arrangement	3,483,278
Total Noncurrent liabilities	<u>3,483,278</u>
Total Liabilities	<u>4,355,134</u>
Net Position	
Net investment in capital assets	22,102,864
Unrestricted	631,131
Total Net Position	<u>\$ 22,733,995</u>

CITY OF IOWA COLONY, TEXAS**PROPRIETARY FUND****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION****For the Year Ended September 30, 2024**

	Business-type Activities
	Utility Fund
Operating revenues:	
Charges for services:	
Water	\$ 470,012
Sewer	294,800
Garbage	183,181
Inspection fees	107,661
Other fees and charges	75,412
Miscellaneous	2,812
Total operating revenues	1,133,878
Operating expenses:	
Contractual services	218,827
Materials and supplies	169,451
Utilities and insurance	114,866
Depreciation	173,027
Total operating expenses	676,171
Other nonoperating revenues (expenses):	
Investment earnings	113,523
Capital contributions	22,351,043
Interest expense	(188,278)
Total other nonoperating revenues (expenses):	22,276,288
 Increase (decrease) in net position	 22,733,995
Net position - beginning of year	-
Net position - end of year	\$ 22,733,995

CITY OF IOWA COLONY, TEXAS
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 984,962
Other receipts	2,812
Payments to suppliers and service providers	182,711
Net Cash Provided (Used) by Operating Activities	<u>1,170,485</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(2,800,543)
Proceeds from financing arrangements	3,483,278
Interest paid on financing arrangements	(188,278)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>494,457</u>
Cash Flows from Investing Activities	
Interest on investments	113,523
Net Cash Provided (Used) by Investing Activities	<u>113,523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,778,465
Beginning Cash and Cash Equivalents	-
Ending Cash and Cash Equivalents	<u>\$ 1,778,465</u>
Reconciliation to the Statement of Net Position - Proprietary Funds	
Unrestricted cash and cash equivalents	\$ 519,247
Restricted cash and cash equivalents	1,259,218
	<u>\$ 1,778,465</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 457,707
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	173,027
(Increase) decrease in assets:	
Accounts receivable, net	(332,105)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	685,855
Unearned revenue	20,906
Customer deposits	165,095
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,170,485</u>

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 - Organization

The City of Iowa Colony, Texas (the "City") is a political subdivision incorporated in 1972 through the State of Texas operating as a type B, general law city. In 2005, a resolution was passed to change to a type A, general law city. In 2020, the City adopted a Home Rule Charter and became a home rule municipality with the Council-Manager form of government. The City is governed by an elected Mayor and six-member Council. The Mayor and Council appoint a Manager to oversee the daily operations and manage all personnel.

The City provides the following services: general government, public safety, public works and community development.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City Council is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a primary government as defined by GAAP.

In March 2010, City Council formed the City of Iowa Colony Development Authority (ICDA) and the City of Iowa Colony Tax Increment Reinvestment Zone No. 2 (TIRZ 2) to facilitate development in connection with a residential neighborhood. The objective of the Zone is to facilitate quality mixed-use development with a self-sustaining tax base for the City of Iowa Colony, Brazoria County, and any other participating taxing entity. All financial activity of ICDA and TIRZ 2 is reflected as a discretely presented component unit under the ICDA caption. Separate financial statements are available for the ICDA through the City Secretary's office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the City as a whole. These statements include all activities of the primary government. All activities of the City are classified as governmental activities, as they are supported primarily by taxes and non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Franchise tax and sales tax revenues are recognized, for external reporting purposes, when the underlying sales or transaction occurs. Sales tax revenues are collected by individual commercial enterprises and filed with the State of Texas. The State of Texas remits the City's and Crime Control District's portion of the sales tax on a monthly basis, two months after the sales are reported. Interest is recorded when earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 if they are collectible within the current period or soon enough to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. As a practical matter, there is no material difference in the recognition of revenues between the government-wide and governmental fund financial statements. Expenditures for governmental funds are recorded when the related liability is incurred.

The City reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund include local property taxes, sales and use taxes, franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public safety, public works, and economic development.
- The *American Rescue Plan Act (ARPA) Fund* is used to account for grant funds received from the American Rescue Plan Act to aid in the recovery from the COVID-19 pandemic.
- The *Debt Service Fund* is used to account for interest and sinking property tax revenue and the debt service payments for outstanding bonds.
- The *Capital Projects Fund* is used to account for the proceeds of capital-related bonds and their related capital spending for major building additions and renovations.

The City reports the following major enterprise fund:

- The *Utility Fund* accounts for the City's water and sewer services.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Net Position of the City and its component unit are reported under the following captions:

- Net investment in capital assets - This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and related debt.
- Restricted - This component of Net Position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted Net Position - This component of Net Position consists of Net Position that do not meet the definition of "restricted" or "investment in capital assets".

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Investments

The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

E. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Brazoria County Central Appraisal District (the "CAD"). Taxes are levied by the City Council based on the appraised values received from the CAD. Beginning in tax year 2016, the City began making payments into the City Tax Increment Fund in the Reinvestment Zone Number Two. The City agreed to transfer all Tax Increment received to the Iowa Colony Development Authority. The Zone and the Authority agreed to pay the City an amount equal to thirty percent of each Tax Increment payment.

F. Receivables

All receivables are reported at their gross value, with the exception of fines and forfeitures receivables. A provision has been made for an allowance for uncollectible for fines and forfeitures.

G. Capital Assets

Capital assets are reported in the applicable governmental activities' column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related fixed assets using the straight-line method, as applicable. Buildings, improvements and roads have an estimated useful life of 10 – 40 years. Machinery and equipment have an estimated useful life of 5 – 7 years.

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned personal and sick leave. Employees can earn up to a maximum number of hours of personal leave equal to two times the employee's current accrual rate at termination and sick leave hours can accrue up to 480 hours. No amounts have been reported for accrued but unpaid compensated absences as they are not material to the financial statements.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

I. Fund Balance

As of September 30, 2024, fund balances of the governmental funds are classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has not adopted a minimum fund balance policy for the General Fund.

J. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred amounts related to pension. This amount represents the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension.

K. Pensions

For purposes of measuring the Net Pension Liability/(Asset), 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.

L. Other Post-Employment Benefits (OPEB)

The City participates in the Supplemental Death Benefits Fund (SBDF) administered by the Texas Municipal Retirement System (TMRS). Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City does not consider it necessary to record the related net OPEB liability as it is not material to the government-wide financial statements.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

N. Leases

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

Implementation of New Standards

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, in June 2022. 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. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, *Leases*, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Implementation Guide were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Temporary Investments (Cash Equivalents)

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City. The Council has adopted a written investment policy regarding the investment of City funds as required by the PFIA. Acceptable investments under this policy are limited to (1) fully insured or collateralized certificates of deposit from a bank in the State of Texas and under the terms of a written depository agreement with that bank; (2) obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises; and (3) Texas Local Government Investment Pools as by the PFIA and have been authorized by the City Council. The investments of the City are in compliance with the City's investment policy as to form.

Local Government Investment Pool

As of September 30, 2024, the City's investments included balances in the TexSTAR Public Funds Investment Pool and Texas CLASS. The investment pool investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Texas Short Term Asset Reserve Program ("TexSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. J.P. Morgan Investment Management, Inc. ("JPMIM" or the "investment manager") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the "Board"). The value of City portions in TexSTAR are the same as the value of the shares. Unlike money market mutual funds which are registered with the Securities and Exchange Commission, TexSTAR does not operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The external pooled fund uses amortized cost rather than market value to report Net Position to compute share price, because such funds have daily liquidity.

Texas CLASS is a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds and maximize yield. The Texas CLASS and Texas CLASS Government agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS seeks to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texas CLASS is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Temporary Investments (Cash Equivalents) (continued)

Deposit and Investment Amounts

The following schedule shows the City's recorded cash and investments at year-end:

	General Fund	American Rescue Plan Act (ARPA) Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Petty cash	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ 300
Demand deposits:						
Consolidated	310,497	900,751	494,010	32,682	71,628	1,809,568
Bond funds	-	-	-	1,608,084	-	1,608,084
Retainer account	482,807	-	-	-	-	482,807
Certificates of deposit	151,290	-	-	-	-	151,290
Local Government Investment Pools	4,240,391	-	-	4,518,999	794,496	9,553,886
Totals	\$ 5,185,285	\$ 900,751	\$ 494,010	\$ 6,159,765	\$ 866,124	\$ 13,605,935

	Fair Value / Amortized Cost	Percentage of Portfolio	Weighted Average Maturity (days)	S&P Rating
Petty cash	\$ 300	0%	1	N/A
Demand deposits	3,900,459	29%	1	N/A
Certificates of deposit	151,290	1%	268	N/A
Local Government Investment Pools	9,553,886	70%	32	AAAm
Totals	\$ 13,605,935	100%	26	

All bank balances for demand and certificates of deposits for the primary government and the discretely presented component unit at year end was covered by FDIC insurance of \$250,000 and the remaining balance was covered by pledged collateral. The values of certificates of deposit are determined using level 2 inputs as described in Note 2 D of the financial statements.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Temporary Investments (Cash Equivalents) (continued)

Interest Rate Risk and Concentration of Credit Risk

In accordance with the City's investment policy, the maturity of investments (to include certificates of deposit) shall not exceed one year, or with the approval of City Council, two years. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed two years. The City's investment policy does not restrict or specify levels of concentration or diversification within the City's portfolio. It does provide that *"The City shall diversify its investments in order to minimize the risk of loss resulting from a concentration of assets in a specific maturity, a specific issuer, or a specific type of investment."*

Note 4 - Receivables

Amounts recorded as receivables as of September 30, 2024, are as follows:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Receivables:				
Property taxes	\$ 42,056	\$ 20,433	\$ -	\$ 62,489
Sales taxes	122,693	-	53,130	175,823
Fines and forfeitures	314,011	-	-	314,011
Gross receivables	478,760	20,433	53,130	552,323
Less: allowance for uncollectibles	(298,310)	-	-	(298,310)
Net total receivables	\$ 180,450	\$ 20,433	\$ 53,130	\$ 254,013

Note 5 - Developer Deposits

The City has entered into various agreements with Land Tejas Sterling Lakes (the "Developer"). The Developer is developing certain facilities within the city limits or extraterritorial jurisdiction of the City. The Developer deposits refundable funds with the City at the beginning of the agreement term with a non-refundable administrative fee. The refundable deposits will be returned to the Developer upon completion of each project. The agreements do not represent an escrow agreement and the City shall not owe any fiduciary duty to the Developer. The following is a summary of activity for developer deposits for the year ended September 30, 2024:

Project	Balance 9/30/2023	Additions	Deductions	Balance 9/30/2024
County Road 64	\$ 1,731,000	\$ -	\$ -	\$ 1,731,000
Early Plat - Sterling Lakes North Sec 2, 3	-	2,114,356	(1,910,468)	203,888
Early Plat - Sterling Lakes North Sec 1	-	383,828	(225,549)	158,279
Early Plat - Sterling Lakes North Sec 4 & Force Main	-	1,061,411	(917,595)	143,816
	<u>\$ 1,731,000</u>	<u>\$ 3,559,595</u>	<u>\$ (3,053,612)</u>	<u>\$ 2,236,983</u>

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Unearned Revenue

As of September 30, 2024, unearned revenue balances consisted of the following:

	General Fund	American Rescue Plan Act (ARPA) Fund	Total
Unearned Revenues:			
Grants	\$ 1,284	\$ 900,751	\$ 902,035
Developer deposits	1,505,304	-	1,505,304
Other	13,876	-	13,876
Road damage deposits	342,184	-	342,184
Total Unearned Revenues	\$ 1,862,648	\$ 900,751	\$ 2,763,399

The Road Damage Deposits are for potential repairs that may be required to be completed at a later date. The retainer fees are amounts advanced to the City by developers for community development project costs that will occur at a later date. The grant funds are reported as unearned revenue until qualifying expenditures are incurred.

Note 7 - Interfund Receivables and Payables and Transfers

As of September 30, 2024, interfund balances consisted of the following:

	Interfund Receivable	Interfund Payable	Net Totals
General Fund	\$ 5,682,771	\$ -	\$ 5,682,771
Capital Projects Fund	-	(5,677,685)	(5,677,685)
Non-Major Governmental Funds	-	(5,086)	(5,086)
Totals	\$ 5,682,771	\$ (5,682,771)	\$ -

	Transfer In	Transfer Out	Net Totals
General Fund	\$ -	\$ (144,682)	\$ (144,682)
Capital Projects Fund	32,682	-	32,682
Non-Major Governmental Funds	112,000	-	112,000
Totals	\$ 144,682	\$ (144,682)	\$ -

The transfer from the general fund to the vehicle replacement fund of \$112,000 represents amounts set aside for future vehicle replacement costs and 32,682 to the Capital Projects Fund to cover remaining project costs to close out the bond fund.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Capital Assets

Capital assets activity of the governmental activities for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land and right of way	\$ 3,760,244	\$ 1,292,094	\$ -	\$ 5,052,338
Construction in progress	229,779	99,775	-	329,554
Total capital assets not being depreciated/amortized	3,990,023	1,391,869	-	5,381,892
Capital assets being depreciated/amortized:				
Buildings, improvements and roads	24,665,533	1,641,096	-	26,306,629
Machinery and equipment	823,145	1,783,887	-	2,607,032
Right-to-use lease assets	17,150	-	-	17,150
Total capital assets being depreciated/amortized	25,505,828	3,424,983	-	28,930,811
Less accumulated depreciation/amortization for:				
Buildings, improvements and roads	(2,785,054)	(829,892)	-	(3,614,946)
Machinery and equipment	(601,849)	(282,936)	-	(884,785)
Right-to-use lease assets	(2,858)	(3,430)	-	(6,288)
Total accumulated depreciation/amortization	(3,389,761)	(1,116,258)	-	(4,506,019)
Total capital assets being depreciated/amortized, net	22,116,067	2,308,725	-	24,424,792
Governmental activities capital assets, net	\$ 26,106,090	\$ 3,700,594	\$ -	\$ 29,806,684

Depreciation and amortization were charged to functions of the governmental activities of the primary government as follows:

	Depreciation/ Amortization Expense
Governmental activities:	
Administration	\$ 73,665
Public safety	398,423
Public works	3,739
Community development	640,431
	<u>\$ 1,116,258</u>

As of September 30, 2024, the governmental activities had the following remaining commitments related to capital projects:

	Authorized Contract	Construction in Progress	Amount Remaining
Waterline Extension	\$ 181,710	\$ 127,852	\$ 53,858
Regional MIT Program	1,047,480	201,702	845,778
	<u>\$ 1,229,190</u>	<u>\$ 329,554</u>	<u>\$ 899,636</u>

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Capital Assets (continued)

Capital assets activity of the business-type activities for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated/amortized:				
Construction in progress	\$ -	\$ 2,800,543	\$ -	\$ 2,800,543
Total capital assets not being depreciated/amortized	-	2,800,543	-	2,800,543
Capital assets being depreciated/amortized:				
Water/sewer facilities	\$ -	\$ 22,351,043	\$ -	\$ 22,351,043
Less accumulated depreciation/amortization for:				
Water/sewer facilities	-	(173,027)	-	(173,027)
Total accumulated depreciation/amortization	-	(173,027)	-	(173,027)
Total capital assets being depreciated/amortized, net	-	22,178,016	-	22,178,016
Business-type activities capital assets, net	\$ -	\$ 24,978,559	\$ -	\$ 24,978,559

During the current fiscal year, Brazoria County Municipal Utility District No. 31 transferred water/sewer facilities to the City in the amount of \$22,351,043.

Depreciation and amortization were charged to functions of the business-type activities of the primary government as follows:

Business-type activities:	Depreciation/ Amortization Expense
Water	\$ 67,428
Sewer	105,599
	\$ 173,027

As of September 30, 2024, the business-type activities had the following remaining commitments related to capital projects:

	Authorized Contract	Construction in Progress	Amount Remaining
PSI Water Meters	\$ 3,295,000	\$ 2,800,543	\$ 494,457

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Long-term Debt

Changes in Long-Term Liabilities

The following is a summary of changes in the City's governmental activities long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Private placement certificates of obligation	\$ 1,025,000	\$ -	\$ (75,000)	\$ 950,000	\$ 80,000
Tax and revenue certificates of obligation	12,760,000	-	(255,000)	12,505,000	265,000
Premium	1,097,211	-	(11,217)	1,085,994	-
Leases payable	14,524	-	(3,269)	11,255	3,402
Total Governmental Activities	\$ 14,896,735	\$ -	\$ (344,486)	\$ 14,552,249	\$ 348,402

The following is a summary of changes in the City's business-type activities long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Financing arrangement	\$ -	\$ 3,483,278	\$ -	\$ 3,483,278	\$ -
Total business-type activities	\$ -	\$ 3,483,278	\$ -	\$ 3,483,278	\$ -

Certificates of Obligation

Additional information for the City's certificates of obligations as of September 30, 2024 is as follows:

	Original Borrowing	Interest Rate	Final Maturity	Outstanding at Year-end
Governmental activities:				
Private Placement Certificates of Obligation Series 2020	\$ 1,255,000	2.040%	2035	\$ 950,000
Tax and Revenue Certificates of Obligation Series 2022	\$ 13,125,000	5.000%	2047	12,505,000

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Long-term Debt (continued)

Certificates of Obligation (continued)

Debt service requirements to maturity are as follows:

Fiscal Year	Private Placement Certificates of Obligation			Tax and Revenue Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 80,000	\$ 19,380	\$ 99,380	\$ 265,000	\$ 625,250	\$ 890,250
2026	80,000	17,748	97,748	275,000	612,000	887,000
2027	80,000	16,116	96,116	295,000	598,250	893,250
2028	80,000	14,484	94,484	310,000	583,500	893,500
2029	85,000	12,852	97,852	320,000	568,000	888,000
2030 - 2034	450,000	37,638	487,638	1,870,000	2,582,000	4,452,000
2035 - 2039	95,000	1,938	96,938	2,795,000	2,036,250	4,831,250
2040 - 2044	-	-	-	3,690,000	1,242,500	4,932,500
2045 - 2049	-	-	-	2,685,000	273,000	2,958,000
2050 - 2054	<u>\$ 950,000</u>	<u>\$ 120,156</u>	<u>\$ 1,070,156</u>	<u>\$ 12,505,000</u>	<u>\$ 9,120,750</u>	<u>\$ 21,625,750</u>

Leases Payable

The City is under contract for noncancellable leases that convey control of the right to use assets. The lease liabilities outstanding as of September 30, 2024, are as follows:

Description	Start Date	End Date	Interest Rate	Lease Liability		Lease Asset	
				Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization
Copiers	12/28/22	12/31/27	4.00%	\$ 17,150	\$ 11,255	\$ 17,150	\$ 6,288
				<u>\$ 17,150</u>	<u>\$ 11,255</u>	<u>\$ 17,150</u>	<u>\$ 6,288</u>

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of the lease term and there were no impairment losses related to lease assets.

The future principal and interest lease payments as of September 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 3,402	\$ 388	\$ 3,790
2026	3,540	250	3,790
2027	3,685	105	3,790
2028	628	3	631
Total	<u>\$ 11,255</u>	<u>\$ 746</u>	<u>\$ 12,001</u>

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Long-term Debt (continued)

Financing Arrangement

During fiscal year 2024, the City entered into a financing arrangement for the acquisition of water meters. The project is to be completed in phases and the first phase is structured as a lease purchase agreement. The financing arrangements outstanding as of September 30, 2024, were as follows:

	<u>Original Borrowing</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
Business-type activities:				
Lease Purchase Agreement - Phase 1				
October 4, 2023	\$ 3,483,278	4.944%	2040	\$ 3,483,278

The future principal and interest financing arrangement payments as of September 30, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 170,778	\$ 170,778
2026	162,105	172,213	334,318
2027	170,119	164,199	334,318
2028	178,530	155,788	334,318
2029	187,356	146,962	334,318
2030 - 2034	1,085,229	586,360	1,671,589
2035 - 2039	1,381,370	290,219	1,671,589
2040 - 2044	318,569	15,749	334,318
Total	\$ 3,483,278	\$ 1,702,268	\$ 5,185,546

Note 10 - Risk Management

General Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. There has not been any significant reduction in insurance coverage from the previous year.

Worker's Compensation

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivision of the State of Texas. The company is not intended to operate as an insurance company but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Employee Retirement System

Texas Municipal Retirement System

Effective October 20, 2014, City council approved the participation in the Texas Municipal Retirement System to provide pension benefits for full time employees. Subsequently, the City began making necessary contributions in accordance with the provisions of the plan.

Plan Description

The City participates as one of 934 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the 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 actuarially equivalent payments 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the City are 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	None
Annuity Increase to retirees	Ad Hoc

The City participates in Social Security.

Employees Covered by Benefit Terms

At the December 31, 2023, valuation and measurement date, 23 active City employees were covered by the benefit terms and 16 inactive employees was entitled to but not yet receiving benefits. There were 2 inactive employees or beneficiaries currently receiving benefits as of that date.

Note 11 - Employee Retirement System (continued)

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 consulting 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 10.52% and 7.17% for 2024 and 2023, respectively.

Net Pension Liability/(Asset)

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%

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

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

Note 11 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

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 in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	35%	6.70%
Core Fixed Income	6%	4.70%
Non-core Fixed Income	20%	8.00%
Other Public and Private Markets	12%	8.00%
Real Estate	12%	7.60%
Hedge Funds	5%	6.40%
Private Equity	10%	11.60%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. 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.

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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Current Discount Rate		
	1% Decrease	(6.75%)	1% Increase
City’s net pension liability	\$ 346,678	\$ 128,775	\$ (46,748)

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Employee Retirement System (continued)

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 1,112,244	\$ 927,864	\$ 184,380
Changes for the year:			
Service Cost	299,389	-	299,389
Interest	82,208	-	82,208
Difference between expected and actual experience	14,639	-	14,639
Changes in assumptions	(24,028)	-	(24,028)
Contributions - employer	-	194,145	(194,145)
Contributions - employee	-	125,718	(125,718)
Net Investment income	-	108,637	(108,637)
Benefit payments, including refunds, of employee contributions	(88,094)	(88,094)	-
Administrative expense	-	(683)	683
Other changes	-	(4)	4
Net changes	284,114	339,719	(55,605)
Balance at 12/31/2023	\$ 1,396,358	\$ 1,267,583	\$ 128,775

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.tmr.com.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Employee Retirement System (continued)

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

For the year ended September 30, 2024, the City recognized pension expense of \$178,324.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 20,949	\$ (20,933)
Change in assumptions	-	(19,659)
Difference in projected and actual earnings on pension plan investments	16,866	-
Contributions subsequent to measurement date	176,756	-
Total	\$ 214,571	\$ (40,592)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$176,756 will be recognized as a reduction of the Net Pension Liability/(Asset) for the measurement year ending December 31, 2024 (i.e., recognized in the city's financial statements September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2025	\$ (2,940)
2026	507
2027	11,158
2028	(10,648)
2029	(854)
Total	\$ (2,777)

Note 12 - Post-employment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

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

The retiree portion of the City’s contributions to the TMRS SDBF for the fiscal year 2024 was \$818 which equaled the required contribution amount.

Based on calculations of the plan’s actuary under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the city has a total OPEB liability of \$22,223. Management has determined the effects of implementing this pronouncement on the City’s government wide net position are not material to the financial statements and no provision for this liability or activity, other than cash paid as part the TMRS contribution of \$818 have been recorded in the City’s financial statements.

Note 13 - Fund Balance Assignments

The City has assigned fund balances as of September 30, 2024 for the following purposes:

	Assigned Fund Balance
Public works equipment	\$ 200,000
Public works roadwork	350,000
Unified development code update project	25,000
Government Center master plan	250,000
MUD facility conveyance	50,000
Capital planning	50,000
ARPA water line project	300,000
Disaster response funds	400,000
	<u>\$ 1,625,000</u>

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 14 - Contracts with Municipal Utility Districts

The City has active agreements with municipal utility districts (MUDs) located within the City's boundaries.

Brazoria County Municipal Utility District No. 31 (MUD 31)

Strategic Partnership Agreement

Effective July 17, 2006, amended September 1, 2012, and November 16, 2020, the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of MUD 31 for limited purposes. MUD 31 continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for MUD 31 providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, MUD 31 agrees to continue to provide and develop water, sewer and drainage services within MUD 31 in lieu of full-purpose annexation. During the current year, the City did not make any payments related to this Agreement.

Annexation Agreement

Effective December 17, 2018, the City entered into an Annexation Agreement with MUD 31 to defer the conversion of the limited purpose annexation of MUD 31 to a full purpose annexation by the City to a date no earlier than January 2, 2019, to be determined by the City, in order to defer City taxes on the annexation area. The City will still be obligated to provide certain services to MUD 31 after annexation and before receiving property taxes from the annexation area, therefore, the Annexation Agreement provides for certain service expense sharing payments from MUD 31 to the City to help defray the costs of services. During prior years, MUD 31 made two payments of \$350,000 to the City and the City has completed the full purpose annexation. The Annexation Agreement provides for the City to remit to MUD 31 70% of the maintenance and operations ad valorem property tax received by the City on property in the annexation area. The due dates of the payments shall be the last day of March and August of each year, for tax revenues received by the City at least 10 days before the due date of the payment. The tax sharing payments shall begin on the ad valorem property taxes received by the City from the annexation area for the 2020 tax year and continue for 20 years, totaling 40 semiannual payments, subject to the terms of the Annexation Agreement. During the current year, the City paid \$739,886 in tax sharing payments to MUD 31 in accordance with the Annexation Agreement.

Brazoria County Municipal Utility District No. 32 (MUD 32)

Strategic Partnership Agreement

Effective July 18, 2016, the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of MUD 32 for limited purposes. MUD 32 continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for MUD 32 providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments and the services provided by the City, MUD 32 agrees to continue to provide and develop water, sewer and drainage services within MUD 32 in lieu of full-purpose annexation. The City agrees it will not annex MUD 32 for full purposes or commence any action to annex MUD 32 during the term of the Agreement, which is 15 years. During the current year, the City did not make any payments related to this Agreement.

Annexation Agreement

By letter dated January 16, 2024, the City notified MUD 32 that it intends to exercise its option to take ownership of MUD 32's water and wastewater facilities, including all completed and future water, sewer and drainage facilities serving MUD 32 within six months. On November 14, 2024, subsequent to year-end, the City and MUD 32 entered into a Utility Conveyance and Security Agreement to transfer certain improvements, structures, and facilities designed to provide water and wastewater to serve areas within MUD 32's boundaries and the extraterritorial jurisdiction of the City.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 14 - Contracts with Municipal Utility Districts (continued)

Brazoria County Municipal Utility District No. 53 (MUD 53)

Strategic Partnership Agreement

Effective January 10, 2022, the City entered into a Strategic Partnership Agreement (the Agreement) with MUD 53 whereby the City may annex any commercial portion of MUD 53 from time to time for the purpose of levy and collection of the City's sales and use taxes. MUD 53 would continue to exercise all the powers of a municipal utility district in the area of limited purpose annexation as provided by law. The City will keep all of the sales and use taxes collected under the Agreement. As of this date, no area has been so annexed. In addition, the Agreement provides for the provision of fire, police, garbage and building regulation within MUD 53. The City agrees that it will not annex MUD 53 for full purposes until one of the following conditions has been satisfied: (i) 90% of the developable acreage in MUD 53 has been developed with water, sanitary sewer, drainage and paving, and the developer has been reimbursed to the maximum extent permitted by the rules of the Commission, or the City assumes any obligation for such reimbursement of MUD 53 under such rules, or (ii) 20 years from the date of the Agreement, whichever comes first.

Brazoria County Municipal Utility District No. 55 (MUD 55)

Strategic Partnership Agreement

On February 15, 2011, the City entered into a Shared Financing Agreement (the "Agreement") with MUD 55, City of Iowa Colony TIRZ #2 (the "Zone") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects which include various public works and improvements. The Authority and MUD 55 agree to assist the City and the Zone in the implementation of the TIRZ Projects and in the funding, ownership, operation, and maintenance of the TIRZ Projects. MUD 55 will act as Project Manager for the TIRZ projects set out in the Agreement and will give written notice to the Authority Board before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement. For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from Tax Increment by the Authority ("TIRZ Share") to MUD 55 is the percentage of the actual project costs set out in the Agreement. MUD 55 will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to MUD 55 issuance of bonds. The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ plan or the date that the Developer has been repaid in full for all eligible project costs. As of March 31, 2024, certain projects in the Zone have been completed and MUD 55 is in process of conveying assets to the City and submitting documentation for reimbursement. The date of conveyance, value of assets to be conveyed and amount of reimbursement are not known as of fiscal year end.

Proposed Brazoria County Municipal Utility District No. 90 (MUD 90)

Utility Functions Agreement

On August 12, 2024, the City entered into a Utility Functions Agreement (the "Agreement") with four developers on-behalf of proposed MUD 90, a municipal utility district not yet created. MUD 90 is to construct or acquire water and wastewater facilities with ownership of the facilities to be conveyed to the City as the facilities are constructed. In consideration of the acquisition and construction of the facilities, the City is to make an annual payment to MUD 90 from real property taxes collected from property located within MUD 90. These revenues generated by M&O portion of the City tax rate are to be rebated to MUD 55 beginning on February 1 in the calendar year following the calendar year for which MUD 90 initially receives a tax roll from Brazoria County Appraisal District and shall be payable each May 1 thereafter (e.g., if MUD 90 receives a tax roll for calendar year 2027, the annual payment for such year will be due May 1, 2028). The structure of the annual payments shall be as follows: 2025 – 2029 payment will be equal to 100% of M&O taxes collected; 2030 – 2034 payment will be equal to 75% of M&O taxes collected; and 2035-2039 will be equal to 50% of M&O taxes collected.

CITY OF IOWA COLONY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Note 15 - Subsequent Events

On October 1, 2024, the City entered into a promissory note agreement in the amount of \$2,156,022 for the financing of water meters. The note is payable in annual installments at a rate of 4.85% per annum, beginning on October 1, 2025, and ending on October 1, 2040.

On November 14, 2024, the City entered into a Utility Conveyance and Security Agreement with MUD 32 to transfer certain improvements, structures, and facilities designed to provide water and wastewater to serve areas within MUD 32's boundaries and the extraterritorial jurisdiction of the City.

On April 14, 2025, the City Council approved a Utility Conveyance and Security Agreement with MUD 55 to transfer certain improvements, structures, and facilities designed to provide water and wastewater to serve areas within MUD 55's boundaries and the extraterritorial jurisdiction of the City.

Note 16 – Restatements of Beginning Balances

During fiscal year 2024, an error correction resulted in restatements of beginning fund balance in the General Fund and Debt Service Fund, as follows:

	General Fund	Debt Service Fund	Total
Fund Balances - Beginning, as Previously Reported	\$ 5,639,407	\$ 563,657	\$ 6,203,064
Error correction	644,238	(644,238)	-
Fund Balances - Beginning	<u>\$ 6,283,645</u>	<u>\$ (80,581)</u>	<u>\$ 6,203,064</u>

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF IOWA COLONY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Property taxes	\$ 2,889,000	\$ 2,889,000	\$ 1,493,443	\$ (1,395,557)
Sales taxes	-	-	828,921	828,921
Franchise taxes	310,000	310,000	567,534	257,534
License and permits	2,204,000	2,204,000	3,857,581	1,653,581
Intergovernmental	-	-	250	250
Charges for services - Intergovernmental	779,400	779,400	853,143	73,743
Fines and forfeitures	285,500	285,500	392,067	106,567
Investment earnings	-	-	214,198	214,198
Miscellaneous revenue	1,481,450	1,481,450	513,532	(967,918)
Total Revenues	7,949,350	7,949,350	8,720,669	771,319
Expenditures				
Current:				
Administration	1,189,250	1,189,250	1,113,810	75,440
Finance	246,620	246,620	216,338	30,282
Police	1,701,890	1,701,890	1,545,524	156,366
Animal control	98,120	98,120	91,523	6,597
Emergency management	11,000	11,000	322,612	(311,612)
Municipal court	267,080	267,080	237,243	29,837
Public works	719,750	719,750	435,885	283,865
Parks and recreation	162,500	162,500	187,903	(25,403)
Community development	983,830	983,830	2,519,979	(1,536,149)
Fire marshal/inspections	418,710	418,710	506,518	(87,808)
Debt service:				
Principal	-	-	3,269	(3,269)
Interest and fees	-	-	521	(521)
Capital outlay	450,000	450,000	1,616,777	(1,166,777)
Total Expenditures	6,248,750	6,248,750	8,797,902	(2,549,152)
Revenues Over (Under) Expenditures	1,700,600	1,700,600	(77,233)	(1,777,833)
Other Financing Sources (Uses)				
Operating transfers out	-	-	(144,682)	(144,682)
Total Other Financing Sources (Uses)	-	-	(144,682)	(144,682)
Changes in Fund Balance	1,700,600	1,700,600	(221,915)	(1,922,515)
Fund Balances - Beginning, as Previously Reported	5,639,407	5,639,407	5,639,407	-
Error correction	-	-	644,238	644,238
Fund Balances - Beginning	5,639,407	5,639,407	6,283,645	644,238
Fund Balances - Ending	\$ 7,340,007	\$ 7,340,007	\$ 6,061,730	\$ (1,278,277)

CITY OF IOWA COLONY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION

Legal Compliance - Budgets

Typically, prior to September 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the Mayor. The Council may revise, alter, increase or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall also increase the total anticipated income. The Council approves the budget plan prior to September 30. One or more public hearings are conducted to obtain taxpayer comments. City Council members may transfer unencumbered appropriated balances, or portion thereof, from one department to another. During the year, Council made no amendments to the original budget.

The City's expenditures exceeded appropriations in categories of emergency management, parks and recreation, community development, fire marshal/inspections, debt service, and capital outlay. The overages were caused by the City experiencing significant growth as the total revenue exceeded anticipated amounts.

CITY OF IOWA COLONY, TEXAS
REQUIRED SUPPLEMENTARY PENSION INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
Last Ten Measurement Years Ended December 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 299,389	\$ 238,243	\$ 145,207	\$ 104,170	\$ 51,130	\$ 35,822	\$ 27,020	\$ 25,040	\$ 18,263	\$ 2,931
Interest	82,208	65,826	45,012	40,500	38,226	35,677	32,084	28,720	26,581	24,149
Changes of benefit terms	-	124,964	-	7,461	-	-	-	-	-	-
Difference between expected and actual experience	14,639	(10,051)	16,271	(31,039)	(3,796)	(21,411)	(8,477)	(3,118)	(18,632)	343,523
Change in assumptions	(24,028)	-	-	-	(30,309)	-	-	-	16,153	-
Benefit payments, including refunds of employee contributions	(88,094)	(75,716)	(63,492)	(71,119)	(39,967)	-	(3,602)	-	-	-
Net change in total pension liability	284,114	343,266	142,998	49,973	15,284	50,088	47,025	50,642	42,365	370,603
Total pension liability - beginning	1,112,244	768,978	625,980	576,007	560,723	510,635	463,610	412,968	370,603	-
Total pension liability - ending (a)	1,396,358	1,112,244	768,978	625,980	576,007	560,723	510,635	463,610	412,968	370,603
Plan fiduciary net position:										
Contributions - employer	194,145	128,807	110,498	106,960	94,661	80,321	75,643	81,768	61,097	9,799
Contributions - employee	125,718	101,195	74,520	37,798	24,511	17,857	13,403	12,004	8,730	1,401
Net investment income	108,637	(61,490)	82,868	39,615	59,208	(8,765)	25,102	5,506	17	-
Benefit payments, including refunds of employee contributions	(88,094)	(75,716)	(63,492)	(71,119)	(39,967)	-	(3,602)	-	-	-
Administrative expense	(683)	(527)	(381)	(254)	(332)	(168)	(129)	(65)	(11)	-
Other	(4)	629	1	(10)	(9)	(10)	(8)	-	-	-
Net change in plan fiduciary net position	339,719	92,898	204,014	112,990	138,072	89,235	110,409	99,213	69,833	11,200
Plan fiduciary net position - beginning	927,864	834,966	630,952	517,962	379,890	290,655	180,246	81,033	11,200	-
Plan fiduciary net position - ending (b)	1,267,583	927,864	834,966	630,952	517,962	379,890	290,655	180,246	81,033	11,200
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 128,775	\$ 184,380	\$ (65,988)	\$ (4,972)	\$ 58,045	\$ 180,833	\$ 219,980	\$ 283,364	\$ 331,935	\$ 359,403
Plan fiduciary net position as a % of total pension liability	90.78%	83.42%	108.58%	100.79%	89.92%	67.75%	56.92%	38.88%	19.62%	3.02%
Covered payroll (measurement year)	\$ 1,795,977	\$ 1,445,645	\$ 1,064,566	\$ 755,952	\$ 490,220	\$ 357,145	\$ 268,052	\$ 240,075	\$ 174,599	\$ 28,020
Net pension liability (asset) as a percentage of covered payroll	7.17%	12.75%	-6.20%	-0.66%	11.84%	50.63%	82.07%	118.03%	190.11%	1282.67%

Note: The City began participating in TMRS during the 2014 calendar year.

CITY OF IOWA COLONY, TEXAS
REQUIRED SUPPLEMENTARY PENSION INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 204,441	\$ 176,512	\$ 127,048	\$ 114,253	\$ 101,598	\$ 92,000	\$ 81,648	\$ 75,874	\$ 76,809	\$ 52,491
Contribution in relation of the actuarially determined contribution	225,335	176,512	127,048	114,253	101,598	92,000	81,648	75,874	76,809	52,491
Contribution deficiency (excess)	\$ 20,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll (fiscal year)	\$ 2,087,699	\$ 1,710,034	\$ 1,363,746	\$ 1,015,011	\$ 665,101	\$ 448,754	\$ 335,852	\$ 253,819	\$ 224,351	\$ 149,040
Contributions as a percentage of covered payroll	10.79%	10.32%	9.32%	11.26%	15.28%	20.50%	24.31%	29.89%	34.24%	35.22%

Note: The City began participating in TMRS during the 2015 fiscal year.

Notes to Required Supplementary Pension Information:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and a day 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:	20 Years (longest amortization ladder)
Asset Valuation Method:	10 Year smoothed market; 12% soft corridor
Inflation:	2.5%
Salary Increases:	3.60% to 11.85% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	There were no benefit changes during the year.



APPENDIX C

FORM OF OPINION OF BOND COUNSEL

BRACEWELL

[CLOSING DATE]

\$27,660,000

CITY OF IOWA COLONY, TEXAS
(Brazoria County, Texas)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

We have represented the City of Iowa Colony, Texas (the “City”), as its bond counsel in connection with an issue of certificates of obligation described below:

CITY OF IOWA COLONY, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025, dated November 1, 2025, in the aggregate principal amount of \$27,660,000 (the “Certificates”).

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City authorizing their issuance (the “Ordinance”).

We have represented the City as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the City and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

Bracewell LLP

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IM-#10813912.3

Based upon such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the City.
2. A continuing ad valorem tax upon all taxable property within the City of Iowa Colony, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of a subordinate lien on the Surplus Revenues of the City's utility system in an amount not to exceed \$1,000, as provided in the Ordinance.
3. Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Certificates or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the City and other parties upon which we have relied are determined to be inaccurate or incomplete or the City fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

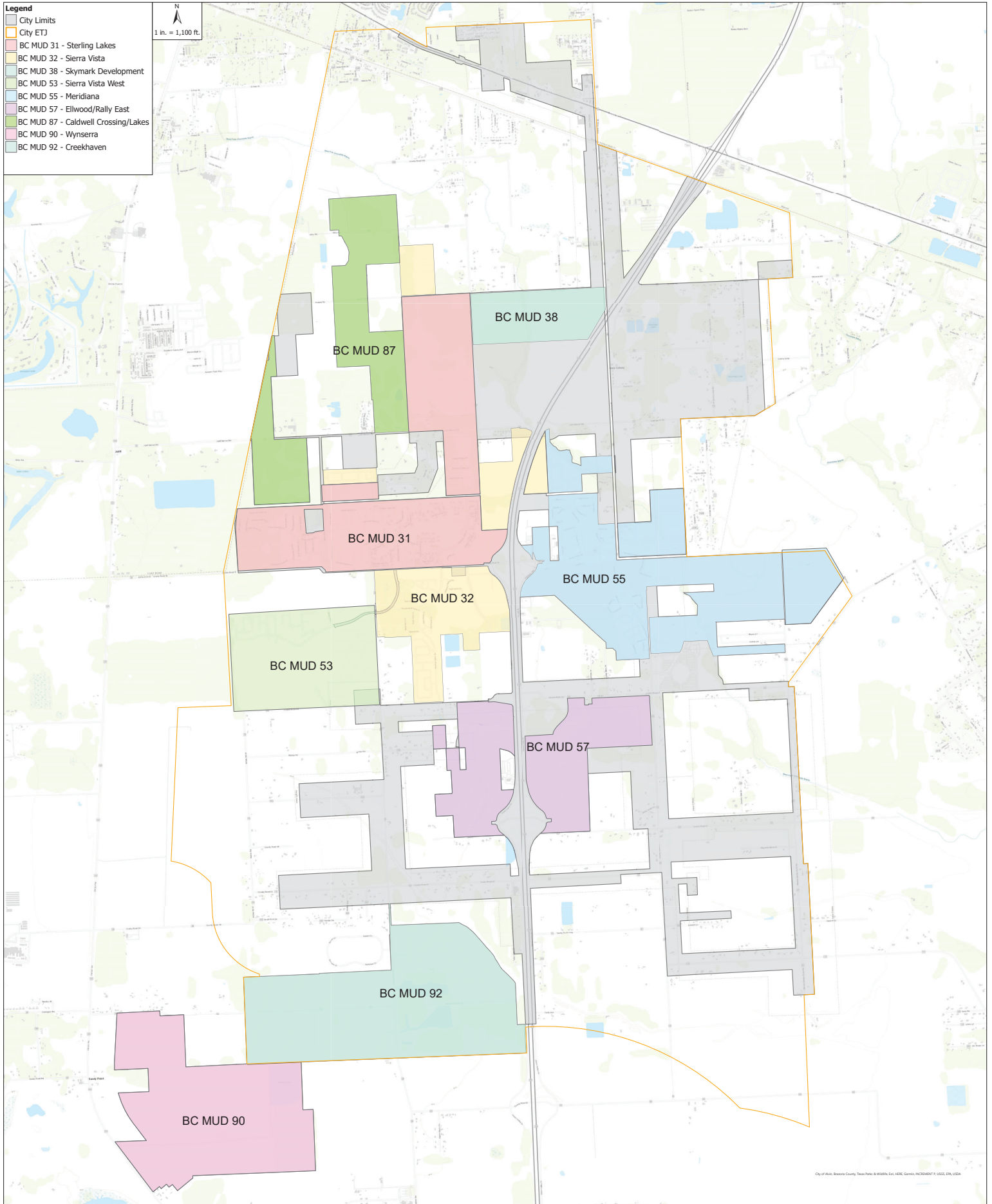
Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

APPENDIX D

CITY OF IOWA COLONY MUD DISTRICTS

- Legend**
- City Limits
 - City ETJ
 - BC MUD 31 - Sterling Lakes
 - BC MUD 32 - Sierra Vista
 - BC MUD 38 - Skymark Development
 - BC MUD 53 - Sierra Vista West
 - BC MUD 55 - Meridiana
 - BC MUD 57 - Ellwood/Rally East
 - BC MUD 87 - Caldwell Crossing/Lakes
 - BC MUD 90 - Wynserra
 - BC MUD 92 - Creekhaven

1 in. = 1,100 ft.



City of Iowa, Boone County, Texas Parks & Wildlife, L-14, 1486, Current, INCREMENT 1, 1/1/2020, 1/1/2020