

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 31, 2026

**Ratings: Moody's: "A2" (Underlying)
S&P: "AA" and Moody's: "A1" (AG Insured)
(See "OTHER INFORMATION – Ratings"
and "Bond Insurance" herein)**

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

\$10,655,000*

**CITY OF ELGIN, TEXAS
(Bastrop and Travis Counties)**

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026

Dated Date: April 29, 2026

Due: July 15, as shown on page 2

Interest Accrues from the Delivery Date

PAYMENT TERMS . . . Interest on the \$10,655,000* City of Elgin, Texas General Obligation Refunding Bonds, Series 2026 (the "Bonds") will accrue from April 29, 2026 (the "Delivery Date"), will be payable January 15 and July 15 of each year commencing July 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM"). The initial Paying Agent/Registrar is BOKF NA, Dallas, Texas (see "THE BONDS – PAYING AGENT/REGISTRAR").

AUTHORITY FOR THE ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), and constitute direct obligations of the City of Elgin, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). As permitted by Chapter 1207, in the Bond Ordinance, the City Council of the City delegated to certain authorized officials authority to execute a "Pricing Certificate" evidencing final sales terms of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance." See "THE BONDS – AUTHORITY FOR ISSUANCE OF THE BONDS".

PURPOSE. . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding debt as described in "SCHEDULE OF REFUNDED BONDS" hereto (collectively, the "Refunded Bonds") in order to achieve present value debt service savings, and (ii) to pay costs incurred in connection therewith including the costs of issuing the Bonds (see "PLAN OF FINANCING - PURPOSE").

SEE MATURITY SCHEDULE, INTEREST RATES, AND YIELDS ON PAGE 2

INSURANCE. . . The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc. ("AG" or "Bond Insurer") (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS").

**ASSURED
GUARANTY**

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see APPENDIX C - "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriter by their counsel, Bickerstaff Heath Delgado Acosta LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on April 29, 2026.

STIFEL

* Preliminary; subject to change.

MATURITY SCHEDULE, INTEREST RATES AND YIELDS*

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026

| <u>Maturity (7/15)</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Initial Yield ⁽¹⁾</u> | <u>CUSIP ⁽²⁾</u> |
|----------------------------|------------------|--------------------------|---|-----------------------------|
| 2027 | \$ 940,000 | | | |
| 2028 | 980,000 | | | |
| 2029 | 1,020,000 | | | |
| 2030 | 1,070,000 | | | |
| 2031 | 1,115,000 | | | |
| 2032 | 1,170,000 | | | |
| 2033 | 1,220,000 | | | |
| 2034 | 1,055,000 | | | |
| 2035 | 1,105,000 | | | |
| 2036 | 730,000 | | | |
| 2037 | 65,000 | | | |
| 2038 | 65,000 | | | |
| 2039 | 60,000 | | | |
| 2040 | 60,000 | | | |

(Interest Accrues from the Delivery Date)

- (1) The initial yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.
- (2) 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 provided by CUSIP Global Services. None of the City, the Municipal Advisor or the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part and as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after July 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

In the event the Underwriter selects to combine two or more consecutive maturities to form one or more term bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

* Preliminary; subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter 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, the Municipal Advisor or the Underwriter.

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

Assured Guaranty Inc. ("AG" or "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Bond Insurance supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and "Appendix D - Specimen Municipal Bond Insurance Policy".

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

NONE OF THE CITY, ITS MUNICIPAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

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

TABLE OF CONTENTS

CITY OFFICIALS, STAFF AND CONSULTANTS 7

OFFICIAL STATEMENT SUMMARY 8

INTRODUCTION..... 10

PLAN OF FINANCING 11

THE BONDS 12

BOND INSURANCE..... 17

BOND INSURANCE RISK FACTORS 19

TAX INFORMATION..... 20

TABLE 1 - VALUATION, EXEMPTIONS AND DEBT OBLIGATIONS 24

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY 25

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY 26

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY 26

TABLE 5 - TEN LARGEST TAXPAYERS 26

TABLE 6 - TAX ADEQUACY 27

TABLE 7 - ESTIMATED OVERLAPPING DEBT 27

DEBT INFORMATION 28

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS 28

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION 29

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT 29

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT 29

TABLE 12 - OTHER OBLIGATIONS 29

FINANCIAL INFORMATION 30

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY 30

TABLE 14 - MUNICIPAL SALES TAX HISTORY 30

FINANCIAL POLICIES 31

TABLE 15 - CURRENT INVESTMENTS 34

TAX MATTERS..... 35

CONTINUING DISCLOSURE OF INFORMATION..... 36

OTHER INFORMATION..... 38

Schedule of Refunded Bonds 38

APPENDICES

GENERAL INFORMATION REGARDING THE CITY A

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT B

FORM OF BOND COUNSEL’S OPINION C

SPECIMEN BOND INSURANCE POLICY D

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

| City Council | Length of Service | Term Expires |
|--|-------------------|--------------|
| Theresa McShan Mayor | 4 Years | 2026* |
| Sue Brashar Mayor Pro Tem, Ward 4 | 2 Years | 2026* |
| Joy Casnovsky Council Member, Ward 1 | 2 Years | 2026* |
| Arthur Gibson III Council Member, Ward 1 | 8 Months | 2027 |
| Chuck Swain Council Member, Ward 2 | 2 Years | 2026* |
| YaLecia Love Council Member, Ward 2 | 8 Months | 2027 |
| Al Rodriguez Council Member, Ward 3 | 2 Years | 2026* |
| Tiffany St. Pierre Council Member, Ward 3 | 8 Months | 2027 |
| Liston Crim Council Member, Ward 4 | 8 Months | 2027 |

* Currently running for reelection in the May 2026 election.

SELECTED ADMINISTRATIVE STAFF

| <u>Name</u> | <u>Position</u> |
|------------------|--------------------------|
| Robert Eads | City Manager |
| Pamela Sanders | Acting CFO / HR Director |
| Peyton Standifer | City Secretary |

CONSULTANTS AND ADVISORS

| | |
|------------------------|--|
| Auditor..... | BrooksWatson & Co., PLLC Houston, Texas |
| Bond Counsel..... | McCall, Parkhurst & Horton L.L.P. Austin, Texas |
| Municipal Advisor..... | RBC Capital Markets, LLC Houston, Texas |

For additional information regarding the City, please contact:

| | | |
|---|----|--|
| Pamela Sanders Acting CFO / HR Director City of Elgin, Texas 310 N Main Street Elgin, Texas 78621 (512) 229-3224 | or | Chris W. Allen Managing Director RBC Capital Markets, LLC 609 Main Street, Suite 3600 Houston, Texas 77002 (713) 651-3338 |
|---|----|--|

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 Bonds 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 Elgin, Texas (the "City"), is a political subdivision located approximately 20 miles east of Austin in the Bastrop and Travis Counties and operates as a home rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1985 and last amended by the voters at an election held November 4, 2025. The City operates under the Council/Manager form of government in which the Mayor and eight Council Members are elected for staggered two-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council of the City (the "City Council"). The City Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City.

THE BONDS The Bonds are issued as \$10,655,000* General Obligation Refunding Bonds, Series 2026 (the "Bonds"). The Bonds are issued as serial obligations maturing on July 15 in the years 2027 through 2040 (see "THE BONDS – DESCRIPTION OF THE BONDS").

PAYMENT OF INTEREST Interest on the Bonds accrues from the Delivery Date and is payable July 15, 2026 and each July 15 and January 15 thereafter until stated maturity or prior redemption (see "THE BONDS – DESCRIPTION OF THE BONDS" and "– OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE..... The Bonds are issued pursuant to the general laws of the State, particularly Texas Government Code, Chapter 1207, as amended, and an ordinance authorizing the issuance of the Bonds adopted by the City Council on March 17, 2026 (the "Bond Ordinance") (see "THE BONDS – AUTHORITY FOR ISSUANCE OF THE BONDS"). As permitted by Chapter 1207, in the Bond Ordinance, the City Council of the City delegated to certain authorized officials authority to execute a "Pricing Certificate" evidencing final sales terms of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance."

SECURITY FOR THE BONDS The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (see "THE BONDS – SECURITY AND SOURCE OF PAYMENT").

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City’s outstanding debt as described in "SCHEDULE OF REFUNDED BONDS" in order to achieve present value debt service savings, and (ii) to pay costs incurred in connection therewith including the costs of issuing the Bonds (see "PLAN OF FINANCING - PURPOSE").

OPTIONAL REDEMPTION..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after July 15, 20__, in whole or in part, on July 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – OPTIONAL REDEMPTION").

In the event the Underwriter elect to combine two or more consecutive maturities to form one or more term bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

TAX MATTERS..... In the opinion of Bond Counsel to the City, the interest on each series of the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

RATINGS..... Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A2" to the Bonds. The Bonds will also be rated "AA" by S&P Global Ratings and "A1" by Moody's by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Inc. at the time of delivery of the Bonds (see "OTHER INFORMATION – RATINGS" and "BOND INSURANCE").

BOOK-ENTRY-ONLY SYSTEM..... The definitive Bonds 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 Bonds may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD The City has never defaulted in payment of its outstanding debt.

* Preliminary; subject to change.

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 09/30 | Estimated Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | General Obligation Tax Debt ⁽³⁾ | Ratio of G.O. Tax Debt | |
|----------------------------------|--|---|--|--|-------------------------------------|--------------------------------|
| | | | | | to Taxable Assessed Valuation | G.O. Tax Debt Per Capita |
| 2021 | 11,521 | \$671,401,133 | \$58,276 | \$48,070,000 | 7.16% | \$4,172 |
| 2022 | 12,443 | 795,350,273 | 63,919 | 56,665,000 | 7.12% | 4,554 |
| 2023 | 12,443 | 1,067,080,798 | 85,758 | 54,545,000 | 5.11% | 4,384 |
| 2024 | 13,140 | 1,304,338,503 | 99,265 | 52,085,000 | 3.99% | 3,964 |
| 2025 | 13,140 | 1,416,233,002 | 107,780 | 49,540,000 | 3.50% | 3,770 |
| 2026 | 13,458 | 1,488,496,468 | 110,603 | 48,590,000 ⁽⁴⁾ | 3.26% ⁽⁴⁾ | 3,610 ⁽⁴⁾ |

(1) Source: The City.

(2) As reported by the Central Appraisal District of Bastrop and Travis Counties on City's annual Reports of Property Value to the State Comptroller of Public Accounts, subject to change during the ensuing year.

(3) Includes self-supporting debt (see "TABLE 1 – VALUATION, EXEMPTIONS AND TAX DEBT OBLIGATIONS" and "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT").

(4) Projected, includes the Bonds; excludes the Refunded Bonds. Preliminary; subject to change.

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* Preliminary; subject to change.

**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
CITY OF ELGIN, TEXAS
\$10,655,000*
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the \$10,655,000* City of Elgin, Texas, General Obligation Refunding Bonds, Series 2026 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the Bonds (the "Bond Ordinance"), to be adopted on the date of sale of the Bonds.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, RBC Capital Markets, LLC ("RBCCM"), Houston, Texas.

RBCCM is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Bonds are being offered by the City pursuant to this Official Statement. Prospective investors should review and analyze the Bonds, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders, the rights of the City to redeem the Bonds, the federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds and other features

DESCRIPTION OF THE CITY . . . The City is a political subdivision located approximately 20 miles east of Austin in the Bastrop and Travis Counties and operates as a home rule city under the laws of the State and a charter approved by the voters in 1985 and last amended by the voters at an election held November 4, 2025. The City operates under the Council/Manager form of government in which the Mayor and eight Council Members are elected for staggered two-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The City Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding debt as described in "SCHEDULE OF REFUNDED BONDS" hereto (collectively, the "Refunded Bonds"), in order to achieve present value debt service savings, and (ii) to pay costs incurred in connection therewith including the costs of issuing the Bonds (see "PLAN OF FINANCING - PURPOSE").

REFUNDED BONDS . . . A description and identification of the Refunded Bonds appears in the Schedule of Refunded Bonds attached hereto. The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds and securities to be deposited with the Escrow Agent pursuant to an escrow agreement between the City and the Escrow Agent (the "Escrow Agreement").

The Bond Ordinance provides that the City will deposit with the Escrow Agent a portion of the proceeds from the sale of the Bonds, together with other lawfully available funds of the City, if any, in an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special account (the "Escrow Account"). The funds held by the Escrow Agent in the Escrow Account will be used to purchase a portfolio of Federal Securities authorized under Section 1207.062, Texas Government Code, as amended. Under the Escrow Agreement, the Escrow Account is irrevocably pledged to the payment of principal of and interest of the Refunded Bonds.

Robert Thomas CPA, LLC, a firm of independent certified public accountants will serve as (the "Verification Agent"). The Verification Agent will verify at the time of delivery of the Bonds to the Underwriter the mathematical accuracy of the schedules that demonstrate the amount on deposit in the Escrow Account will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their redemption date. The funds on deposit in the Escrow Account will not be available to pay the debt service on the Bonds. See "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations."

* Preliminary; subject to change.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have affected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the Bond Ordinance authorizing the issuance of the Refunded Bonds.

It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the report of the Verification Agent (the "Verification Report"), firm banking and financial arrangements will have been made for discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer be outstanding except for the purpose of being paid from funds provided therefor in the Escrow Agreement.

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

| <u>Sources of Funds</u> | <u>The Bonds</u> |
|---|------------------|
| Principal Amount of the Bonds | \$ - |
| [Net] Original Issue Premium on the Bonds | - |
| Issuer Contribution | - |
| Total Sources of Funds | <u>\$ -</u> |
| | |
| <u>Uses of Funds</u> | |
| Deposit to Escrow Fund | \$ - |
| Underwriter's Discount | - |
| Costs of Issuance ⁽¹⁾ | - |
| Total Uses of Funds | <u>\$ -</u> |

(1) Includes the rounding amount and _____

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds mature on July 15 in each of the years and in the amounts shown on page 2 hereof. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – BOOK-ENTRY-ONLY SYSTEM").

Interest on the Bonds will accrue from the Delivery Date of the Bonds to the Underwriter, will be payable on January 15 and July 15 of each year commencing July 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30- day months.

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Bonds (the "Bond Ordinance"), and constitute direct obligations of the City of Elgin, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). As permitted by Chapter 1207, in the Bond Ordinance, the City Council of the City delegated to certain authorized officials authority to execute a "Pricing Certificate" evidencing final sales terms of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance."

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City.

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 debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts the constitutional provisions. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all ad valorem tax debt service calculated at the time of issuance based upon 90% tax collections.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem each series of the Bonds of having stated maturities on and after July 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of such series of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and

notice of such redemption shall have been given, such Bonds (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.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the applicable Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC.

If the City redeems less than all of the Bonds within a series, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Bond Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "The Bonds – BOOK-ENTRY-ONLY SYSTEM" herein.

MANDATORY SINKING FUND...In the event the Underwriter selects to combine two or more consecutive maturities to form one or more term bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption (see "THE BONDS – MANDATORY SINKING FUND REDEMPTION").

NOTICE OF REDEMPTION...Not less than 30 days prior to an optional redemption date for the Bonds, the City shall cause a notice of optional redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Ordinance have been met and moneys sufficient to pay the redemption price of the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the applicable Ordinance or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS - Book-Entry-Only System").

DEFEASANCE . . . The Bond Ordinance provides for the defeasance of the Bonds in any manner permitted by law, including when payment of the principal amount of and interest on the Bonds to their due date (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or a trust company or commercial bank authorized to serve as escrow agent, (a) cash in an amount sufficient to make such payment or (b) pursuant to an escrow or trust agreement, cash and/or (1) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, the principal and interest on which will,

when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other money, if any, held in such escrow, will be sufficient to provide for the timely payment of the principal of and interest on such Bonds to their due date, and (4) any other then authorized securities or obligations under Texas law that may be used to defease obligations such as the Bonds. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding Bonds for purposes of applying any limitation on indebtedness or for purposes of taxation.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Ordinance contractually limits such investments, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

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

The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount 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 Bonds. 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 Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them on notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Bonds 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 for the Bonds shall be sent to DTC. If less than all of the Bonds 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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. All payments on the Bonds 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 Bonds 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, Obligations are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but none of the City, the Municipal Advisor nor the Underwriter take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT. . . In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 applicable 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 Bonds will be subject to the transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

NOTICE TO DTC IN LIEU OF BENEFICIAL OWNERS . . . The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds, and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" above).\

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Bond 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 Bonds 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bonds will be delivered to the registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of such printed Bonds and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the last calendar day of the preceding month (whether or not a business day).

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

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

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BONDHOLDERS' REMEDIES. . . The Bond Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of 60 days after written notice of such default is given by any owner to the City, the Bond Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Bond Ordinance and consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, a registered owner may not be able to bring such a suit against the City for breach of the Bonds or the Bond Ordinance. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. As noted above, the Bond Ordinance provides that holders of Bonds may exercise the remedy of mandamus to enforce the Bonds of the City under the Bond Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson"), the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without bankruptcy court approval, the prosecution of any other legal action by creditors or holders of obligations of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the bankruptcy court (which could require that the action be heard in bankruptcy court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a bankruptcy court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion.

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

ASSURED GUARANTY INC. . . . AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At December 31, 2025:

- The policyholders’ surplus of AG was approximately \$3,249 million.
- The contingency reserve of AG was approximately \$1,511 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed with the Securities and Exchange Commission (the "SEC") on February 27, 2026 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted here from, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "Bond Insurance".

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the Bonds of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim 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 is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The Bonds of the Bond Insurer 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 or other similar laws related to insolvency.

Neither the City nor Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

TAX INFORMATION

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

AD VALOREM TAX LAW . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Central Appraisal Districts of Bastrop and Travis Counties (the "Appraisal Districts"). Except as generally described below, the Appraisal Districts are required to appraise all property within the Appraisal Districts on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining market value of property, the Appraisal Districts are 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 appraisers of the Appraisal Districts consider most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in their jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides those 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 Districts are subject to review and change by the Appraisal Review Boards. The appraisal rolls, as approved by the Appraisal Review Boards, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

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

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175

days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Temporary Exemption for Qualified Property Damaged by a Disaster . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Property Code. Section 11.35 of the Property Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

Tax Increment Reinvestment Zones . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment." During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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 OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the 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 Bonds.

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.

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

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

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

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. See “TAX INFORMATION – TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER” for a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

CITY APPLICATION OF PROPERTY TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons who are 65 years of age or older or who are disabled of \$15,000.

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

The City does not tax nonbusiness personal property; and the Central Appraisal District of Bastrop County collects ad valorem taxes for the City under a contract with the City.

The City does not tax Freeport Property.

The City has not taken action to tax Goods-in-Transit. The City has not adopted a tax abatement policy.

TAX INCREMENT REINVESTMENT ZONE NO. ONE . . . The City and Bastrop County are both participants in TIRZ No. 1. TIRZ No. 1 has a 38-year term with the City contributing up to 90% of the tax increment that it collects within the boundaries of TIRZ No. 1, and Bastrop County, pursuant to an Interlocal Agreement, contributing 90% of the tax increment it collects for tax years 2014-2017, 85% for tax years 2018-2021, 80% for tax years 2022-2023 and 75% for tax years beginning in 2024 through the remainder of the agreement on the tax increment collected within the boundaries of TIRZ No. 1; however, in no event will Bastrop County's aggregate contribution exceed \$1,100,000 during the term of TIRZ No. 1.

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TABLE 1 - VALUATION, EXEMPTIONS AND DEBT OBLIGATIONS

| | | |
|---|-------------------|---------------------------------|
| 2025/26 Market Valuation Established by the Bastrop and Travis County Appraisal Districts | | \$ 1,609,716,529 ⁽¹⁾ |
| Less Exemptions/Reductions at 100% Market Value | | |
| Over 65/Disabled | \$ 2,964,915 | |
| Homestead Cap Adjustment | 55,539,398 | |
| Productivity Loss | 36,954,322 | |
| Disabled Veterans | 7,896,651 | |
| Pollution Control | - | |
| Solar and Other | <u>17,864,775</u> | |
| Total Exemptions | | <u>\$ 121,220,061</u> |
| 2025/26 Taxable Assessed Valuation ⁽²⁾ | | <u>\$ 1,488,496,468</u> |
| 2025/26 Incremental Taxable Assessed Valuation of Real Property within the Tax Increment Reinvestment Zone No. 1 | | <u>\$ 142,903,107</u> |
| 2025/26 Taxable Assessed Valuation available for General Fund Obligation and Debt of City | | <u><u>\$ 1,345,593,361</u></u> |
| City Funded Debt Payable from Ad Valorem Taxes | | |
| Outstanding General Obligation Debt as of March 1, 2026 | | \$ 49,540,000.00 |
| Less: Refunded Bonds ⁽²⁾ | | (11,605,000) |
| The Bonds ⁽²⁾ | | <u>10,655,000</u> |
| Net General Obligation Debt Outstanding | | <u><u>\$ 48,590,000</u></u> |
| Less: Self-Supporting Debt ⁽³⁾ | | |
| Waterworks and Sewer System Supported Debt | \$ 29,058,676 | |
| TIRZ No. 1 Supported Debt | 5,020,000 | |
| EDC Supported Debt | <u>2,620,000</u> | |
| Net Funded Debt Payable from Ad Valorem Taxes | | <u><u>\$ 11,891,324</u></u> |
| Interest and Sinking Fund Balance as of September 30, 2025 | | \$ 1,510,067 |
| Ratio of Gross GO Debt to Taxable Assessed Valuation | | 3.68% |
| Ratio of Net GO Debt to Taxable Assessed Valuation | | 0.80% |

| | |
|--|----------|
| 2026 Estimated Population - | 13,458 |
| Per Capital Taxable Assessed Valuation - | \$99,985 |
| Per Capita Funded Debt Payable from Ad Valorem Taxes - | \$3,681 |
| Per Capita Net Funded Debt Payable from Ad Valorem Taxes - | \$884 |

- (1) In addition to the exemptions described, the City has taken action to implement the tax freeze on the residence homestead of persons who are disabled and persons who are 65 years of age or older. See "TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE."
- (2) Preliminary; subject to change.
- (3) Ad valorem tax debt in the amounts shown for which repayment is provided from revenue sources other than ad valorem tax receipts, as shown in Table 10. It is the City's current policy to provide for the payment of the ad valorem tax debt shown from these revenue sources. This policy is subject to change in the future. See also "DEBT INFORMATION – TABLE 8 – PRO-FORMA AD VALOREM TAX DEBT SERVICE REQUIREMENTS".

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Fiscal Year Ended September 30, | | | | | |
|---|---------------------------------|------------|-------------------------|------------|-------------------------|------------|
| | 2026 | | 2025 | | 2024 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 1,187,530,573 | 73.77% | \$ 1,203,663,097 | 74.69% | \$ 1,169,114,803 | 75.79% |
| Real, Residential, Multi-Family | 45,987,984 | 2.86% | 49,012,142 | 3.04% | 49,787,835 | 3.23% |
| Real, Vacant Lots/Tracts | 48,290,955 | 3.00% | 47,003,193 | 2.92% | 47,191,181 | 3.06% |
| Real, Acreage (Land Only) | 57,232,658 | 3.56% | 57,427,614 | 3.56% | 40,476,254 | 2.62% |
| Real, Farm and Ranch Improvements | 14,742,759 | 0.92% | 15,415,205 | 0.96% | 11,255,270 | 0.73% |
| Real, Commercial | 169,756,691 | 10.55% | 163,795,402 | 10.16% | 154,818,737 | 10.04% |
| Real, Industrial | 6,645,711 | 0.41% | 5,259,846 | 0.33% | 5,609,940 | 0.36% |
| Real and Tangible Personal, Utilities | 18,451,046 | 1.15% | 15,849,651 | 0.98% | 15,891,266 | 1.03% |
| Tangible Personal, Commercial | 53,285,985 | 3.31% | 48,765,524 | 3.03% | 41,689,293 | 2.70% |
| Tangible Personal, Industrial | 761,651 | 0.05% | 456,778 | 0.03% | 803,885 | 0.05% |
| Tangible Personal, Other | 4,008,549 | 0.25% | 1,832,018 | 0.11% | 1,866,019 | 0.12% |
| Special Inventory | 3,021,967 | 0.19% | 2,995,037 | 0.19% | 4,029,016 | 0.26% |
| Total Appraised Value Before Exemptions | \$ 1,609,716,529 | 100.00% | \$ 1,611,475,507 | 100.00% | \$ 1,542,533,499 | 100.00% |
| Less: Total Exemptions/Reductions | (121,220,061) | | (195,242,505) | | (238,194,996) | |
| Taxable Assessed Value | <u>\$ 1,488,496,468</u> | | <u>\$ 1,416,233,002</u> | | <u>\$ 1,304,338,503</u> | |

| Category | Fiscal Year Ended September 30, | | | |
|---|---------------------------------|------------|-----------------------|------------|
| | 2023 | | 2022 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 945,399,546 | 74.21% | \$ 576,103,189 | 67.84% |
| Real, Residential, Multi-Family | 39,577,862 | 3.11% | 25,830,996 | 3.04% |
| Real, Vacant Lots/Tracts | 41,865,050 | 3.29% | 25,851,313 | 3.04% |
| Real, Acreage (Land Only) | 28,157,927 | 2.21% | 22,576,513 | 2.66% |
| Real, Farm and Ranch Improvements | 18,038,413 | 1.42% | 11,489,511 | 1.35% |
| Real, Commercial | 140,030,127 | 10.99% | 137,291,537 | 16.17% |
| Real, Industrial | 4,837,912 | 0.38% | 4,554,299 | 0.54% |
| Real and Tangible Personal, Utilities | 12,720,846 | 1.00% | 11,899,153 | 1.40% |
| Tangible Personal, Commercial | 36,456,114 | 2.86% | 28,865,205 | 3.40% |
| Tangible Personal, Industrial | 461,211 | 0.04% | 624,685 | 0.07% |
| Tangible Personal, Other | 3,008,555 | 0.24% | 1,595,406 | 0.19% |
| Special Inventory | 3,404,294 | 0.27% | 2,477,640 | 0.29% |
| Total Appraised Value Before Exemptions | \$ 1,273,957,857 | 100.00% | \$ 849,159,447 | 100.00% |
| Less: Total Exemptions/Reductions | (206,877,059) | | (53,890,174) | |
| Taxable Assessed Value | <u>\$ 1,067,080,798</u> | | <u>\$ 795,269,273</u> | |

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 09/30 | Estimated Population ⁽¹⁾ | Taxable Assessed Valuation ⁽²⁾ | Taxable Assessed Valuation Per Capita | General Obligation Tax Debt ⁽³⁾ | Ratio of G.O. Tax Debt to Taxable Assessed Valuation | G.O. Tax Debt Per Capita |
|-------------------------|-------------------------------------|---|---------------------------------------|--|--|--------------------------|
| 2021 | 11,521 | \$671,401,133 | \$58,276 | \$48,070,000 | 7.16% | \$4,172 |
| 2022 | 12,443 | 795,350,273 | 63,919 | 56,665,000 | 7.12% | 4,554 |
| 2023 | 12,443 | 1,067,080,798 | 85,758 | 54,545,000 | 5.11% | 4,384 |
| 2024 | 13,140 | 1,304,338,503 | 99,265 | 52,085,000 | 3.99% | 3,964 |
| 2025 | 13,140 | 1,416,233,002 | 107,780 | 49,540,000 | 3.50% | 3,770 |
| 2026 | 13,458 | 1,488,496,468 | 110,603 | 48,590,000 ⁽⁴⁾ | 3.26% ⁽⁴⁾ | 3,610 ⁽⁴⁾ |

- (1) Source: The City.
- (2) As reported by the Central Appraisal Districts of Bastrop and Travis Counties on the City's annual State Property Tax Board Reports, subject to change during the ensuing year.
- (3) Includes the City's self-supporting debt (see "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT").
- (4) Projected; includes the Bonds and excludes the Refunded Bonds. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal Year Ended 9/30 | Total Tax Rate | Distribution | | Total Tax Levy | % Current Collections | % Total Collections |
|------------------------|----------------|--------------------------|---------------------------|----------------|-----------------------|-----------------------|
| | | Maintenance & Operations | Interest and Sinking Fund | | | |
| 2021 | \$ 0.63566 | \$ 0.415379 | \$ 0.220284 | \$ 4,251,190 | 98.24% | 100.56% |
| 2022 | 0.58999 | 0.404073 | 0.185914 | 4,421,650 | 98.36% | 99.38% |
| 2023 | 0.54466 | 0.364311 | 0.180353 | 5,677,250 | 96.63% | 98.39% |
| 2024 | 0.49824 | 0.363265 | 0.134972 | 4,146,418 | 100.30% | 103.39% |
| 2025 | 0.57000 | 0.402300 | 0.167700 | 7,076,773 | 94.95% | 94.95% |
| 2026 | 0.61930 | 0.501934 | 0.117362 | 8,498,223 | 93.60% ⁽¹⁾ | 98.87% ⁽²⁾ |

- (1) Collections through February 28, 2026.
- (2) Delinquent taxes are still under collection.

TABLE 5 - TEN LARGEST TAXPAYERS

| Name of Taxpayer | Nature of Property | FYE 2026 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-------------------------------------|------------------------------|-------------------------------------|---------------------------------------|
| Wal-Mart Real Estate Business Trust | Commercial Land | \$ 11,362,477 | 0.76% |
| Elgin Innovation, LLC | Commercial Building | 10,478,222 | 0.70% |
| Jose Garcia | Apartments | 8,820,156 | 0.59% |
| HEB LP | Grocery Store | 7,702,401 | 0.52% |
| Carr Lane Manufacturing Company | Industrial Manufacturing | 5,807,150 | 0.39% |
| Crescent Village Ltd. | Apartments | 5,563,092 | 0.37% |
| Oncor Electric Delivery Co. LLC | Electric Utility/Power Plant | 5,527,500 | 0.37% |
| Onepointe Solutions LLC | Wholesale Supplier | 5,151,870 | 0.35% |
| Crescent Village II Ltd | Apartments | 4,933,308 | 0.33% |
| Jeanne Bracewell Family LP | Commercial Building | 4,916,700 | 0.33% |
| | | <u>\$ 70,262,876</u> | <u>4.72%</u> |

- (1) Source: Municipal Advisory Council of Texas.

AD VALOREM TAX DEBT LIMITATION . . . No direct funded debt limitation is imposed on the City under current State law or the City’s Home Rule Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits the City’s maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which adopts the constitutional provisions.

TABLE 6 - TAX ADEQUACY ⁽¹⁾

| | |
|--|------------------|
| Net Principal and Interest Requirements, FY2026 ⁽¹⁾ | \$ 1,386,825 |
| \$ 0.09610 at 97% Collection Produces..... | \$ 1,387,532 |
| Average Annual Principal and Interest Requirements, FY2026 - FY2048 ⁽¹⁾ | \$ 741,013 |
| \$ 0.05140 at 97% Collection Produces..... | \$ 742,135 |
| Maximum Net Principal and Interest Requirements, FY2027 ⁽¹⁾ | \$ 1,386,825 |
| \$ 0.09610 at 97% Collection Produces..... | \$ 1,387,532 |

(1) Includes the Bonds and excludes self-supporting debt and the Refunded Bonds.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

The following tables indicate the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. This information is based upon data secured from the individual jurisdictions and/or the current Texas Municipal Reports published by the Texas Municipal Advisory Council. 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 below may have issued additional obligations since the date stated, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined.

| Taxing Jurisdiction | Gross Debt | As of | Overlapping Debt | |
|--|----------------|------------|------------------|----------------|
| | | | Percent (%) | Amount (\$) |
| Austin CCD | \$ 657,685,000 | 01/31/2026 | 0.34% | \$ 2,236,129 |
| Bastrop Co | 70,025,000 | 01/31/2026 | 7.20% | 5,041,800 |
| Elgin ISD | 326,325,000 | 01/31/2026 | 39.79% | 129,844,718 |
| Travis Co | 1,169,850,000 | 01/31/2026 | 0.09% | 1,052,865 |
| Travis Co Healthcare Dst | 406,525,000 | 01/31/2026 | 0.09% | 365,873 |
| Total Net Overlapping Debt | | | | \$ 138,541,384 |
| City of Elgin ⁽¹⁾ | | | | \$ 48,590,000 |
| Total Direct and Overlapping Debt | | | | \$ 187,131,384 |
| Ratio of Total Direct and Overlapping Debt to 2025 Taxable Valuation | | | | 12.57% |
| Per Capita Direct and Overlapping Debt | | | | \$ 13,905 |

(1) Preliminary; subject to change. Includes the Bonds and the City’s self-supporting debt and excludes the Refunded Bonds. See "TABLE 10 – COMPUTATION OF SELF – SUPPORTING DEBT."

Source: Municipal Advisory Council of Texas.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA AD VALOREM TAX SUPPORTED DEBT SERVICE REQUIREMENTS

| Fiscal Year Ended | Outstanding Debt Service | | | The Bonds ⁽¹⁾ | | | Less: Prior Receipts ⁽¹⁾ | Less: Refunding Savings ⁽¹⁾ | Less: Water & Sewer Self-Supported Debt Service ⁽²⁾ | Less: TIRZ Self-Supported Debt Service ⁽²⁾ | Less: EDC Self-Supported Debt Service ⁽²⁾ | Net General Obligation Debt Service | % of Principal Retired |
|-------------------------|--------------------------|----------------------|----------------------|--------------------------|---------------------|----------------------|---|--|---|--|---|--|------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total | | | | | | | |
| 2026 | \$ 2,630,000 | \$ 1,915,300 | \$ 4,545,300 | \$ - | \$ 112,469 | \$ 112,469 | \$ 122,906 | \$ - | \$ 2,640,706 | \$ 332,969 | \$ 184,800 | \$ 1,376,389 | |
| 2027 | 2,770,000 | 1,810,100 | 4,580,100 | 940,000 | 532,750 | 1,472,750 | - | 43,000 | 2,662,639 | 332,369 | 186,600 | 2,828,242 | |
| 2028 | 2,725,000 | 1,699,300 | 4,424,300 | 980,000 | 485,750 | 1,465,750 | - | 43,200 | 2,649,478 | 331,569 | 188,200 | 2,677,604 | |
| 2029 | 2,735,000 | 1,590,300 | 4,325,300 | 1,020,000 | 436,750 | 1,456,750 | - | 44,000 | 2,649,246 | 330,569 | 184,600 | 2,573,635 | |
| 2030 | 2,845,000 | 1,480,900 | 4,325,900 | 1,070,000 | 385,750 | 1,455,750 | - | 45,400 | 2,648,099 | 329,369 | 186,000 | 2,572,783 | 21.92% |
| 2031 | 2,965,000 | 1,366,175 | 4,331,175 | 1,115,000 | 332,250 | 1,447,250 | - | 46,575 | 2,642,132 | 332,969 | 187,200 | 2,569,549 | |
| 2032 | 3,070,000 | 1,246,625 | 4,316,625 | 1,170,000 | 276,500 | 1,446,500 | - | 43,375 | 2,630,241 | 331,169 | 188,200 | 2,570,140 | |
| 2033 | 3,185,000 | 1,124,838 | 4,309,838 | 1,220,000 | 218,000 | 1,438,000 | - | 46,075 | 2,632,804 | 329,169 | 189,000 | 2,550,790 | |
| 2034 | 3,090,000 | 998,444 | 4,088,444 | 1,055,000 | 157,000 | 1,212,000 | - | 44,425 | 2,545,075 | 331,969 | 189,600 | 2,189,375 | |
| 2035 | 2,675,000 | 876,681 | 3,551,681 | 1,105,000 | 104,250 | 1,209,250 | - | 47,575 | 2,081,513 | 329,369 | 185,000 | 2,117,475 | 52.51% |
| 2036 | 2,350,000 | 771,594 | 3,121,594 | 730,000 | 49,000 | 779,000 | - | 46,425 | 2,073,425 | 331,569 | 185,400 | 1,263,775 | |
| 2037 | 1,740,000 | 678,369 | 2,418,369 | 65,000 | 12,500 | 77,500 | - | 46,400 | 1,367,000 | 333,369 | 185,600 | 563,500 | |
| 2038 | 1,805,000 | 609,594 | 2,414,594 | 65,000 | 9,250 | 74,250 | - | 44,925 | 1,366,225 | 329,769 | 185,600 | 562,325 | |
| 2039 | 1,590,000 | 538,269 | 2,128,269 | 60,000 | 6,000 | 66,000 | - | 48,450 | 1,078,900 | 330,969 | 185,400 | 550,550 | |
| 2040 | 1,640,000 | 474,144 | 2,114,144 | 60,000 | 3,000 | 63,000 | - | 46,725 | 1,064,975 | 331,769 | 185,000 | 548,675 | 73.02% |
| 2041 | 1,705,000 | 410,119 | 2,115,119 | - | - | - | - | - | 1,061,450 | 333,069 | 189,400 | 531,200 | |
| 2042 | 1,750,000 | 350,656 | 2,100,656 | - | - | - | - | - | 1,053,850 | 329,006 | 188,400 | 529,400 | |
| 2043 | 1,815,000 | 289,613 | 2,104,613 | - | - | - | - | - | 1,055,650 | 329,763 | 187,200 | 532,000 | |
| 2044 | 1,865,000 | 226,306 | 2,091,306 | - | - | - | - | - | 1,046,550 | 330,156 | 185,800 | 528,800 | |
| 2045 | 1,930,000 | 161,288 | 2,091,288 | - | - | - | - | - | 1,041,900 | 330,188 | 189,200 | 530,000 | 94.63% |
| 2046 | 1,885,000 | 93,600 | 1,978,600 | - | - | - | - | - | 931,500 | 329,500 | 187,200 | 530,400 | |
| 2047 | 455,000 | 27,938 | 482,938 | - | - | - | - | - | 154,500 | 328,438 | - | - | |
| 2048 | 320,000 | 12,000 | 332,000 | - | - | - | - | - | - | 332,000 | - | - | 100.00% |
| Total | \$ 49,540,000 | \$ 18,752,150 | \$ 68,292,150 | \$ 10,655,000 | \$ 3,121,219 | \$ 13,776,219 | \$ 122,906 | \$ 636,550 | \$ 39,077,857 | \$ 7,611,050 | \$ 3,923,400 | \$ 30,696,607 | |

(1) Debt service calculated assuming current market rates for purposes of illustration only. Preliminary; subject to change.

(2) As a matter of policy, the City issues general obligation debt to fund improvements for many of its enterprise activities. The City intends to pay such general obligation debt from revenues of the respective enterprise systems. This policy is subject to change in the future.

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TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | | |
|---|--------------|-----------------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending Sep. 30, 2026 | | \$ 1,386,825 ⁽¹⁾ |
| Interest and Sinking Fund Balance as of Sep. 30, 2025..... | \$ 2,106,740 | |
| Budgeted Interest and Sinking Fund Levy FY2026..... | 1,510,067 | |
| Budgeted Investment Income FY2026 | <u>-</u> | <u>3,616,807</u> |
| Estimated I&S Fund Balance Fiscal Year Ending Sep. 30, 2026 | | <u><u>\$ 2,229,982</u></u> |

(1) Includes the Bonds and excludes self-supporting debt and the Refunded Bonds. Preliminary; subject to change.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

| | |
|--|----------------------------|
| <u>Waterworks and Sewer System</u> | |
| Revenues Available for Waterworks and Sewer System, FY2026..... | \$ 6,871,342 |
| Less: Revenue Bond Debt Service Requirements, FY2026 | <u>-</u> |
| Balance Available for Other Purposes | 6,871,342 |
| WW&SS System Ad Valorem Tax Debt Service Requirements, FY2025 | <u>2,640,706</u> |
| Balance Available for Other Purposes | <u><u>\$ 4,230,636</u></u> |
| Percentage of Waterworks & Sewer System General Obligation Bonds Self-Supporting | 100.00% |
| <u>Tax Increment Reinvestment Zone Number One ("TIRZ")</u> | |
| Budgeted Revenue Available for Debt Service from TIRZ No. 1 FY2026 | \$ 327,000 |
| TIRZ Ad Valorem Tax Debt Service Requirements, FY2026 | <u>332,969</u> |
| Balance | <u><u>\$ (5,969)</u></u> |
| Percentage of TIRZ No. 1 Debt Service, Self-Supporting | 98.21% |

(1) The projected Net Revenues Available for Waterworks and Sewer System is unaudited number based off of book balances of the City as calculated by City staff. The unaudited information has not been reviewed by the City's independent auditor and is subject to change upon completion of the City's annual audit.

(2) Preliminary; subject to change. Includes the Bonds and excludes the Refunded Bonds.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT ... The City has no authorized but unissued general obligation bonds. The City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including Bonds of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

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

TABLE 12 - OTHER OBLIGATIONS

The City is obligated under certain lease agreements which have been classified as capital leases. Capital lease obligations as of September 30, 2025, are composed of the following:

| Fiscal Year Ended | Principal | Interest | Total |
|-------------------------|------------------|-----------------|------------------|
| 09/30 | | | |
| 2026 | \$23,178 | \$14,680 | \$37,858 |
| 2027 | 27,466 | 10,392 | 37,858 |
| 2028 | 28,975 | 8,883 | 37,858 |
| 2029 | 30,567 | 7,291 | 37,858 |
| 2030 | 32,246 | 5,612 | 37,858 |
| 2031 | 34,018 | 3,840 | 37,858 |
| 2032 | 35,886 | 1,971 | 37,857 |
| | <u>\$212,336</u> | <u>\$52,669</u> | <u>\$265,005</u> |

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

| | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|------------------------|----------------------|-------------------------|-----------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Revenues: | | | | | |
| Property Tax | \$ 5,270,873 | \$ 4,431,037 | \$ 3,619,287 | \$ 3,016,142 | \$ 2,777,468 |
| Sales Tax | 2,909,053 | 2,791,912 | 2,545,978 | 2,350,777 | 2,022,908 |
| Franchise Fees and Local Taxes | 590,231 | 611,555 | 635,443 | 590,713 | 544,924 |
| Licenses and Permits | 2,242,446 | 2,812,328 | 1,973,068 | 3,212,883 | 2,812,688 |
| Intergovernmental | 371,638 | 136,614 | 80,536 | 1,412,415 | 1,703,563 |
| Fines and Forfeitures | 713,838 | 409,792 | 326,249 | 240,572 | 204,261 |
| Garbage Services | 1,898,881 | 1,790,190 | 1,638,047 | 1,456,825 | 1,329,910 |
| Investment Income | 335,164 | 628,032 | 768,907 | 92,839 | 7,367 |
| Other Revenue | 1,387,648 | 701,386 | 249,923 | 250,353 | 216,796 |
| Total Revenues: | \$ 15,719,772 | \$ 14,312,846 | \$ 11,837,438 | \$ 12,623,519 | \$ 11,619,885 |
| Expenditures: | | | | | |
| General Government | \$ 4,923,221 | \$ 5,340,870 | \$ 2,640,509 | \$ 2,194,105 | \$ 1,825,795 |
| Public Safety | 5,284,439 | 6,150,021 | 5,019,071 | 3,754,478 | 3,363,341 |
| Community Development | 1,921,232 | 1,122,919 | 1,082,646 | 1,074,450 | 1,243,706 |
| Parks and Recreation | 1,602,833 | 1,530,551 | 1,267,210 | 999,130 | 673,766 |
| Public Works | 1,145,103 | 1,075,974 | 1,039,759 | 1,223,721 | 1,094,633 |
| Garbage | 435,552 | 915,457 | 1,153,482 | 1,036,417 | 975,255 |
| Capital Outlay | 1,335,741 | - | - | - | - |
| Other | 796 | 624,830 | 517,246 | 572,565 | 135,878 |
| Total Expenditures: | \$ 16,648,917 | \$ 16,760,622 | \$ 12,719,923 | \$ 10,854,866 | \$ 9,312,374 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures: | \$ (929,145) | \$ (2,447,776) | \$ (882,485) | \$ 1,768,653 | \$ 2,307,511 |
| Other Financing Sources (Uses) | \$ (1,538,831) | \$ 1,361,664 | \$ 1,318,070 | \$ (157,111) | \$ 1,217,712 |
| Fund Balance at | | | | | |
| Beginning of Year | \$ 5,470,867 | \$ 6,409,718 | \$ 5,974,133 | \$ 4,397,223 | \$ 837,368 |
| Prior Period Adjustment | - | 147,261 ⁽¹⁾ | - | (34,632) ⁽²⁾ | 34,632 ⁽³⁾ |
| Fund Balance at End of Year | \$ 3,002,891 | \$ 5,470,867 | \$ 6,409,718 | \$ 5,974,133 | \$ 4,397,223 |

(1) City restated its FYE 2024 beginning fund balance due to correction to accrued liabilities.

(2) City restated its FYE 2022 beginning fund balance due to correction to prepaid expense balance related to TWC taxes.

(3) City restated its FYE 2021 beginning fund balance due to correction to insurance expenses and hotel tax revenue.

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TABLE 14—MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and may not be pledged to the payment of the Bonds. Collections and enforcements are affected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Net sales and use tax collections on a calendar year basis are shown below:

| Fiscal Year Ended 09/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita ⁽¹⁾ |
|----------------------------------|--------------------|--------------------------------|---|------------------------------|
| 2021 | \$ 2,022,908 | 47.58% | \$0.3013 | \$ 175.58 |
| 2022 | 2,327,381 | 52.64% | 0.2926 | 187.04 |
| 2023 | 2,545,978 | 44.85% | 0.2386 | 204.61 |
| 2024 | 2,791,912 | 67.33% | 0.2140 | 212.47 |
| 2025 | 2,909,053 | 41.11% | 0.1954 | 216.16 |

(1) See "Estimated Population" under "TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY".

OPTIONAL SALES TAX . . . The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by an amount of the estimated sales tax revenues to be generated in the current year.

Further, the Tax Code provides certain cities the option of assessing a maximum one-half (1/2%) sales tax on retail sales of taxable items for certain specific purposes, including economic development purposes, municipal street maintenance and repair, and sports and community venues, if approved by a majority of the voters in a local option election.

At an election held on January 21, 1995, voters of the City approved the imposition of a 1/2 cent additional sales and use tax for the benefit of promoting, developing or expanding local business. The levy of such sales tax began on July 1, 1995, and the Elgin Economic Development Corporation received its first payment on September 15, 1995. The Elgin Economic Development Corporation utilizes these funds to promote local business. These additional sales and use tax are not available to pay debt service on the Bonds.

FINANCIAL POLICIES

The financial administration of the City is vested in the Department of Finance. The Department of Finance operates under the Director of Finance, who is appointed by the City Manager. Required activities of the Department of Finance are control, custody and disbursement of the City funds. Other activities of the Department of Finance include data processing, utility billing and collections, annual budget preparation and interim and annual financial reports

BASIS OF ACCOUNTING . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt. The accrual basis of accounting is utilized by proprietary funds. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

GENERAL FUND BALANCE. . . The City of Elgin has adopted a financial policy to serve as a benchmark which has set limits for a Committed Fund Balance. It is the City's policy to set limits to: maintain a Stabilization Cash Reserve Fund balance (approximately 3 months operating expenses) in the amount of \$2 million; establish and maintain a Legal Counsel Cash Reserve Fund Balance in the amount of \$250,000; establish and maintain a Capital Projects Cash Reserve Fund balance for a one-time dedicated capital project for road improvements in the amount of \$500,000, for a total committed fund balance amount of \$2,750,000. This policy will be reviewed as needed, but no less than biannually.

USE OF PROCEEDS, GRANTS, ETC. . . . The City's policy is to use bond proceeds, grants, revenue sharing or other nonrecurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

BUDGETARY PROCEDURES . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of June. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August. The City Council shall hold a public hearing on the budget after giving at least 7 days' notice of the hearing in the official newspaper of the City. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget three days prior to September 30.

During the fiscal year, budgetary control is maintained by the review of departmental appropriation balances with purchase orders prior to their release to vendors.

Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

FUND INVESTMENTS . . . The City investment policy parallels State law, which governs investment of public funds. See "FINANCIAL INFORMATION – INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY".

EMPLOYEE RETIREMENT BENEFITS . . . All permanent, full-time City employees who were less than 55 years of age when employed by the City are covered by the Texas Municipal Retirement System (TMRS). TMRS is a contributory, annuity-purchase type plan, which is covered by State statute and is administered by six trustees appointed by the Governor of the State of Texas. TMRS operates independently of its member cities.

Benefits depend upon the sum of the employee's contribution to the plan, with interest, and the city-financed monetary credits, with interest. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Members can retire at age 60 with 5 or more years of service or at any age with 20 years of service. The plan also provides death and disability benefits. A member is vested after 5 years, but an employee must leave any accumulated contributions in the plan. If a member withdraws their own money, they are not entitled to the employer-financed monetary credits, even if the employee was vested.

The contribution rate for employees is 8%, and the City's contribution rate is 16%, both as adopted by the governing body of the City. The City's matching ratio is 2 to 1. Under the State law governing TMRS, an actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The City's total payroll in Fiscal Year 2025 was \$7,607,998. The Entry Age Normal actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect i.e., December 31, 2024 valuation is effective for rates beginning January 2026.

INVESTMENTS. . . The City invests its investable funds in investments authorized by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA") law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to invest in obligations meeting the requirements of the PFIA which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9)(i) certificates of deposit and share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted under the PFIA which are pledged to the City, held in the City's

name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. The City is required to designate one or more officers or employees as investment officers to be responsible for the investment of its funds. In the administration of the duties of an investment officer, the person so designated shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs. Unless authorized by law, a person may not deposit, withdraw, or manage in any other manner the funds of the City.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report for the period. The report must: (1) describe the investment position of the City, (2) be prepared jointly and signed by each investment officer, (3) contain a summary statement prepared in compliance with generally accepted accounting principles of each pooled fund group that states: the beginning market value, any additions and changes to market value and the ending value for the period and fully accrued interest for the reporting period, (4) state the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) state the maturity date of each separately invested asset, (6) state the account or pooled fund group for which each individual investment was acquired, and (7) state the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. If the City invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers shall be

reviewed at least annually by an independent auditor, and the result of the review shall be reported to the City Council. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude 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, requires an interpretation of subjective investment standards, or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in no-load 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (8) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, (9) adopt an 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 said ordinance or resolution, and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engagement in investment transactions with the City.

TABLE 15 – CURRENT INVESTMENTS

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

| <u>Description</u> | <u>Fair Market Value</u> | <u>% of Total Investments</u> |
|------------------------------------|------------------------------|-----------------------------------|
| Interest Bearing Checking Accounts | \$ - | 0.00% |
| Logic Investment Pool | 10,114,715 | 100.00% |
| Total | <u>\$ 10,114,715</u> | <u>100.00%</u> |

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TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15C2-12 (the "Rule"). Under the agreement, the City is obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included

in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2026. The City will additionally provide audited financial statements within 12 months after any such fiscal year end, beginning with the fiscal year end 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC"). The City will provide the updated information to the MSRB through EMMA in accordance with the Rule promulgated by the SEC.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a Financial Obligation of the City, if material, or agreement to current events of default, remedies, priority rights or other singular 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 any such Financial Obligation of the City, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Ordinance make any provision for debt service reserves or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, (a) any event described in the immediately preceding paragraph (12) 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 of the city in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as ascribed by SEC Release No. 34-83885, dated August 20, 2018.

The City shall file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the time required.

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

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the

amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Prior continuing disclosure undertakings entered into by the City included language stating that audited financial statements would be filed "when and if the audit report on such statements becomes available." During the last five years, the City has submitted audited financial statements when they have become available, with an exception in 2022. Audited financial statements in 2022 were posted approximately 8 months after becoming available. The City is working to formalize its audit procedures, and it has approved and will have filed its Fiscal Year 2025 audit before the March 31, 2026 deadline. Additionally, on December 3, 2025, Moody's Investors Service downgraded the City's rating to "A2" from the previous rating of "A1". An event disclosure notice for this downgrade was filed on March 17, 2026.

OTHER INFORMATION

RATINGS. . . The Bonds are expected to be assigned the ratings of "AA" by S&P Global Ratings and "A1" by Moody's Investors Service, Inc. ("Moody's") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Inc. (see "BOND INSURANCE" herein). The Bonds have been assigned an underlying rating of "A2" by Moody's. No application was made to any other rating agency for the purposes of obtaining an additional rating on the Bonds. The City's outstanding uninsured tax-supported debt is rated "A2" by Moody's. An explanation of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have a material adverse impact on the market price and liquidity of the Bonds. The City has no obligation to maintain the rating on the Bonds after delivery of the Bonds to the Underwriter.

CURRENT INVESTIGATION. . . Texas State Representative Stan Gerdes, based on a complaint received from a City resident, submitted a formal complaint to the Governor of Texas ("Governor") asserting that the City's accounting and financial practices were misleading and inaccurate, and also asserting that at least \$10,000,000 of City funds had gone unaccounted for. In the complaint, Representative Gerdes requested that the Governor order an investigation into the City's financial practices, and the Governor ordered such an investigation to be carried out by the Texas Rangers in October 2025. Although the investigation has not closed to date, there have been no findings of wrongdoing against the City. City Council approved a corrective budget amendment in January of 2026 to clarify the interfund transfers that were made and recently received an unmodified audit opinion for Fiscal Year 2025. Following the initiation of the investigation, the City has engaged a consultant, who is a former chief financial officer for a central Texas municipality, to advise the City regarding the improvement of its accounting and financial operations. The City is actively engaged in the search for a permanent chief financial officer. Additionally, the City has adopted a practice of reviewing the cash balances of its funds on a quarterly basis and presenting the findings of the review to the City Council in a public meeting each quarter. The City is of the position that the pending investigation does not impact the security for the Bonds.

LITIGATION . . . It is the opinion of the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the

extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINION . . . The City will furnish a complete transcript of proceedings incident to the authorization and issuance of each series of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds in Official Statement under the captions "PLAN OF FINANCING" (exclusive of the subcaption "USE OF PROCEEDS"), "THE BONDS" (exclusive of the last sentence of the subcaption "TAX RATE LIMITATIONS" and the subcaptions "BOOK-ENTRY-ONLY SYSTEM" and "BONDHOLDERS' REMEDIES"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "COMPLIANCE WITH PRIOR UNDERTAKINGS") and the subcaptions "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL OPINION" (exclusive of the last sentence thereof) and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" under the heading "OTHER INFORMATION", and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Though it may represent the Municipal Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in the issuance of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by their counsel, Bickerstaff Heath Delgado Acosta LLP, Austin, Texas.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS. . . Robert Thomas CPA, LLC, a firm of independent certified public accountants will serve as (the "Verification Agent"). The issuance of the Bonds will be subject to delivery by the Verification Agent of a report of the mathematical accuracy of certain computations (the "Verification Report"). The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Escrow Securities and cash deposits listed in the schedules provided by RBC Capital Markets, LLC, the City's Municipal Advisor, to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them. Such verification of accuracy of such mathematical computation will be based upon information and assumptions supplied by the City and RBC Capital Markets, LLC, and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinion described herein.

MUNICIPAL ADVISOR . . . RBC Capital Markets, LLC is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. RBC Capital Markets, LLC in its capacity as Municipal Advisor, has relied on the opinions of Bond Counsel and has not verified and 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information in this Official Statement.

UNDERWRITING . . . The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public shown on page 2 of this Official Statement, less an underwriting discount of \$ _____. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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

The Underwriter, Stifel and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FORWARD-LOOKING STATEMENT 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.

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

The Bond Ordinance authorizing the issuance of the Bonds delegated to the Pricing Officer the authority to approve the form and content of this Preliminary Official Statement, and any addenda, schedule, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement will be approved by the Pricing Officer of the City for distribution in accordance with the provisions of the United States and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Pricing Officer
City of Elgin, Texas

SCHEDULE OF REFUNDED BONDS

| Series | | Maturity Date | Principal Outstanding | Principal Refunded | Redemption Date* |
|--|-----------|------------------|--------------------------|-----------------------|---------------------|
| Combination Tax and Revenue Certificates of Obligation, Series 2013 | Term 2027 | 07/15/2027 | \$ 320,000 | \$ 320,000 | 04/29/2026 |
| | Term 2029 | 07/15/2029 | 345,000 | 345,000 | 04/29/2026 |
| | Term 2031 | 07/15/2031 | 375,000 | 375,000 | 04/29/2026 |
| | Term 2033 | 07/15/2033 | 410,000 | 410,000 | 04/29/2026 |
| | Total | | <u>\$ 1,450,000</u> | <u>\$ 1,450,000</u> | |

| Series | | Maturity Date | Principal Outstanding | Principal Refunded | Redemption Date* |
|--|-----------|------------------|--------------------------|-----------------------|---------------------|
| General Obligation Refunding Bonds, Series 2015 | Term 2028 | 07/15/2028 | \$ 330,000 | \$ 330,000 | 04/29/2026 |
| | Term 2031 | 07/15/2031 | 330,000 | 330,000 | 04/29/2026 |
| | Term 2035 | 07/15/2035 | 430,000 | 430,000 | 04/29/2026 |
| | Term 2040 | 07/15/2040 | 525,000 | 525,000 | 04/29/2026 |
| | Term 2045 | 07/15/2045 | 515,000 | 515,000 | 04/29/2026 |
| Total | | | <u>\$ 2,130,000</u> | <u>\$ 2,130,000</u> | |

| Series | | Maturity Date | Principal Outstanding | Principal Refunded | Redemption Date* |
|--|---------|------------------|--------------------------|-----------------------|---------------------|
| Combination Tax and Revenue Certificates of Obligation, Series 2015 | Serials | 07/15/2026 | \$ 285,000 | \$ 285,000 | 04/29/2026 |
| | | 07/15/2027 | 300,000 | 300,000 | 04/29/2026 |
| | | 07/15/2028 | 310,000 | 310,000 | 04/29/2026 |
| | | 07/15/2029 | 320,000 | 320,000 | 04/29/2026 |
| | | 07/15/2030 | 335,000 | 335,000 | 04/29/2026 |
| | | 07/15/2031 | 350,000 | 350,000 | 04/29/2026 |
| | | 07/15/2032 | 365,000 | 365,000 | 04/29/2026 |
| | | 07/15/2033 | 375,000 | 375,000 | 04/29/2026 |
| | | 07/15/2034 | 390,000 | 390,000 | 04/29/2026 |
| | | 07/15/2035 | 410,000 | 410,000 | 04/29/2026 |
| Total | | | <u>\$ 3,440,000</u> | <u>\$ 3,440,000</u> | |

| Series | | Maturity Date | Principal Outstanding | Principal Refunded | Redemption Date* |
|--|-----------|------------------|--------------------------|-----------------------|---------------------|
| Combination Tax and Revenue Certificates of Obligation, Series 2016 | Serials | 07/15/2027 | \$ 470,000 | \$ 470,000 | 07/15/2026 |
| | | 07/15/2028 | 490,000 | 490,000 | 07/15/2026 |
| | | 07/15/2029 | 510,000 | 510,000 | 07/15/2026 |
| | Term 2031 | 07/15/2031 | 1,080,000 | 1,080,000 | 07/15/2026 |
| | Term 2033 | 07/15/2033 | 1,165,000 | 1,165,000 | 07/15/2026 |
| | Term 2036 | 07/15/2036 | 1,935,000 | 1,935,000 | 07/15/2026 |
| | Total | | | <u>\$ 5,650,000</u> | <u>\$ 5,650,000</u> |

To be redeemed at a price of par plus accrued interest to the redemption date.

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION AND SIZE

The City of Elgin (the "City") is the largest city in Bastrop County and is located 20 miles east of Austin on U.S. Highway 290, 125 miles west of Houston and 90 miles south of Waco. As of 2026, the population of the City was 13,458.

ECONOMY

Due to its proximity to Austin, the City is diversified with an industrial, business, retail and agribusiness economy. The principal local manufacturers produce sausage, semiconductor equipment, laboratory furniture, and specialized equipment. The City is also home to several large brick/tile manufacturers, who along with newer industrial firms, collectively employ over 650 persons.

CITY GOVERNMENT AND COMMUNITY SERVICES

The City is a Council/Manager form of government with a Mayor and eight council persons. The City employs a total of 167 full-time, part-time and temporary employees.

EDUCATIONAL FACILITIES

The Elgin Independent School District (the "District") physical plants consist of one primary school (grades K-3), five elementary schools (grades 4-5), one junior high school (grades 6-8), one high school (grades 9-12) and one alternative high school (grades 9-12). The District is comprised of an area of 168.13 square miles and is located primarily in northwest Bastrop County including small portions of Lee and Travis Counties. All of the District's school buildings are located within the City. Enrollment for the District is estimated to be approximately 5,715 students as of August 31, 2025.

The City is within commuting distance of The University of Texas at Austin, St. Edward's University, Concordia Lutheran College, and Texas State University. Austin Community College opened a campus in Elgin in August 2013.

UTILITIES

The City is served by AT&T and Spectrum for telephone and internet service, Bluebonnet Electric Cooperative and various retail electric providers for electric service, and CenterPoint Energy for natural gas service. Water and sewer facilities are furnished by the City.

EMPLOYMENT STATISTICS

The most recent employment figures for Bastrop County and Travis County and the State of Texas are shown below.

| | Bastrop County | Travis County | State of Texas |
|-------------------------|----------------|---------------|----------------|
| | Sept. 2025 | Sept. 2025 | Nov. 2025 |
| Unemployed | 1,604 | 31,859 | 673,900 |
| Percent of Unemployment | 3.9% | 3.7% | 4.2% |

Source: Texas Workforce Commission

MAJOR AREA EMPLOYERS

| Name | Product | Estimated Number of Employees |
|-------------------------|-----------------|-------------------------------|
| Elgin ISD | School District | 810 |
| Wal-Mart | Grocery Retail | 225 |
| HEB Grocery | Grocery Retail | 200 |
| Acme Brick Company | Brick | 175 |
| OnePointe Solutions | Lab Furniture | 110 |
| City of Elgin | Government | 107 |
| Carr Lane Manufacturing | Tools | 85 |
| Elgin-Butler Brick | Brick | 81 |
| Hanson Brick Company | Brick | 80 |
| Southside Markets & BBQ | Food Product | 65 |

Source: The City.

FINANCIAL INSTITUTIONS

First State Bank, First National Bank of Bastrop, Frontier Bank, Prosperity Bank, and Chase Bank operate in the City.

BASTROP COUNTY

Bastrop County, organized in 1837, is a central Texas county with an economy based on agriculture, light manufacturing, computer equipment, tourism and mineral production. Principal mineral production in the County includes ceramic clay (for use in brick manufacturing), petroleum, and natural gas.

The Colorado River bisects the County and runs through the City of Bastrop, the county seat. The County's physical characteristics include rolling hills with sandy loam soils and various types of timber. The area provides excellent hunting and fishing, particularly in Bastrop State Park, Buescher State Park and Lake Bastrop.

According to the 2022 USDA Census of Agriculture, the market value of agricultural products sold was approximately \$48.7 million annually, 70% from livestock, poultry, and related products. Crop production includes hay, pecans, corn, wheat, and various types of fruits.

TRAVIS COUNTY

Travis County, organized in 1840, is a central Texas county and home to Austin, the state capital. The County's economy is highly diversified, anchored by state government, technology and software development, higher education, healthcare, and professional services. Major employers include the State of Texas, the University of Texas at Austin, Dell Technologies, and numerous technology firms that have established the region as a leading innovation hub.

The Colorado River flows through the heart of the County, forming a chain of Highland Lakes including Lady Bird Lake and Lake Austin within the city limits. The County's terrain transitions from the fertile Blackland Prairie in the east to the rugged Hill Country in the west, characterized by limestone outcroppings, spring-fed creeks, and juniper-oak woodlands. Recreational amenities include the Barton Creek Greenbelt, numerous parks along the Colorado River, and access to Lake Travis.

According to the 2022 USDA Census of Agriculture, the market value of agricultural products sold was approximately \$12.3 million annually, with production concentrated in the western portions of the County. Principal agricultural activities include cattle ranching, goat and sheep operations, and specialty crops such as grapes for wine production and native pecans. The County's agricultural sector has declined as a percentage of the overall economy due to rapid urbanization and population growth.

APPENDIX B

EXCERPTS FROM THE

CITY OF ELGIN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Elgin, Texas Annual Financial Report for the Year Ended September 30, 2025, 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.



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Elgin, Texas:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elgin, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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.

Emphasis of Matters

As discussed in Note V.E. to the financial statements, the City restated beginning net position/fund balance within the governmental and business-type activities, nonmajor governmental, utility and the internal service funds due to corrections to accrued revenue, accumulated depreciation and the implementation of *GASB 101, Compensated Absences*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2026 on our consideration of City of Elgin, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Elgin, Texas's internal control over financial reporting and compliance.

Brooks Watson & Co.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
March 13, 2026

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Elgin, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

As management of the City of Elgin, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position is \$68,755,822 at September 30, 2025.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,710,529, an increase of \$2,606,429.
- The City had an overall increase in net position of \$11,362,513.
- The City closed the year with a net pension liability of \$1,790,409.

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 Statements

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

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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).

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, special revenue and utility funds. A budgetary comparison statement has been provided for the general and debt service fund to demonstrate compliance with their respective budget.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the building maintenance and other contractual services.

Proprietary financial statements 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.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Elgin Economic Development Corporation, which is a discretely presented component unit, is presented alongside the government-wide statement of net position and statement of activities.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Elgin, assets and deferred outflows exceeded liabilities and deferred inflows by \$68,755,822 as of September 30, 2025, in the primary government.

City of Elgin, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

The largest portion of the City's net position, \$53,600,082, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

| | 2025 | | | 2024 | | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Governmental | Business-Type | Total | Governmental | Business-Type | Total |
| | Activities | Activities | | Activities | Activities | |
| Current and other assets | \$ 11,052,968 | \$ 10,415,128 | \$ 21,468,096 | \$ 7,732,098 | \$ 10,048,818 | \$ 17,780,916 |
| Capital assets, net | 49,568,213 | 57,680,441 | 107,248,654 | 49,174,481 | 56,671,977 | 105,846,458 |
| Total Assets | 60,621,181 | 68,095,569 | 128,716,750 | 56,906,579 | 66,720,795 | 123,627,374 |
| Deferred Outflows | 663,780 | 155,967 | 819,747 | 953,134 | 268,557 | 1,221,691 |
| Other liabilities | 2,186,011 | 1,398,840 | 3,584,851 | 2,691,992 | 4,277,945 | 6,969,937 |
| Long-term liabilities | 28,007,466 | 28,871,476 | 56,878,942 | 29,500,649 | 30,559,131 | 60,059,780 |
| Total Liabilities | 30,193,477 | 30,270,316 | 60,463,793 | 32,192,641 | 34,837,076 | 67,029,717 |
| Deferred Inflows | 250,326 | 66,556 | 316,882 | 99,462 | 34,648 | 134,110 |
| Net Position: | | | | | | |
| Net investment in capital assets | 24,409,447 | 29,190,635 | 53,600,082 | 19,945,340 | 23,532,302 | 43,477,642 |
| Restricted | 5,133,294 | 8,986,179 | 14,119,473 | 2,849,540 | 8,986,179 | 11,835,719 |
| Unrestricted | 1,298,417 | (262,150) | 1,036,267 | 2,772,730 | (400,853) | 2,371,877 |
| Total Net Position | \$ 30,841,158 | \$ 37,914,664 | \$ 68,755,822 | \$ 25,567,610 | \$ 32,117,628 | \$ 57,685,238 |

Total current and other assets for governmental activities increased by \$3,320,870 primarily due to overall operating surpluses during the year and more cash and receivables at year end. Total capital assets increased by \$1,402,196 primarily due to nonrecurring road improvements, utility infrastructure and continued work on the new police station. Total other liabilities decreased by \$3,385,086 due to timing of accounts payable recorded at the end of the prior year. Total long-term liabilities decreased by \$3,180,838 due to a reduction in the city's net pension liability and paying down debt obligations in the current year.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Activities:

The following table provides a summary of the City's changes in net position:

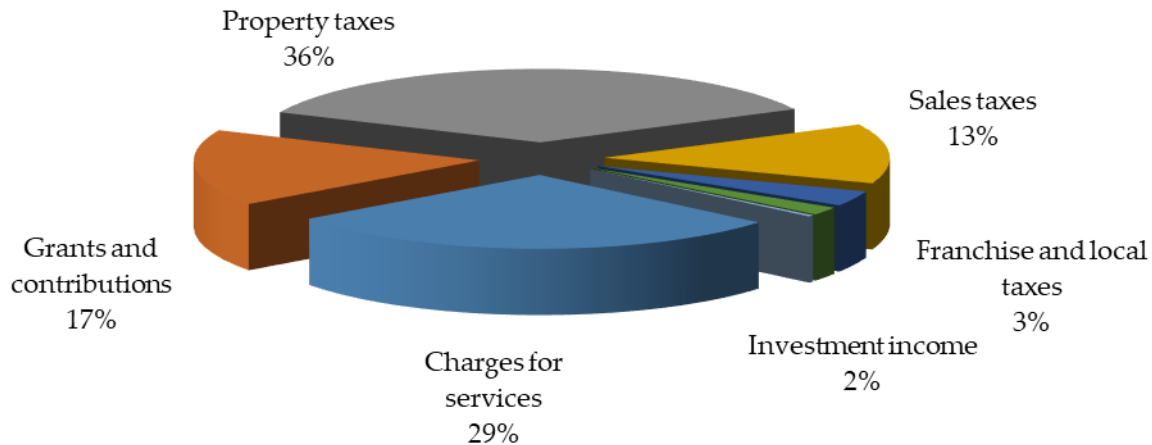
| | For the Year Ended September 30, 2025 | | | For the Year Ended September 30, 2024 | | |
|-------------------------------|---------------------------------------|-----------------------------|-----------------------|---------------------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| | | | Primary Government | | | Primary Government |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 6,396,021 | \$ 14,032,510 | \$ 20,428,531 | \$ 5,846,890 | \$ 10,850,074 | \$ 16,696,964 |
| Grants and contributions | 3,730,202 | 1,604,630 | 5,334,832 | 2,099,011 | 3,941,983 | 6,040,994 |
| General revenues: | | | | | | |
| Property taxes | 7,954,354 | - | 7,954,354 | 6,479,716 | - | 6,479,716 |
| Sales taxes | 2,909,053 | - | 2,909,053 | 2,791,912 | - | 2,791,912 |
| Franchise and local taxes | 764,876 | - | 764,876 | 709,923 | - | 709,923 |
| Investment income | 398,521 | 333,031 | 731,552 | 807,049 | 501,283 | 1,308,332 |
| Other revenue | 72,122 | - | 72,122 | 64,368 | - | 64,368 |
| Total Revenues | 22,225,149 | 15,970,171 | 38,195,320 | 18,798,869 | 15,293,340 | 34,092,209 |
| Expenses | | | | | | |
| General government | 5,257,957 | - | 5,257,957 | 4,051,248 | - | 4,051,248 |
| Public safety | 5,483,072 | - | 5,483,072 | 6,063,286 | - | 6,063,286 |
| Parks and recreation | 3,872,226 | - | 3,872,226 | 2,996,500 | - | 2,996,500 |
| Public works | 2,037,916 | - | 2,037,916 | 2,122,668 | - | 2,122,668 |
| Garbage | 1,337,083 | - | 1,337,083 | 915,457 | - | 915,457 |
| Building/code enforcement | 484,057 | - | 484,057 | 680,487 | - | 680,487 |
| Interest and fiscal charges | 658,227 | 860,045 | 1,518,272 | 1,068,718 | 918,905 | 1,987,623 |
| Utilities | - | 6,842,224 | 6,842,224 | - | 5,691,296 | 5,691,296 |
| Total Expenses | 19,130,538 | 7,702,269 | 26,832,807 | 17,898,364 | 6,610,201 | 24,508,565 |
| Change in Net Position | | | | | | |
| Before Transfers | 3,094,611 | 8,267,902 | 11,362,513 | 900,505 | 8,683,139 | 9,583,644 |
| Transfers | 2,395,323 | (2,395,323) | - | 2,134,346 | (2,134,346) | - |
| Total | 2,395,323 | (2,395,323) | - | 2,134,346 | (2,134,346) | - |
| Change in Net Position | 5,489,934 | 5,872,579 | 11,362,513 | 3,034,851 | 6,548,793 | 9,583,644 |
| Beginning Net Position | 25,351,224 | 32,042,085 | 57,393,309 | 22,532,759 | 25,568,835 | 48,101,594 |
| Ending Net Position | \$ 30,841,158 | \$ 37,914,664 | \$ 68,755,822 | \$ 25,567,610 | \$ 32,117,628 | \$ 57,685,238 |

Governmental and business-type activities net position were restated due to the implementation of GASB 101, compensated absences. In addition, net position was restated due to an error noted in the prior year. See footnote V.E for more information.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

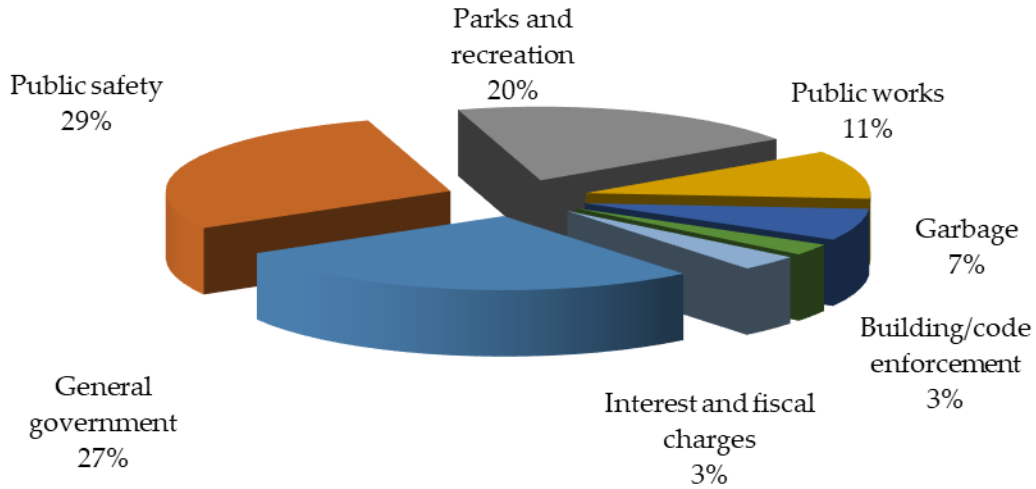


For the year ended September 30, 2025, revenues from governmental activities totaled \$22,225,149. Property tax, sales tax and charges for services are the City's largest revenue sources. Property taxes increased by \$1,474,638 or 23% due to greater appraised property tax values in the current year. Charges for services increased by \$549,131 or 9% primarily as a result greater municipal court fines, and building plan review fees related to new developments received in the current year. Sales tax revenues increased by \$117,141 or 4% primarily due to economic growth within the City. Franchise and local tax revenues increased by \$54,953 or 8% primarily due to additional hotel/motel taxes received in the current year due to a legal settlement to recover unpaid taxes from a hotel. Investment income decreased by \$408,528 or 51% primarily due to a decline in interest-bearing accounts held in the current year. Other revenues increased by \$7,754 or 12% primarily due to nonrecurring proceeds from sale of assets in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

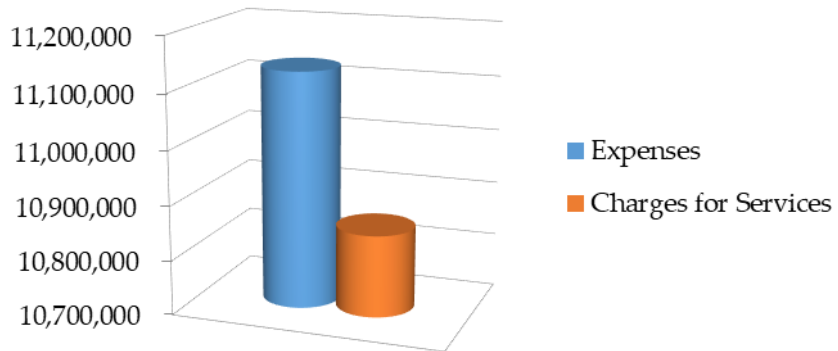


For the year ended September 30, 2025, expenses for governmental activities totaled \$19,130,538. This represents an increase of \$1,232,174 or 7% from the prior year. General government expenses increased by \$1,206,709 or 30% primarily due to greater personnel costs, legal services, and reallocation of internal service fund costs in the current year. Public safety expenses decreased by \$580,214 or 10% primarily due to a reallocation of employee benefit expenses in the current year. Parks and recreation expenses increased by \$875,726 or 29% primarily due to a greater plan review fees related to new development in the current year. Public works decreased by \$84,752 or 4% primarily due to nonrecurring repairs and maintenance in the prior year. Garbage services expenses increased by \$421,626 or 46% primarily as a result of an increase in customers and in the City's monthly trash fees over the course of the year. All remaining expenses remained relatively consistent with the previous year.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2025, charges for services by business-type activities totaled \$14,032,510. This is an increase of \$3,182,436 or 29% from the previous year. This change is due to operating an operating surplus as well as water and sewer impact fees received during the year.

Utility expenses increased by \$1,150,928 or 20% due to increased customers and demand, greater personnel costs, supply and maintenances costs incurred during the year. Business-type activities interest and fiscal charges decreased by \$58,860 or 6% primarily due to long-term debt approaching maturity in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a fund balance of \$3,023,110. The general fund had a net decrease in fund balance for the year of \$2,447,757. This decrease was primarily due to transfers to the capital improvement fund to cover fund balance deficits in the prior year.

The capital projects fund reflected a fund balance of \$1,800,052, which represents an increase of \$7,927,086. This increase was due to transfers in from the general and construction funds to cover a fund balance deficit from the prior year.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

There was an increase in the debt service fund of \$879,016 during the year, leaving a year end fund balance of \$2,106,740. The increase is due to higher than expected revenue and transfers in as well as less than anticipated expenditures in the current year. Principal and interest payments totaled \$1,917,589 as of yearend.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$1,844,675 in the general fund. This represents a combination of positive revenue, expenditure, and other financing sources variances of \$844,358, \$431,203, and \$569,114, respectively. General government and garbage expenditures exceeded appropriations at the legal level of budgetary control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$49,568,213 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$57,680,441 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset additions during the current year include the following:

- Safe Routes to School Program for \$309,075
- GLO County Line Road/Kennedy St. for \$159,225
- New Police Station for \$485,572
- 2024 Street Improvements for \$506,615
- GLO Pistol Hill Upgrades for \$649,006
- 38.57 acres for the wastewater treatment plan for \$1,607,110

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

City of Elgin, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$49,540,002. The City made principal repayments on outstanding bonds totaling \$2,544,999. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Elgin and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Elgin's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 310 N Main Street, Elgin, Texas 78621.

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FINANCIAL STATEMENTS

City of Elgin, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2025

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 7,804,422 | \$ 10,843,926 | \$ 18,648,348 |
| Receivables, net | 1,595,494 | 785,748 | 2,381,242 |
| Internal balances | 1,227,741 | (1,227,741) | - |
| Total Current Assets | 10,639,631 | 10,401,933 | 21,041,564 |
| Due from component unit | 413,337 | 13,195 | 426,532 |
| Capital assets: | | | |
| Non-depreciable | 3,277,380 | 2,619,927 | 5,897,307 |
| Net depreciable capital assets | 46,290,833 | 55,060,514 | 101,351,347 |
| Total Noncurrent Assets | 49,981,550 | 57,693,636 | 107,675,186 |
| Total Assets | 60,621,181 | 68,095,569 | 128,716,750 |
| Deferred Outflows of Resources | | | |
| Pension outflows | 657,990 | 154,607 | 812,597 |
| OPEB outflows | 5,790 | 1,360 | 7,150 |
| Total Deferred Outflows of Resources | 663,780 | 155,967 | 819,747 |

See Notes to Financial Statements.

Component Unit

| | Elgin |
|----|------------------|
| | EDC |
| \$ | 3,670,107 |
| | 236,365 |
| | - |
| | <u>3,906,472</u> |
| | - |
| | 3,964,328 |
| | 1,968,039 |
| | <u>5,932,367</u> |
| | <u>9,838,839</u> |
| | 22,407 |
| | 197 |
| | <u>22,604</u> |

City of Elgin, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 1,310,389 | \$ 425,974 | \$ 1,736,363 |
| Customer deposits | 45,677 | 694,437 | 740,114 |
| Accrued interest | 287,159 | 213,302 | 500,461 |
| Deferred revenue | 142,647 | - | 142,647 |
| Compensated absences, current | 400,139 | 65,127 | 465,266 |
| Long-term debt due within one year | 1,253,802 | 1,399,378 | 2,653,180 |
| | 3,439,813 | 2,798,218 | 6,238,031 |
| Noncurrent liabilities: | | | |
| Due to primary government | - | - | - |
| Net pension liability | 1,410,856 | 331,507 | 1,742,363 |
| OPEB liability | 233,548 | 54,877 | 288,425 |
| Compensated absences, noncurrent | 44,460 | 7,236 | 51,696 |
| Long-term debt due in more than one year | 25,064,800 | 27,078,478 | 52,143,278 |
| Total Noncurrent Liabilities | 26,753,664 | 27,472,098 | 54,225,762 |
| Total Liabilities | 30,193,477 | 30,270,316 | 60,463,793 |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred gain on refunding | 17,923 | 11,948 | 29,871 |
| Pension inflows | 191,259 | 44,941 | 236,200 |
| OPEB inflows | 41,144 | 9,667 | 50,811 |
| Total Deferred Inflows of Resources | 250,326 | 66,556 | 316,882 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 24,409,447 | 29,190,635 | 53,600,082 |
| Restricted for: | | | |
| Capital projects | 1,381,794 | 8,986,179 | 10,367,973 |
| Debt service | 2,106,740 | - | 2,106,740 |
| Economic development | 1,081,891 | - | 1,081,891 |
| Public safety | 222,218 | - | 222,218 |
| Other purposes | 340,651 | - | 340,651 |
| Unrestricted | 1,298,417 | (262,150) | 1,036,267 |
| Total Net Position | \$ 30,841,158 | \$ 37,914,664 | \$ 68,755,822 |

See Notes to Financial Statements.

Component Unit
Elgin
EDC

| | |
|----|-------------------------|
| \$ | 117,031 |
| | - |
| | 564 |
| | - |
| | 23,570 |
| | - |
| | <u>141,165</u> |
| | 426,532 |
| | 48,046 |
| | 7,953 |
| | 2,619 |
| | - |
| | <u>485,150</u> |
| | <u>626,315</u> |
| | - |
| | 6,513 |
| | 1,401 |
| | <u>7,914</u> |
| | 5,932,367 |
| | - |
| | - |
| | 3,294,847 |
| | - |
| | - |
| | - |
| \$ | <u><u>9,227,214</u></u> |

City of Elgin, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General government | \$ 5,257,957 | \$ 2,242,446 | \$ 371,638 | \$ 188,000 |
| Public safety | 5,483,072 | 757,378 | - | - |
| Parks and recreation | 3,872,226 | 1,497,316 | 1,275,071 | - |
| Public works | 2,037,916 | - | 595,387 | 1,300,106 |
| Garbage | 1,337,083 | 1,898,881 | - | - |
| Building and code enforcement | 484,057 | - | - | - |
| Interest and fiscal charges | 658,227 | - | - | - |
| Total Governmental Activities | 19,130,538 | 6,396,021 | 2,242,096 | 1,488,106 |
| Business-Type Activities | | | | |
| Utility fund | 7,702,269 | 14,032,510 | - | 1,604,630 |
| Total Business-Type Activities | 7,702,269 | 14,032,510 | - | 1,604,630 |
| Total Primary Government | \$ 26,832,807 | \$ 20,428,531 | \$ 2,242,096 | \$ 3,092,736 |
| Component Unit | | | | |
| Elgin EDC | 1,378,329 | - | - | - |
| Total Component Unit | \$ 1,378,329 | \$ - | \$ - | \$ - |

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, as previously reported

Error correction

New accounting standard

Beginning Net Position, as adjusted

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Unit |
|--------------------------------|---------------------------------|----------------------|-----------------------|
| Governmental Activities | Business-Type Activities | Total | Elgin EDC |
| \$ (2,455,873) | \$ - | \$ (2,455,873) | \$ - |
| (4,725,694) | - | (4,725,694) | - |
| (1,099,839) | - | (1,099,839) | - |
| (142,423) | - | (142,423) | - |
| 561,798 | - | 561,798 | - |
| (484,057) | - | (484,057) | - |
| (658,227) | - | (658,227) | - |
| <u>(9,004,315)</u> | <u>-</u> | <u>(9,004,315)</u> | <u>-</u> |
| - | 7,934,871 | 7,934,871 | - |
| - | 7,934,871 | 7,934,871 | - |
| <u>(9,004,315)</u> | <u>7,934,871</u> | <u>(1,069,444)</u> | <u>-</u> |
| | | | <u>(1,378,329)</u> |
| | | | <u>(1,378,329)</u> |
| 7,954,354 | - | 7,954,354 | - |
| 2,909,053 | - | 2,909,053 | 1,451,570 |
| 764,876 | - | 764,876 | - |
| 398,521 | 333,031 | 731,552 | 182,657 |
| 72,122 | - | 72,122 | 866 |
| 2,395,323 | (2,395,323) | - | - |
| <u>14,494,249</u> | <u>(2,062,292)</u> | <u>12,431,957</u> | <u>1,635,093</u> |
| 5,489,934 | 5,872,579 | 11,362,513 | 256,764 |
| 25,336,264 | 32,279,215 | 57,615,479 | 8,978,176 |
| 231,346 | (161,587) | 69,759 | - |
| (216,386) | (75,543) | (291,929) | (7,726) |
| 25,351,224 | 32,042,085 | 57,393,309 | 8,970,450 |
| <u>\$ 30,841,158</u> | <u>\$ 37,914,664</u> | <u>\$ 68,755,822</u> | <u>\$ 9,227,214</u> |

City of Elgin, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

| | General | Capital Projects | Debt Service | Nonmajor Governmental Funds |
|---|---------------------|---------------------|---------------------|-----------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 4,206,614 | \$ 1,465,763 | \$ 502,376 | \$ 1,629,574 |
| Receivables, net | 980,033 | 304,431 | 117,729 | 193,301 |
| Prepays | 11,974 | - | - | - |
| Due from component unit | - | - | - | 413,337 |
| Due from other funds | - | 448,477 | 1,620,836 | - |
| Total Assets | \$ 5,198,621 | \$ 2,218,671 | \$ 2,240,941 | \$ 2,236,212 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 1,227,088 | \$ 14,188 | \$ 15,777 | \$ 53,336 |
| Customer deposits - civic center | 45,677 | - | - | - |
| Deferred revenue | - | 100,000 | - | 42,647 |
| Due to other funds | 640,388 | - | - | 201,184 |
| Total Liabilities | 1,913,153 | 114,188 | 15,777 | 297,167 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue: | | | | |
| Property tax | 262,358 | - | 118,424 | - |
| Other receivables | - | 304,431 | - | 158,418 |
| Total Deferred Inflows of Resources | 262,358 | 304,431 | 118,424 | 158,418 |
| <u>Fund Balances</u> | | | | |
| Nonspendable | | | | |
| Prepays | 11,974 | - | - | - |
| Restricted for: | | | | |
| Capital projects | - | 1,800,052 | - | - |
| Debt service | - | - | 2,106,740 | - |
| Tourism | - | - | - | 167,697 |
| Municipal court | - | - | - | 172,954 |
| Economic development | - | - | - | 1,081,891 |
| Public safety | - | - | - | 222,218 |
| Committed for: | | | | |
| City improvements | 227,886 | - | - | 135,867 |
| Unassigned reported in: | | | | |
| General fund | 2,783,250 | - | - | - |
| Total Fund Balances | 3,023,110 | 1,800,052 | 2,106,740 | 1,780,627 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 5,198,621 | \$ 2,218,671 | \$ 2,240,941 | \$ 2,236,212 |

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 7,804,327
1,595,494
11,974
413,337
2,069,313

\$ 11,894,445

\$ 1,310,389
45,677
142,647
841,572

2,340,285

380,782
462,849

843,631

11,974

1,800,052
2,106,740
167,697
172,954
1,081,891
222,218

363,753

2,783,250

8,710,529

\$ 11,894,445

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City of Elgin, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2025

| | | |
|--|-----------|-------------------|
| Fund Balances - Total Governmental Funds | \$ | 8,710,529 |
| Adjustments for the Statement of Net Position: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 3,277,380 |
| Capital assets - net depreciable | | 45,563,933 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | |
| Property tax | | 380,782 |
| Other receivables | | 462,849 |
| Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then. | | |
| Pension contributions | | 582,080 |
| Pension investment earnings | | 75,910 |
| OPEB contributions | | 5,790 |
| Internal service funds are used by management to charge the cost of contractual services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | |
| Net position - governmental activities | | 726,995 |
| Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. | | |
| Pension investment experience | | (175,853) |
| Pension changes in assumptions | | (15,406) |
| OPEB (gains) losses | | (41,144) |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | | |
| Accrued interest | | (287,159) |
| Deferred (gains) charges: | | |
| On refunding | | (17,923) |
| For bond premiums | | (2,542,944) |
| Net pension liability | | (1,410,856) |
| OPEB liability | | (233,548) |
| Compensated absences | | (444,599) |
| Bonds, notes, & capital leases | | (23,775,658) |
| Net Position of Governmental Activities | \$ | 30,841,158 |

See Notes to Financial Statements.

City of Elgin, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

| | General | Capital Projects | Debt Service | Nonmajor Governmental Funds |
|---|---------------------|---------------------|---------------------|-----------------------------------|
| Revenues | | | | |
| Property tax | \$ 5,270,873 | \$ - | \$ 2,328,786 | \$ 309,514 |
| Sales tax | 2,909,053 | - | - | - |
| Franchise and local taxes | 610,449 | - | - | 154,427 |
| License and permits | 2,242,446 | - | - | - |
| Intergovernmental | 371,638 | 329,336 | 188,000 | 595,387 |
| Fines and forfeitures | 713,838 | - | - | 43,540 |
| Garbage services | 1,898,881 | - | - | - |
| Investment income | 335,164 | 22,015 | - | 41,342 |
| Other revenue | 1,387,648 | 1,275,071 | - | 109,668 |
| Total Revenues | 15,739,990 | 1,626,422 | 2,516,786 | 1,253,878 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,924,016 | - | 28,129 | 221,665 |
| Public safety | 5,284,439 | - | - | 17,456 |
| Community development | 1,921,232 | - | - | - |
| Parks and recreation | 1,602,833 | - | - | - |
| Public works | 1,145,103 | - | - | - |
| Garbage | 1,335,741 | - | - | - |
| Building and code enforcement | 435,552 | - | - | - |
| Capital outlay | - | 1,280,197 | - | - |
| Debt Service: | | | | |
| Principal | - | - | 1,117,234 | 135,000 |
| Interest and fiscal charges | - | - | 800,355 | 198,369 |
| Total Expenditures | 16,648,916 | 1,280,197 | 1,945,718 | 572,490 |
| Excess of Revenues | | | | |
| Over (Under) Expenditures | (908,926) | 346,225 | 571,068 | 681,388 |
| Other Financing Sources (Uses) | | | | |
| Insurance proceeds | 700 | - | - | - |
| Debt issuance | 212,336 | - | - | - |
| Proceeds from sale of assets | 71,422 | - | - | - |
| Transfers in | 2,123,879 | 7,580,861 | 307,948 | - |
| Transfers (out) | (3,947,168) | - | - | (4,433,304) |
| Total Other Financing Sources (Uses) | (1,538,831) | 7,580,861 | 307,948 | (4,433,304) |
| Net Change in Fund Balances | (2,447,757) | 7,927,086 | 879,016 | (3,751,916) |
| Beg. fund balances, as previously | 5,470,867 | (6,127,034) | 1,227,724 | 5,504,921 |
| Error correction | - | - | - | 27,622 |
| Beg. fund balances, as adjusted | 5,470,867 | (6,127,034) | 1,227,724 | 5,532,543 |
| Ending Fund Balances | \$ 3,023,110 | \$ 1,800,052 | \$ 2,106,740 | \$ 1,780,627 |

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 7,909,173
 2,909,053
 764,876
 2,242,446
 1,484,361
 757,378
 1,898,881
 398,521
 2,772,387

 21,137,076

5,173,810
 5,301,895
 1,921,232
 1,602,833
 1,145,103
 1,335,741
 435,552
 1,280,197

1,252,234
 998,724

20,447,321

689,755

700
 212,336
 71,422
 10,012,688
 (8,380,472)

1,916,674

2,606,429

6,076,478

27,622

6,104,100

\$ 8,710,529

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City of Elgin, Texas

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, 2025

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

| | |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ 2,606,429 |
|---|--------------|

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

| | |
|--------------------------------|-------------|
| Capital outlay | 1,752,748 |
| Depreciation expense | (1,561,228) |
| Capital contributions from EDC | 507,921 |

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

| | |
|------------------|---------|
| Property tax | 45,181 |
| Grant receivable | 462,849 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|----------------------|----------|
| Compensated absences | (96,234) |
| Accrued interest | 203,055 |
| Pension expense | (86,549) |
| OPEB expense | (6,564) |

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

| | |
|----------------------------------|-----------|
| Amortization of deferred charges | 814 |
| Amortization of premium | 136,628 |
| Lease issuance | (212,336) |
| Principal payments | 1,252,234 |

Internal service funds are used by management to charge the cost of contractual services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

484,986

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities | \$ 5,489,934 |
|--|---------------------|

See Notes to Financial Statements.

City of Elgin, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2025

| | Utility Fund | Governmental Activities Internal Service |
|--|---------------------|---|
| <u>Assets</u> | | |
| <u>Current Assets</u> | | |
| Cash and cash equivalents | \$ 10,843,926 | \$ 95 |
| Receivables, net | 785,748 | - |
| Due from other funds | 417,358 | - |
| Total Current Assets | 12,047,032 | 95 |
| <u>Noncurrent Assets</u> | | |
| Due from component unit | 13,195 | - |
| Capital assets: | | |
| Non-depreciable | 2,619,927 | - |
| Net depreciable capital assets | 55,060,514 | 726,900 |
| Total Noncurrent Assets | 57,693,636 | 726,900 |
| Total Assets | 69,740,668 | 726,995 |
| <u>Deferred Outflows of Resources</u> | | |
| Pension outflows | 154,607 | - |
| OPEB outflows | 1,360 | - |
| Total Deferred Outflows of Resources | 155,967 | - |

City of Elgin, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND (Continued)
September 30, 2025

| | Utility Fund | Governmental Activities Internal Service |
|---|----------------------|---|
| <u>Liabilities</u> | | |
| <u>Current Liabilities</u> | | |
| Accounts payable and accrued liabilities | \$ 425,974 | \$ - |
| Customer deposits | 694,437 | - |
| Due to other funds | 1,645,099 | - |
| Accrued interest | 213,302 | - |
| Compensated absences, current | 65,127 | - |
| Long-term debt due within one year | 1,399,378 | - |
| Total Current Liabilities | 4,443,317 | - |
| <u>Noncurrent Liabilities</u> | | |
| Net pension liability | 331,507 | - |
| OPEB liability | 54,877 | - |
| Compensated absences, noncurrent | 7,236 | - |
| Long-term debt due in more than one year | 27,078,478 | - |
| Total Liabilities | 31,915,415 | - |
| <u>Deferred Inflows of Resources</u> | | |
| Deferred gain on refunding | 11,948 | - |
| Pension inflows | 44,941 | - |
| OPEB inflows | 9,667 | - |
| Total Deferred Inflows of Resources | 66,556 | - |
| <u>Net Position</u> | | |
| Net investment in capital assets | 29,190,635 | 726,900 |
| Restricted for: | | |
| Capital projects | 8,986,179 | - |
| Unrestricted | (262,150) | 95 |
| Total Net Position | \$ 37,914,664 | \$ 726,995 |

See Notes to Financial Statements.

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City of Elgin, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2025

| | Utility Fund | Governmental Activities Internal Service |
|--|----------------------|---|
| <u>Operating Revenues</u> | | |
| Charges for services | \$ 13,936,081 | \$ - |
| Other revenue | 96,429 | - |
| Total Operating Revenues | 14,032,510 | - |
| <u>Operating Expenses</u> | | |
| Personnel services | 1,897,114 | - |
| Materials and supplies | 1,734,944 | - |
| Maintenance | 899,435 | - |
| Contractual services | 977,930 | 34 |
| Depreciation | 1,332,801 | 278,087 |
| Total Operating Expenses | 6,842,224 | 278,121 |
| Operating Income (Loss) | 7,190,286 | (278,121) |
| <u>Nonoperating Revenues (Expenses)</u> | | |
| Investment income | 333,031 | - |
| Interest expense | (860,045) | - |
| Total Nonoperating Revenues (Expenses) | (527,014) | - |
| Income (Loss) Before Grants and Transfers | 6,663,272 | (278,121) |
| <u>Capital Grants and Transfers</u> | | |
| Intergovernmental | 577,635 | - |
| Developer contributions | 1,026,995 | - |
| Transfers in | - | 763,107 |
| Transfers (out) | (2,395,323) | - |
| Total Capital Grants and Transfers | (790,693) | 763,107 |
| Change in Net Position | 5,872,579 | 484,986 |
| Beginning Net Position, as previously reported | 32,279,215 | 3,699 |
| Error correction | (161,587) | 238,310 |
| New accounting standard | (75,543) | - |
| Beginning Net Position, as adjusted | 32,042,085 | 242,009 |
| Ending Net Position | \$ 37,914,664 | \$ 726,995 |

See Notes to Financial Statements.

City of Elgin, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2025

| | Utility Fund | Governmental Activities Internal Service |
|--|----------------------|---|
| <u>Cash Flows from Operating Activities</u> | | |
| Receipts from customers | \$ 14,805,742 | \$ - |
| Receipts from (payments to) other funds | - | (545,259) |
| Payments to employees | (1,965,067) | - |
| Payments to suppliers and contractors | (6,624,210) | (217,753) |
| Net Cash Provided by (Used for) Operating Activities | 6,216,465 | (763,012) |
| <u>Cash Flows from Noncapital Financing Activities</u> | | |
| Transfers in | - | 763,107 |
| Transfers (out) | (2,395,323) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | (2,395,323) | 763,107 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | |
| Capital purchases | (2,341,265) | - |
| Developer contributions | 1,026,995 | - |
| Grant reimbursements for infrastructure improvements | 577,635 | - |
| Principal paid on debt | (1,357,621) | - |
| Interest paid on debt | (1,038,775) | - |
| Net Cash (Used for) Capital and Related Financing Activities | (3,133,031) | - |
| <u>Cash Flows from Investing Activities</u> | | |
| Interest on investments | 333,031 | - |
| Net Cash Provided by Investing Activities | 333,031 | - |
| Net Increase in Cash and Cash Equivalents | 1,021,142 | 95 |
| Beginning cash and cash equivalents | 9,822,784 | - |
| Ending Cash and Cash Equivalents | \$ 10,843,926 | \$ 95 |

See Notes to Financial Statements.

City of Elgin, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2025

| | Utility Fund | Governmental Activities Internal Service |
|--|---------------------|---|
| <u>Reconciliation of Operating Income</u> | | |
| <u>to Net Cash Provided by Operating Activities</u> | | |
| Operating Income (Loss) | \$ 7,190,286 | \$ (278,121) |
| Adjustments to reconcile operating income to net cash provided: | | |
| Depreciation | 1,332,801 | 278,087 |
| Changes in Operating Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable | 654,834 | - |
| Deferred Outflows of Resources: | | |
| Pension outflows | 109,057 | - |
| OPEB outflows | 370 | - |
| Increase (Decrease) in: | | |
| Accounts payable and accrued liabilities | (3,011,901) | (217,719) |
| Customer deposits | 118,398 | - |
| Due to other funds | - | (545,259) |
| Net pension liability | (159,758) | - |
| OPEB liability | (6,873) | - |
| Deferred Inflows of Resources: | | |
| Pension inflows | 33,707 | - |
| OPEB inflows | (1,255) | - |
| Net Cash Provided By (Used for) Operating Activities | \$ 6,216,465 | \$ (763,012) |

See Notes to Financial Statements.

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City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

The City of Elgin, Texas (the "City") was incorporated in 1872. The City operates under a Council-Manager form of government and provides the following services: public safety, street maintenance, sanitation, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Tax Increment Reinvestment Zone No. 1 ("TIRZ") and the Elgin Economic Development Corporation, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Tax Increment Reinvestment Zone No. 1 Fund

The Tax Increment Reinvestment Zone No. 1 fund was created to encourage and accelerate planned development within the City limits. The fund accounts for all tax and expenditure activity associated with the fund's primary purpose. The Board is comprised of the Mayor and City Council and functions as a department of the City. Separate audited financial statements are not available.

Discretely Presented Component Unit

Elgin Economic Development Corporation

The Elgin Economic Development Corporation (the "EDC") serves all citizens of the City and is governed by a seven member board of directors appointed by the Elgin City Council. The EEDC is a 4B Corporation and is supported by a half-cent sales tax voted by referendum in 1990. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within geographic boundaries of the City. Separately audited financial statements are not issued.

C. Basis of Presentation Government-Wide and Fund Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major

City of Elgin, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, parks and recreation and public works.

Capital Projects Fund

This fund accounts for the portion of the proceeds from the issuance of certificates of obligation to be used for the purpose of repairing, improving, upgrading, and equipping City buildings, City streets and drainage, and City parks, including engineering and other related costs, and for the acquisition of equipment for general governmental purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Utility Fund

This fund is used to account for the provision of water, sewer, and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

Internal Service Fund – Contractual Services

Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's internal service fund include certain contractual services for employee benefits, building maintenance and IT services.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

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

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

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

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

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

E. Budgetary Information

An annual budget is adopted by City Council who uses the following procedures in establishing budgetary data reflected in the financial statements:

- (a) Prior to September 1, the City submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) Once a budget is approved, it can be amended only by approval of a majority of the City Council members.
- (e) Amendments are presented to the City Council at their regular meetings. Each amendment must have City Council approval. Such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after a fiscal year-end. All budget appropriations lapse at year-end.

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as LOGIC, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

2. Fair Value

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| Asset Description | Estimated Useful Life |
|----------------------------|------------------------------|
| Vehicles and equipment | 3-20 years |
| Furniture | 5 to 10 years |
| Infrastructure | 40 years |
| Water and sewer system | 20-50 years |
| Buildings and improvements | 20-50 years |

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property tax and fines and fee revenue. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Pensions

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

9. Other Postemployment Benefits

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumptions

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

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (City Council) has by resolution authorized the City Manager 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

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

13. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. Vested or accumulated vacation, sick, and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences. Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

14. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

City of Elgin, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred in accordance with GASB statement no. 65.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

15. Leases

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

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

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

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

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

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

16. Estimates

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures in Excess of Appropriations

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and enterprise funds.

The appropriated budget is prepared by fund, function, and department. The legal level of control is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

Expenditures exceeded appropriations at the legal level of control as follows:

| | | |
|--------------------|----|---------|
| General fund | | |
| General government | \$ | 160,671 |
| Garbage | | 115,441 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the primary government had the following investments:

| Investment Type | Value | Weighted Average Maturity (Years) |
|-------------------------------------|---------------|---|
| External investment pools | \$ 10,114,715 | 0.14 |
| Total fair value | \$ 10,114,715 | |
| Portfolio weighted average maturity | | 0.14 |

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk – The City’s investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

LOGIC

The Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. LOGIC was created by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses the amortized cost valuation technique, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value. Accordingly, the fair value of the position in LOGIC are the same as the value of LOGIC shares. LOGIC is rated AAAM by Standard & Poor's. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

| | General | Debt Service | Capital Projects | Nonmajor Governmental Funds | Utility Fund | Total |
|----------------|-------------------|---------------------|-------------------------|--|---------------------|---------------------|
| Property taxes | \$ 259,238 | \$ 118,422 | \$ - | \$ - | \$ - | \$ 377,660 |
| Sales tax | 476,515 | - | - | - | - | 476,515 |
| Other taxes | 23,484 | - | - | 191,771 | - | 215,255 |
| Accounts | 906,251 | - | - | 1,530 | 1,193,223 | 2,101,004 |
| Grant | - | - | 304,431 | - | 23,230 | 327,661 |
| Allowance | (705,672) | (693) | - | - | (430,705) | (1,137,070) |
| Total | \$ 959,816 | \$ 117,729 | \$ 304,431 | \$ 193,301 | \$ 785,748 | \$ 2,361,025 |

The following comprise receivable balances of the discretely presented component unit at year end:

| | Elgin EDC |
|--------------|----------------------|
| Sales tax | \$ 236,365 |
| Total | \$ 236,365 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases/ Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|--------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,355,137 | \$ - | \$ - | \$ 1,355,137 |
| Construction in process | 21,966,886 | 1,321,975 | (21,366,618) | 1,922,243 |
| Total capital assets not being depreciated | <u>23,322,023</u> | <u>1,321,975</u> | <u>(21,366,618)</u> | <u>3,277,380</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 6,250,848 | 87,522 | 8,089,017 | 14,427,387 |
| Equipment | 5,463,723 | 130,915 | - | 5,594,638 |
| Infrastructure | 32,551,801 | - | 13,785,522 | 46,337,323 |
| Right-to-use assets | 86,756 | 212,336 | - | 299,092 |
| Total capital assets being depreciated | <u>44,353,128</u> | <u>430,773</u> | <u>21,874,539</u> | <u>66,658,440</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 4,021,821 | 286,837 | - | 4,308,658 |
| Equipment | 3,427,702 | 708,730 | - | 4,136,432 |
| Infrastructure | 10,992,013 | 836,165 | - | 11,828,178 |
| Right-to-use assets | 86,756 | 7,583 | - | 94,339 |
| Total accumulated depreciation | <u>18,528,292</u> | <u>1,839,315</u> | <u>-</u> | <u>20,367,607</u> |
| Net capital assets being depreciated | <u>25,824,836</u> | <u>(1,408,542)</u> | <u>21,874,539</u> | <u>46,290,833</u> |
| Total Capital Assets | <u>\$ 49,146,859</u> | <u>\$ (86,567)</u> | <u>\$ 507,921</u> | <u>\$ 49,568,213</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|---------------------|
| General government | \$ 84,693 |
| Public safety | 279,774 |
| Public works | 878,724 |
| Parks and recreation | 289,952 |
| Building and code enforcement | 28,085 |
| Internal service fund | 278,087 |
| Total Governmental Activities Depreciation Expense | <u>\$ 1,839,315</u> |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

A summary of changes in business-type activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|---|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 216,998 | \$ 1,607,110 | \$ - | \$ 1,824,108 |
| Water rights | 269,056 | - | - | 269,056 |
| Construction in progress | 28,723,325 | 689,283 | (28,885,845) | 526,763 |
| Total capital assets not being depreciated | 29,209,379 | 2,296,393 | (28,885,845) | 2,619,927 |
| Capital assets, being depreciated: | | | | |
| Distribution and collection systems | 40,861,915 | 30,391 | 28,885,845 | 69,778,151 |
| Equipment | 4,170,641 | 14,481 | - | 4,185,122 |
| Total capital assets being depreciated | 45,032,556 | 44,872 | 28,885,845 | 73,963,273 |
| Less accumulated depreciation | | | | |
| Distribution and collection systems | 14,185,979 | 1,087,478 | - | 15,273,457 |
| Equipment | 3,383,979 | 245,323 | - | 3,629,302 |
| Total accumulated depreciation | 17,569,958 | 1,332,801 | - | 18,902,759 |
| Net capital assets being depreciated | 27,462,598 | (1,287,929) | 28,885,845 | 55,060,514 |
| Total Capital Assets | \$ 56,671,977 | \$ 1,008,464 | \$ - | \$ 57,680,441 |

Depreciation was charged to business-type functions as follows:

| | |
|--|---------------------|
| Water | \$ 637,171 |
| Sewer | 695,630 |
| Total Business-type Activities Depreciation Expense | \$ 1,332,801 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

A summary of changes in the Elgin EDC capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Retirements | Ending Balances |
|--|-------------------------------|-------------------|-----------------------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,746,161 | \$ 305,500 | \$ - | \$ 2,051,661 |
| Land held for sale | 1,912,668 | - | - | 1,912,668 |
| Total capital assets not being depreciated | <u>3,658,829</u> | <u>305,500</u> | <u>-</u> | <u>3,964,329</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 2,429,206 | - | - | 2,429,206 |
| Total capital assets being depreciated | <u>2,429,206</u> | <u>-</u> | <u>-</u> | <u>2,429,206</u> |
| Less accumulated depreciation | | | | |
| Infrastructure | 411,601 | 49,567 | - | 461,168 |
| Total accumulated depreciation | <u>411,601</u> | <u>49,567</u> | <u>-</u> | <u>461,168</u> |
| Net capital assets being depreciated | <u>2,017,605</u> | <u>(49,567)</u> | <u>-</u> | <u>1,968,038</u> |
| Total Capital Assets | <u>\$ 5,676,434</u> | <u>\$ 255,933</u> | <u>\$ -</u> | <u>\$ 5,932,367</u> |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

D. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and proprietary fund to liquidate compensated absences.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 348,365 | \$ 96,234 | \$ - | \$ 444,599 | \$ 400,139 |
| Total Governmental Activities | <u>\$ 348,365</u> | <u>\$ 96,234</u> | <u>\$ -</u> | <u>\$ 444,599</u> | <u>\$ 400,139</u> |
| Long-term Liabilities Due in More than One Year | | | | <u>\$ 44,460</u> | |
| Business-Type Activities: | | | | | |
| Compensated absences | \$ 115,564 | \$ - | \$ (43,201) | \$ 72,363 | \$ 65,127 |
| Total Business-Type Activities | <u>\$ 115,564</u> | <u>\$ -</u> | <u>\$ (43,201)</u> | <u>\$ 72,363</u> | <u>\$ 65,127</u> |
| Long-term Liabilities Due in More than One Year | | | | <u>\$ 7,236</u> | |
| Component Unit Activities: | | | | | |
| Compensated absences | \$ 19,640 | \$ 6,549 | \$ - | \$ 26,189 | \$ 23,570 |
| Total Component Unit Activities | <u>\$ 19,640</u> | <u>\$ 6,549</u> | <u>\$ -</u> | <u>\$ 26,189</u> | <u>\$ 23,570</u> |
| | | | | <u>\$ 2,619</u> | |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service and proprietary fund to liquidate governmental long-term liabilities.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| Certificates of obligation | \$ 20,283,700 | \$ - | \$ (812,378) | \$ 19,471,322 | \$ 840,624 |
| General obligation bonds | 4,467,000 | - | (375,000) | 4,092,000 | 390,000 |
| Premiums | 2,679,572 | - | (136,628) | 2,542,944 | - |
| Lease liabilities | 64,856 | 212,336 | (64,856) | 212,336 | 23,178 |
| Total Governmental Activities | <u>\$ 27,495,128</u> | <u>\$ 212,336</u> | <u>\$ (1,388,862)</u> | <u>\$ 26,318,602</u> | <u>\$ 1,253,802</u> |

Long-term liabilities due in more than one year \$ 25,064,800

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Payments</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|---------------------------------------|------------------------------|------------------|-----------------------|---------------------------|--------------------------------|
| Business-type Activities: | | | | | |
| Bonds, notes and other payables: | | | | | |
| Certificates of obligation | \$ 22,111,301 | \$ - | \$ (992,621) | \$ 21,118,680 | \$ 1,029,378 |
| General obligation bonds | 5,223,000 | - | (365,000) | 4,858,000 | 370,000 |
| Premium | 2,667,813 | - | (166,637) | 2,501,176 | - |
| Total Business-type Activities | <u>\$ 30,002,114</u> | <u>\$ -</u> | <u>\$ (1,524,258)</u> | <u>\$ 28,477,856</u> | <u>\$ 1,399,378</u> |

Long-term liabilities due in more than one year \$ 27,078,478

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Primary government long-term debt at year end was comprised of the following debt issues:

| | Governmental Activities | Business-type Activities |
|---|------------------------------------|-------------------------------------|
| Certificates of Obligation: | | |
| \$5,615,000 Comb. Tax & Revenue Cert. of Obligation, Series 2015 due in annual installments through July 2035, interest at 2% to 4% | \$ 3,440,000 | \$ - |
| \$2,980,000 Series 2013 Combined Tax & Revenue Cert. of Obligation, due in installments through July 2033, interest at 2% to 4.5% | 941,322 | 508,680 |
| \$9,315,000 Series 2016 Combined Tax & Revenue Cert. of Obligation, due in annual installments through July 2036, interest at 3 to 4% | - | 6,080,000 |
| \$4,035,000 Series 2019A Combined Tax & Revenue Cert. of Obligation, due in annual installments through July 2038, interest at 3.125%-4% | - | 2,980,000 |
| \$5,700,000 Series 2019B Combined Tax & Revenue Cert. of Obligation, due in annual installments through July 2048, interest at 3.625% - 4% | 5,020,000 | - |
| \$12,830,000 Combination Tax and Revenue Certificates of Obligation, Series 2021, due in annual installments through July 2046 | - | 11,550,000 |
| \$10,705,000 Series 2021A Combined Tax & Revenue Cert. of Obligation, due in annual installments through July 2046 interest at 2%-5% | 10,070,000 | - |
| Total Certificates of Obligation | \$ 19,471,322 | \$ 21,118,680 |
| General Obligation Refunding Bonds: | | |
| \$3,315,000 General Obligation Refunding Bonds, Series 2015, due in installments through July 2045, interest at 2% to 4% | \$ - | \$ 2,130,000 |
| \$9,190,000 General Obligation Refunding Bonds, Series 2021 due in annual installments through July 2048 interest at 3%-4% | 4,092,000 | 2,728,000 |
| Total General Obligation Refunding Bonds | \$ 4,092,000 | \$ 4,858,000 |
| Lease Liabilities: | | |
| \$212,336 Lease Payable, equipment due in annual installments through 2032, interest at 5.36% | \$ 212,336 | \$ - |
| Total Lease Liabilities | \$ 212,336 | \$ - |
| Bond Premiums: | | |
| | 2,542,944 | 2,501,176 |
| Total Debt | \$ 26,318,602 | \$ 28,477,856 |

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Governmental Activities

| | Certificates of Obligation | | General Obligation Refunding | |
|--------------|-----------------------------------|---------------------|-------------------------------------|---------------------|
| | | | Bonds | |
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 840,624 | \$ 773,571 | \$ 390,000 | \$ 157,260 |
| 2027 | 882,116 | 739,945 | 408,000 | 141,660 |
| 2028 | 910,362 | 704,661 | 339,000 | 125,340 |
| 2029 | 938,608 | 668,245 | 300,000 | 111,780 |
| 2030 | 980,100 | 630,701 | 312,000 | 99,780 |
| 2031 | 1,028,346 | 590,897 | 327,000 | 87,300 |
| 2032 | 1,069,838 | 549,147 | 336,000 | 74,220 |
| 2033 | 1,106,328 | 505,703 | 351,000 | 60,780 |
| 2034 | 1,015,000 | 460,769 | 363,000 | 46,740 |
| 2035 | 1,050,000 | 420,169 | 60,000 | 32,220 |
| 2036 | 670,000 | 378,169 | 63,000 | 29,820 |
| 2037 | 700,000 | 351,369 | 63,000 | 27,300 |
| 2038 | 725,000 | 323,369 | 66,000 | 24,780 |
| 2039 | 755,000 | 294,369 | 72,000 | 22,140 |
| 2040 | 785,000 | 264,169 | 72,000 | 19,260 |
| 2041 | 820,000 | 233,669 | 75,000 | 17,100 |
| 2042 | 845,000 | 201,806 | 75,000 | 14,850 |
| 2043 | 880,000 | 168,963 | 81,000 | 12,600 |
| 2044 | 910,000 | 134,756 | 81,000 | 10,170 |
| 2045 | 950,000 | 99,388 | 84,000 | 7,740 |
| 2046 | 985,000 | 62,100 | 84,000 | 5,220 |
| 2047 | 305,000 | 23,438 | 90,000 | 2,700 |
| 2048 | 320,000 | 12,000 | - | - |
| Total | \$ 19,471,322 | \$ 8,591,373 | \$ 4,092,000 | \$ 1,130,760 |

Governmental Activities

| | Lease Liabilities | |
|--------------|--------------------------|------------------|
| | Principal | Interest |
| 2026 | \$ 23,178 | \$ 14,680 |
| 2027 | 27,466 | 10,392 |
| 2028 | 28,975 | 8,883 |
| 2029 | 30,567 | 7,291 |
| 2030 | 32,246 | 5,612 |
| 2031 | 34,018 | 3,840 |
| 2032 | 35,886 | 1,971 |
| Total | \$ 212,336 | \$ 52,669 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

The City has entered into lease agreements. The governmental activities right-to-use assets have a book value of \$204,753 as of year end.

Business-type Activities

| | Certificates of Obligation | | General Obligation Refunding Bonds | |
|--------------|-----------------------------------|---------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| | | \$ | \$ | \$ |
| 2026 | 1,029,378 | 791,805 | 370,000 | 192,665 |
| 2027 | 1,097,884 | 750,629 | 382,000 | 177,865 |
| 2028 | 1,139,638 | 706,715 | 336,000 | 162,585 |
| 2029 | 1,186,392 | 661,129 | 310,000 | 149,145 |
| 2030 | 1,234,900 | 613,673 | 318,000 | 136,745 |
| 2031 | 1,281,654 | 563,953 | 328,000 | 124,025 |
| 2032 | 1,330,162 | 512,353 | 334,000 | 110,905 |
| 2033 | 1,383,672 | 460,810 | 344,000 | 97,545 |
| 2034 | 1,365,000 | 407,150 | 347,000 | 83,785 |
| 2035 | 1,420,000 | 354,388 | 145,000 | 69,905 |
| 2036 | 1,470,000 | 299,500 | 147,000 | 64,105 |
| 2037 | 830,000 | 242,000 | 147,000 | 57,700 |
| 2038 | 865,000 | 210,150 | 149,000 | 51,295 |
| 2039 | 610,000 | 176,950 | 153,000 | 44,810 |
| 2040 | 630,000 | 152,550 | 153,000 | 38,165 |
| 2041 | 655,000 | 127,350 | 155,000 | 32,000 |
| 2042 | 675,000 | 107,700 | 155,000 | 26,300 |
| 2043 | 695,000 | 87,450 | 159,000 | 20,600 |
| 2044 | 720,000 | 66,600 | 154,000 | 14,780 |
| 2045 | 740,000 | 45,000 | 156,000 | 9,160 |
| 2046 | 760,000 | 22,800 | 56,000 | 3,480 |
| 2047 | - | - | 60,000 | 1,800 |
| Total | \$ 21,118,680 | \$ 7,360,655 | \$ 4,858,000 | \$ 1,890,990 |

F. Deferred Charges on Refunding

Deferred gain resulting from the issuance of series 2021 and 2015 General Obligation Refunding Bonds has been recorded as deferred inflows of resources and is being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding debt. Current year balance for governmental and business-type activities was \$17,923 and \$11,948, respectively. Current year amortization income for governmental and business-type activities totaled \$(815) and \$(543), respectively.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

G. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was \$14,119,606. Of which, \$222,218 is restricted by enabling legislation.

H. Interfund Transactions

Transfers between the primary government funds during the 2025 year were as follows:

| <u>Transfers in:</u> | <u>Transfers (out):</u> | | | <u>Total</u> |
|----------------------|-------------------------|------------------------------|---------------------|----------------------|
| | <u>General</u> | <u>Nonmajor governmental</u> | <u>Utility</u> | |
| General | \$ - | \$ 36,504 | \$ 2,087,375 | \$ 2,123,879 |
| Debt service | - | - | 307,948 | 307,948 |
| Capital projects | 3,184,061 | 4,396,800 | - | 7,580,861 |
| Internal service | 763,107 | - | - | 763,107 |
| Total | \$ 3,947,168 | \$ 4,433,304 | \$ 2,395,323 | \$ 10,775,795 |

Amounts transferred between funds relate to amounts collected by the governmental and enterprise funds for various capital expenditures and principal and interest payments. In addition to the fund activities, the Elgin EDC transferred infrastructure of \$507,921 to the City.

The compositions of interfund balances to/from as of the year ended September 30, 2025 were as follows:

| <u>Due from (Receivable fund):</u> | <u>Due to (Payable fund):</u> | | | <u>Total</u> |
|------------------------------------|-------------------------------|------------------------------|---------------------|---------------------|
| | <u>General</u> | <u>Nonmajor governmental</u> | <u>Utility</u> | |
| Debt service | \$ 223,030 | \$ 201,184 | \$ 1,196,622 | \$ 1,620,836 |
| Capital projects | - | - | 448,477 | 448,477 |
| Utility | 417,358 | - | - | 417,358 |
| | \$ 640,388 | \$ 201,184 | \$ 1,645,099 | \$ 2,486,671 |

Hidden Oaks Highway 290 Property

During 2018, the City and Elgin EDC approved a partnership agreement to purchase a tract of land containing 60+/- acres also known as the Hidden Oaks Highway 290 Property for a total purchase price of approximately \$3,997,000. The acquisition of the Hidden Oaks Highway 290 property also created contiguity with an additional 80+/- acre tract acquired by the City many

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

years prior, creating 140-acre tract of land with frontage on highway 290 and a rail. To complete this acquisition, the City and EDC ultimately utilized a combination of available cash reserves and the partial funding of eligible expenditures from the City's 2016 Certificates of Obligation. It was the intent of both the City and EDC, however, that such funding was to be temporary; and that anticipated proceeds from future land sales from the Property in the near future will be utilized to fully reimburse both the City and EDC for these costs. In any and all circumstances (unless expressly agreed to otherwise by the City Council), all proceeds from the sale or lease of any and all property by the EDC within the entire 140 acres as described herein shall be first utilized to repay all costs associated with the purchase of the Hidden Oaks Highway 290 Property. Only at such time as the entire \$3.997M is repaid to the City and EDC respectively shall any proceeds from future land sales within the Property be eligible for other use. One of the primary objectives for this investment in the Property is to create opportunities for the City and EDC to exercise greater control over the future development of said land. It is the expressed desire of both the City and EDC to encourage and/or secure private development projects within the Property that will (a) create enhanced resources supporting local government, (b) provide jobs and services desired by the Elgin community and (c) develop the property in a way that is aesthetically pleasing and a quality addition to the City of Elgin. During the 2020 year, land was sold for \$913,636 which was used to pay down the interfund balance. During 2020, the City approved a loan from the TIRZ to the EDC to purchase 14 acres of land which within the boundaries of the TIRZ Zone at 228 Littig Road. During the 2021 fiscal year, the EDC issued a promissory note in the amount of \$2,087,000 which is secured by the land. This funding was used to repay the utility fund, reducing the balance to \$13,195. The interfund loan does not bear interest and is presented as current liability.

As of September 30, 2025, the loan balance is as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|---------------------|-------------------|
| Utility fund | Elgin EDC | \$ 13,195 |
| TIRZ | Elgin EDC | 413,337 |
| | Total | \$ 426,532 |

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No such liabilities were recorded as of year end.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Elgin participates as one of 938 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

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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.

2. 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 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.

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

| | <u>Plan Year 2023</u> | <u>Plan Year 2024</u> |
|--|--------------------------|--------------------------|
| Employee deposit rate | 7.00% | 7.00% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees) | 70% of CPI | 70% of CPI |

Employees covered by benefit terms

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

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 62 |
| Inactive employees entitled to but not yet receiving benefits | 135 |
| Active employees | <u>121</u> |
| Total | <u>319</u> |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

3. Contributions

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

Employees for the City of Elgin, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Elgin, Texas were 13.07% and 12.96% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$992,213, and equaled the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (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, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.60 to 11.85%, including inflation |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|-------------------|---|
| Global Public Equity | 35.0% | 6.7% |
| Core Fixed Income | 6.0% | 4.7% |
| Non-Core Fixed Income | 20.0% | 8.0% |
| Other Public/Private Markets | 12.0% | 8.0% |
| Real Estate | 12.0% | 7.6% |
| Hedge Funds | 5.0% | 6.4% |
| Private Equity | 10.0% | 11.6% |
| Total | 100.0% | |

Discount Rate

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

City of Elgin, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. Of the total pension liability, \$1,742,363 is related to the primary government and \$48,046 is attributable to the discretely presented component unit.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

Primary Government:

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ 4,933,580 | \$ 1,742,363 | \$ (834,327) |

Component Unit:

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ 136,044 | \$ 48,046 | \$ (23,005) |

Total:

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|----------------------|---|----------------------|
| \$ 5,069,624 | \$ 1,790,409 | \$ (857,332) |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|--|--|--|
| Balance at 12/31/23 | \$ 19,934,042 | \$ 17,604,993 | \$ 2,329,049 |
| Changes for the year: | | | |
| Service cost | 1,309,950 | - | 1,309,950 |
| Interest | 1,360,023 | - | 1,360,023 |
| Difference between expected and actual experience | 117,839 | - | 117,839 |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 977,935 | (977,935) |
| Contributions – employee | - | 528,206 | (528,206) |
| Net investment income | - | 1,832,317 | (1,832,317) |
| Benefit payments, including refunds of emp. contributions | (881,043) | (881,043) | - |
| Administrative expense | - | (11,732) | 11,732 |
| Other changes | - | (274) | 274 |
| Net changes | 1,906,769 | 2,445,409 | (538,640) |
| Balance at 12/31/24 | \$ 21,840,811 | \$ 20,050,402 | \$ 1,790,409 |

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.

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

For the year ended September 30, 2025, the City recognized pension expense of \$1,058,038. Of this amount, \$1,029,646 is related to the primary government and \$28,392 is attributable to the discretely presented component unit.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

| | Deferred Outflows of Resources | | Deferred (Inflows) of Resources |
|---|---|--|--|
| Primary Government: | | | |
| Difference between projected and actual investment earnings | \$ - | | \$ (217,174) |
| Differences between expected and actual economic experience | 93,746 | | - |
| Differences due to changes of assumptions | - | | (19,026) |
| Contributions subsequent to the measurement date | 718,851 | | - |
| Component Unit: | | | |
| Difference between projected and actual investment earnings | - | | (5,989) |
| Differences between expected and actual economic experience | 2,585 | | - |
| Differences due to changes of assumptions | - | | (524) |
| Contributions subsequent to the measurement date | 19,822 | | - |
| Total | \$ 835,004 | | \$ (242,713) |

The primary government and component units reported \$718,851 and \$19,822, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | |
|--------------------------------|---------------------|
| 2025 | \$ 50,930 |
| 2026 | 209,857 |
| 2027 | (278,373) |
| 2028 | (128,796) |
| 2029 | - |
| Thereafter | - |
| | \$ (146,382) |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2025

Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The 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 SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

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.

Employees covered by benefit terms

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

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 49 |
| Inactive employees entitled to but not yet receiving benefits | 23 |
| Active employees | 121 |
| Total | 196 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

The City's retiree contribution rates to the TMRS SDBF for the years ended 2023, 2024, and 2025 are as follows:

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|------------------------|--|--|-------------------------------------|
| 2023 | 0.14% | 0.14% | 100.0% |
| 2024 | 0.15% | 0.15% | 100.0% |
| 2025 | 0.13% | 0.13% | 100.0% |

The Retiree's contributions to the TMRS SDBF for the years ended 2025, 2024 and 2023 were \$10,282, \$10,840 and \$7,298, respectively, which equaled the required contributions each year.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

| | |
|--|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.60% to 11.85%, including inflation per year |
| Discount rate | 4.08% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

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

Primary Government:

| 1% Decrease 3.08% | Current Single Rate Assumption 4.08% | 1% Increase 5.08% |
|----------------------|---|----------------------|
| \$ 344,394 | \$ 288,425 | \$ 244,715 |

Component Unit:

| 1% Decrease 3.08% | Current Single Rate Assumption 4.08% | 1% Increase 5.08% |
|----------------------|---|----------------------|
| \$ 9,497 | \$ 7,953 | \$ 6,748 |

Total:

| 1% Decrease 3.08% | Current Single Rate Assumption 4.08% | 1% Increase 5.08% |
|----------------------|---|----------------------|
| \$ 353,891 | \$ 296,378 | \$ 251,463 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|---|-----------------------------|
| Balance at 12/31/23 | \$ 299,311 |
| Changes for the year: | |
| Service Cost | 18,111 |
| Interest | 11,412 |
| Difference between expected and actual experience | (4,808) |
| Changes of assumptions | (16,329) |
| Benefit payments | (11,319) |
| Net changes | (2,933) |
| Balance at 12/31/24 | \$ 296,378 |

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$7,657. Of this amount, \$7,452 is related to the primary government and \$205 is attributable to the discretely presented component unit.

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

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|--|
| Primary Government: | | |
| Difference between expected and actual experience | \$ - | \$ (50,811) |
| Contributions subsequent to measurement date | 7,150 | - |
| Component Unit: | | |
| Difference between expected and actual experience | - | (1,401) |
| Contributions subsequent to measurement date | 197 | - |
| Total | \$ 7,347 | \$ (52,212) |

The primary government and component units reported \$7,150 and \$197, respectively, as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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

| Year ended December 31: | | |
|--------------------------------|----|-------------|
| 2025 | \$ | (30,167) |
| 2026 | | (15,709) |
| 2027 | | (4,722) |
| 2028 | | (1,614) |
| 2029 | | - |
| Thereafter | | - |
| | | \$ (52,212) |

E. Restatements

During the current year, the City restated beginning fund balance and net position for the utility, nonmajor governmental, and internal service funds, governmental and business-type activities to correct accrued revenue and depreciation. In addition, the City adopted GASB 101 over compensated absences. The below is a summary of the restatements:

| | Nonmajor Governmental | Governmental Activities | Internal Service |
|--|----------------------------------|------------------------------------|-------------------------|
| Prior year ending net position/fund balance, as reported | \$ 5,504,921 | \$ 25,336,264 | 3,699 |
| Correction to accrued revenue | 27,622 | 27,622 | - |
| Correction to accumulated depreciation | - | 203,724 | 238,310 |
| Implementation of GASB 101 | - | (216,386) | - |
| Restated beginning net position/fund balance | \$ 5,532,543 | \$ 25,351,224 | \$ 242,009 |

| | Utility | Business-type Activities |
|--|----------------|-------------------------------------|
| Prior year ending net position/fund balance, as reported | \$ 32,279,515 | \$ 32,279,515 |
| Correction to accumulated depreciation | (161,587) | (161,587) |
| Implementation of GASB 101 | (75,543) | (75,543) |
| Restated beginning net position/fund balance | \$ 32,042,385 | \$ 32,042,385 |

City of Elgin, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

F. New Accounting Pronouncements

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$291,929 as of September 30, 2024.

G. Related Parties

A relative of a City Council member was employed by a vendor that provided construction services to the City. During the year ended September 30, 2025, the City paid the vendor \$2,800 for such services. At September 30, 2025, no amounts were owed to the vendor.

H. Subsequent Events

There were no material subsequent events through March 13, 2026, the date the financial statements were issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

**CITY OF ELGIN, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$10,655,000***

AS BOND COUNSEL FOR THE CITY OF ELGIN, TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on March 17, 2026 authorizing the issuance of the Bonds and the Pricing Certificate as defined in, and authorized by, the ordinance (collectively, the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of said Bonds, including the executed Bond (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City, and ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Bonds have been levied and pledged for such purpose, within the limits prescribed by law, on taxable property within the City.

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

* Preliminary, subject to change.



fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for the purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a



guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)