(See "CONTINUING DISCLOSURE OF INFORMATION")

OFFICIAL STATEMENT

Dated August 4, 2026

Ratings:
S&P: " AA" (AG Insured)
S&P: "AA-" (Underlying)
(see "OTHER INFORMATION – Ratings"; "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein)

NEW ISSUE - Book-Entry-Only

Interest on the Bonds is not excludable from gross income for federal tax purposes under existing law (see "TAX MATTERS – The Bonds" herein).

$2,510,000
CITY OF COMMERCE, TEXAS
(Hunt County)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

Dated Date: August 1, 2026 **Due: February 15, as shown on page 2**
Interest to accrue from the Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $2,510,000 City of Commerce, Texas General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds"), will accrue from the date of initial delivery of the Bonds to the underwriter shown below (the "Underwriter"), anticipated to be on or about August 27, 2026 (the "Delivery Date"), and will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 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 within a maturity. 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 OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1207, as amended, and the City's home rule charter, are direct obligations of the City of Commerce, Texas (the "City") (see "THE OBLIGATIONS - Authority for Issuance of the Bonds"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as defined and provided in the ordinance authorizing the Bonds adopted by the City Council of the City (the "Bond Ordinance") (see "THE OBLIGATIONS – Security and Source of Payment for the Obligations").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I for restructuring purposes (the "Refunded Obligations") and (ii) pay the costs of issuance associated with the sale of the Bonds. (See "PLAN OF FINANCING – Purpose" herein).

CUSIP PREFIX: 200723
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . .The Bonds are being offered by the City concurrently with the issuance of the $8,665,000 City of Commerce, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

MUNICIPAL BOND INSURANCE . . .The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.** (see "BOND INSURANCE"; "BOND INSURANCE RISK FACTORS" and "APPENDIX D – SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY").

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., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters with respect to the Bonds will be passed upon by Bracewell LLP, Dallas, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about August 27, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

CUSIP Prefix: 200723 [(1)]

$2,510,000
CITY OF COMMERCE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

MATURITY SCHEDULE

Principal Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 50,000	2031	4.890%	4.890%	SF2
***	***	***	***	***
50,000	2033	5.090%	5.090%	SG0
100,000	2034	5.150%	5.150%	SH8
155,000	2035	5.200%	5.200%	SJ4
310,000	2036	5.280%	5.280%	SK1
330,000	2037	5.380%	5.380%	SL9
350,000	2038	5.470%	5.470%	SM7
365,000	2039	5.580%	5.580%	SN5
390,000	2040	5.640%	5.640%	SP0
410,000	2041	5.690%	5.690%	SQ8

(Interest to accrue from the Delivery Date)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriter, or the Municipal Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

(See "CONTINUING DISCLOSURE OF INFORMATION")

OFFICIAL STATEMENT

Dated August 4, 2026

Ratings:
S&P: " AA" (AG Insured)
S&P: "AA-" (Underlying)
(see "OTHER INFORMATION – Ratings"; "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates 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 – The Certificates" herein, including the alternative minimum tax on certain corporations.

THE CERTIFICATES ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$8,665,000
CITY OF COMMERCE, TEXAS
(Hunt County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: August 1, 2026 **Due: February 15, as shown on page 4**
Interest to accrue from the Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $8,665,000 City of Commerce, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery of the Certificates to the underwriter shown below (the "Underwriter") anticipated to be on or about August 27, 2026 (the "Delivery Date"), and will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates 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 Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Commerce, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a pledge of the surplus revenues of the City's water and sewer system (the "System"), as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) constructing, improving, extending, expanding and upgrading the System; (ii) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, utility relocation and replacement, bridges, signage and streetscape improvements; (iii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City's park system; (iv) improving and equipping administrative office and departmental space for governmental functions of the City, including City Hall and the City Hall Annex; (v) improving and equipping public safety facilities, including the fire department, the police department, the emergency management department and the municipal jail; and (vi) paying legal, fiscal and engineering fees in connection with such projects. (See "PLAN OF FINANCING – Purpose" herein).

CUSIP PREFIX: 200723
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES . . .The Certificates are being offered by the City concurrently with the issuance of the $2,510,000 City of Commerce, Texas General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

MUNICIPAL BOND INSURANCE . . . The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **ASSURED GUARANTY INC.** (see "BOND INSURANCE"; "BOND INSURANCE RISK FACTORS" and "APPENDIX D – SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY").

LEGALITY . . . The Certificates 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., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions") . Certain legal matters with respect to the Certificates will be passed upon by Bracewell LLP, Dallas, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about August 27, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

CUSIP Prefix: 200723 [(1)]

$8,665,000

CITY OF COMMERCE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE

Principal Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 135,000	2028	5.000%	2.980%	SR6
145,000	2029	5.000%	3.070%	SS4
150,000	2030	5.000%	3.140%	ST2
160,000	2031	5.000%	3.260%	SU9
190,000	2032	5.000%	3.330%	SV7
205,000	2033	5.000%	3.470%	SW5
195,000	2034	5.000%	3.580%	SX3
205,000	2035	5.000%	3.680%	SY1
300,000	2036	5.000%	3.780%	SZ8
315,000	2037	5.000%	3.890% [(2)]	TA2
335,000	2038	5.000%	3.990% [(2)]	TB0
350,000	2039	5.000%	4.070% [(2)]	TC8
365,000	2040	5.000%	4.180% [(2)]	TD6

$1,210,000 4.250% Term Certificates due February 15, 2043 at a Price of 98.715 to Yield 4.360% CUSIP No. [(1)] TG9
$1,375,000 4.375% Term Certificates due February 15, 2046 at a Price of 97.376 to Yield 4.580% CUSIP No. [(1)] TK0
$3,030,000 4.625% Term Certificates due February 15, 2051 at a Price of 97.635 to Yield 4.790% CUSIP No. [(1)] TQ7

(Interest to accrue from the Delivery Date)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriter, or the Municipal Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2036, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . .The Certificates maturing on February 15 in each of the years 2043, 2046 and 2051 (the "Term Certificates") are also subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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

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

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

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

ASSURED GUARANTY INC. ("AG") MAKES NO REPRESENTATION REGARDING THE OBLIGATIONS OR THE ADVISABILITY OF INVESTING IN THE OBLIGATIONS. 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 HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AG SUPPLIED BY AG AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

NONE OF THE CITY, ITS MUNICIPAL ADVISOR, NOR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

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 FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION.

THE COVER PAGES OF THIS OFFICIAL STATEMENT FOR THE OBLIGATIONS CONTAIN CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND ARE NOT INTENDED AS A SUMMARY OF THE OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE AGREEMENTS OF THE CITY AND OTHERS RELATED TO THE OBLIGATIONS ARE CONTAINED SOLELY IN THE CONTRACTS DESCRIBED HEREIN. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER STATEMENT MADE IN CONNECTION WITH THE OFFER OR SALE OF THE OBLIGATIONS IS TO BE CONSTRUED AS CONSTITUTING AN AGREEMENT WITH A PURCHASER OF THE OBLIGATIONS.

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

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR OTHER MATTERS DESCRIBED HEREIN. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE CITY'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.

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

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SCHEDULE I

APPENDICES

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Commerce, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and a home rule municipal corporation located in Hunt County, Texas. The City covers approximately 6.5 square miles (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS .... The $2,510,000 City of Commerce, Texas, General Obligation Refunding Bonds, Taxable Series 2026 are being issued as serial Bonds maturing on February 15 in the year 2031 and in the years 2033 through 2041 (see "THE OBLIGATIONS - Description of the Obligations").

The $8,665,000 City of Commerce, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 are being issued as serial Certificates maturing on February 15 in each of the years 2028 through 2040 and as Term Certificates maturing on February 15 in the years 2043, 2046 and 2051 unless redeemed in accordance with the provisions described herein (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

The Bonds and the Certificates are sometimes referred to collectively herein as the "Obligations".

PAYMENT OF INTEREST ON THE OBLIGATIONS .... Interest on the Bonds accrues from the date of initial delivery of the Obligations (the "Delivery Date") (anticipated to be August 27, 2026), and is payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

Interest on the Certificates accrues from the Delivery Date, and is payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

AUTHORITY FOR ISSUANCE FOR THE OBLIGATIONS .... The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended, the City's home rule charter, and an ordinance adopted by the City Council of the City (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance adopted by the City Council of the City (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS – Authority for Issuance of the Obligations").

SECURITY FOR THE OBLIGATIONS .... The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Bond Ordinance (see "THE OBLIGATIONS - Security and Source of Payment").

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a pledge of the surplus revenues of the City's water and sewer system (the "System"), as provided in the Certificate Ordinance (see "THE OBLIGATIONS – Security and Source of Payment").

OPTIONAL REDEMPTION OF THE BONDS .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

OPTIONAL REDEMPTION OF THE CERTIFICATES .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2037, in whole or in part principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS – Optional Redemption").

MANDATORY SINKING FUND REDEMPTION .... The Certificates maturing on February 15 in the years 2043, 2046 and 2051 are also subject to mandatory sinking fund redemption as described herein ("THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

TAX MATTERS FOR THE BONDS... Interest on the Bonds is not excludable from gross income for federal tax purposes under existing law (see "TAX MATTERS – The Bonds" herein).

TAX MATTERS FOR THE CERTIFICATES .... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "TAX MATTERS – The Certificates" herein, including the alternative minimum tax on certain corporations.

QUALIFIED TAX-EXEMPT OBLIGATIONS............................... The Certificates have been designated as "Qualified Tax-Exempt Obligations" for financial institutions.

USE OF PROCEEDS FOR THE OBLIGATIONS................. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I for restructuring purposes (the "Refunded Obligations") and (ii) pay the costs of issuance associated with the sale of the Bonds. (See "PLAN OF FINANCING – Purpose" herein).

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) constructing, improving, extending, expanding and upgrading the City's water and sewer system (the "System"); (ii) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, utility relocation and replacement, bridges, signage and streetscape improvements; (iii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City's park system; (iv) improving and equipping administrative office and departmental space for governmental functions of the City, including City Hall and the City Hall Annex; (v) improving and equipping public safety facilities, including the fire department, the police department, the emergency management department and the municipal jail; and (vi) paying legal, fiscal and engineering fees in connection with such projects (See "PLAN OF FINANCING – Purpose" herein).

RATINGS FOR THE OBLIGATIONS .... The Obligations are expected to be rated "AA" (stable outlook) by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by ASSURED GUARANTY INC., upon delivery of the Obligations to the Underwriter. The Obligations are rated "AA-" (stable outlook) by S&P without regard to credit enhancement. (see "OTHER INFORMATION - Ratings"; "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

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

PAYMENT RECORD .... The City has never defaulted in payment of its bonded indebtedness.

PAYING AGENT/REGISTRAR .... The initial Paying Agent/Registrar for the Obligations is BOKF, NA, Dallas, Texas.

Selected Financial Information

Fiscal Year Ended 9/30	Estimated City Population [1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	Net Funded Tax Debt Outstanding [3]	Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections to Tax Levy
2022	9,307	$ 421,704,461	$ 45,310	$ 13,839,881	$ 1,487	3.28%	98.94%
2023	9,393	510,963,460	54,398	16,816,955	1,790	3.29%	95.67%
2024	9,460	585,260,312	61,867	20,806,000	2,199	3.55%	95.21%
2025	9,460	633,037,624	66,917	26,593,000	2,811	4.20%	100.07%
2026	9,800	662,580,652	67,610	28,508,000 [4]	2,909 [4]	4.30% [4]	98.72% [5]

(1) Source: City staff, the Municipal Advisory Council of Texas and the U.S. Census Bureau.
(2) As reported by the Hunt County Appraisal District (the "Appraisal District") to the Texas Comptroller of Public Accounts. Subject to change during the ensuing year.
(3) Does not include self-supporting debt from the System. The City's policy to pay its self-supporting general obligation debt from other revenues is subject to change in the future at the City's discretion; although the City has no current plans to do so (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt). In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
(4) Includes a portion of the Certificates. Excludes the Refunded Obligations.
(5) Collections through June, 2026.

For additional information regarding the City, please contact:

Jamie Campbell
Assistant City Manager – Financial Services
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Stephanie Muller Mayor	6 Years	May 2028	Social Security Administrator
Anthony Henry Mayor Pro Tem - Place 1	7 Years	May 2029	Store Manager
Beckey Thompson Councilmember, Place 2	8 Years	May 2027	Small Business Owner
Daniel Starks Councilmember, Place 3	Newly Elected	May 2029	Communications Manager
Jim Ayers Councilmember, Place 4	4 Years	May 2027	Small Business Owner

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Governmental Service
Howdy Lisenbee	City Manager	7 Years	26 Years
Jamie Campbell	Assistant City Manager - Financial Services	9 Years	9 Years
Molly Jacobsen	Assistant City Manager - Community Services	10 Years	10 Years

CONSULTANTS AND ADVISORS

Auditors .... BrooksWatson & Co., PLLC.
Houston, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Municipal Advisor .... Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$2,510,000
CITY OF COMMERCE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

AND

$8,665,000
CITY OF COMMERCE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $2,510,000 City of Commerce, Texas, General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") and $8,665,000 City of Commerce, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates", and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each adopted by the City Council of the City of Commerce, Texas (the "City") on the date of the sale of the Obligations and authorized the issuance of the Bonds and the Certificates, respectively. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

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

Description of the City . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home-Rule charter. The City first adopted its Home-Rule Charter in 1954. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Council members. All members of the City Council are elected at-large and serve three-year staggered terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 8,078 and the 2020 Census population for the City was 9,090, while the estimated 2026 population is 9,800. The City covers approximately 6.5 square miles.

PLAN OF FINANCING

Purpose . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I for restructuring purposes (the "Refunded Obligations") and (ii) pay the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) constructing, improving, extending, expanding and upgrading the City's water and sewer system (the "System"); (ii) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, utility relocation and replacement, bridges, signage and streetscape improvements; (iii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City's park system; (iv) improving and equipping administrative office and departmental space for governmental functions of the City, including City Hall and the City Hall Annex; (v) improving and equipping public safety facilities, including the fire department, the police department, the emergency management department and the municipal jail; and (vi) paying legal, fiscal and engineering fees in connection with such projects.

Refunded Obligations. . . The principal and interest due on the Refunded Obligations are to be paid on their scheduled interest payment dates and maturity dates from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the City and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the underwriter of the Bonds listed on the cover page hereof (the "Underwriter"), the City will deposit with the Escrow Agent the amount that, together with investment earnings thereon, will be sufficient to make all principal and interest payments on the Refunded Obligations on their scheduled interest payment dates and maturity dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and/or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the

"Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Public Finance Partners LLC (the "Verification Agent"), will verify at the time of delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, principal and accrued interest on the Refunded Obligations on their respective interest payment dates and maturity dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By the deposit of a portion of the Bond proceeds, cash, if necessary, and the Escrowed Securities purchased with a portion of the Bond proceeds, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. As a result of such defeasance and in reliance upon the report of the Verification Agent, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City.

SOURCES AND USES OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

SOURCES OF PROCEEDS	
Par Amount of the Bonds	$ 2,510,000.00
TOTAL SOURCES	$ 2,510,000.00
USES OF PROCEEDS	
Deposit to Escrow Fund	$ 2,386,406.57
Underwriter's Discount	17,327.51
Costs of Issuance(1)	106,265.92
TOTAL USES	$ 2,510,000.00

(1) Includes legal fees of the City, municipal advisory fees, rating agency fees, Paying Agent/Registrar, Escrow Agent, and Verification Agent fees, insurance premium and other costs of issuance, including contigency.

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF PROCEEDS	
Par Amount of the Certificates	$ 8,665,000.00
Net Reoffering Premium	110,414.10
TOTAL SOURCES	$ 8,775,414.10
USES OF PROCEEDS	
Deposit to Project Fund	$ 8,500,000.00
Purchaser's Discount	54,801.07
Costs of Issuance(1)	220,613.03
TOTAL USES	$ 8,775,414.10

(1) Includes legal fees of the City, municipal advisory fees, rating agency fees, Paying Agent/Registrar fees, insurance premium and other costs of issuance, including contigency.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated August 1, 2026 and mature on February 15 in each of the years and in the amounts shown on page 2 (with respect to the Bonds) and page 4 (with respect to the Certificates) hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption. The definitive Obligations will be issued only in fully-registered form in principal denominations of $5,000 or any integral multiple thereof for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar identified herein to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, the City's home rule charter, and the Bond Ordinance adopted by the City Council of the City ("City Council").

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

SECURITY AND SOURCE OF PAYMENT FOR THE OBLIGATIONS . . . The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Bond Ordinance.

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a pledge of the surplus revenues of the System, as provided in the Certificate Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for a home rule city to $2.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2043, 2046 and 2051 (the "Term Certificates") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption:

Term Certificates Due February 15, 2043	
Redemption Date	Principal Amount
February 15, 2041	$385,000
February 15, 2042	$405,000
February 15, 2043 (maturity)	$420,000

Term Certificates Due February 15, 2046	
Redemption Date	Principal Amount
February 15, 2044	$435,000
February 15, 2045	$460,000
February 15, 2046 (maturity)	$480,000

Term Certificates Due February 15, 2051	
Redemption Date	Principal Amount
February 15, 2047	$500,000
February 15, 2048	$520,000
February 15, 2049	$550,000
February 15, 2050	$575,000
February 15, 2051 (maturity)	$885,000

The principal amount of Term Certificates required to be redeemed on any mandatory sinking fund redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

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

DTC NOTICES . . .The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations 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 Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Obligations 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 Obligations from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinances 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 Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations selected for redemption (see "THE OBLIGATIONS - Book-Entry-Only System").

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal and premium, if any, on the Obligations, plus interest on the Obligations to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or another authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City additionally has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Obligations. Because the Ordinances do not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

AMENDMENTS . . . In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder of the Obligations for the purpose of amending or supplementing the Ordinances 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 Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances 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 Ordinances 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 Ordinances further provide that the holders of the Obligations aggregating in principal amount a majority of the outstanding Obligations will have the right from time to time to approve any amendment not described above to the Ordinances 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 Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations; (ii) reducing the rate of interest borne by any of the outstanding Obligations; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Obligations, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

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

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

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

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

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

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations 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 the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates 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 in 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, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment principal and interest 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Obligations. In that event, the Obligations will 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 believes to be reliable, but the City takes no 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 Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

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

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 with respect the Obligations, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Obligations is BOKF, NA, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations affected by the changes 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 with respect to the Obligations, printed Obligations will be issued to the registered owners of the Obligations and thereafter such printed Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the respective Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of an 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 or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

RECORD DATE FOR INTEREST PAYMENT . . . The record date (the "Record Date") for determining the party to whom interest is payable on the Obligations on any interest payment date means the close of business on the last business day of the month next preceding each interest payment date for the Obligations.

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

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

OBLIGATIONHOLDERS' REMEDIES. . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide 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 is controlled by equitable principles, and thus rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition, and, accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson*") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme 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. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v.City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the City for breach of the Obligations or Ordinances covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders 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 creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, including principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Obligations, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Obligations. The Policy guarantees the scheduled payment of principal of and interest on the Obligations 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.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (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 June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.
- The contingency reserve of AG was approximately $1,569 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 the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

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 Obligations 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 Obligations or the advisability of investing in the Obligations. 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 herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISKS

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

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

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

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

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers . . . Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Obligations and the claims-paying ability of AG, particularly over the life of the Obligations.

TAX INFORMATION

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

Valuation of Taxable Property . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hunt County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may 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 that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2025 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value.

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

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

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

The governing body of a school district, municipality, or county that adopted an exemption described in (1), above, for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

FREEPORT 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.

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. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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 "City Application of Tax Code" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

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

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

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

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

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

Effective for the 2026 tax year and thereafter, the debt service tax rate defaults to a rate that provides the minimum dollar amount required to service debt for the current year, unless a higher rate is approved in accordance with Section 26.05(a-1), Texas Tax Code. Under Section 26.05(a-1), Texas Tax Code, the governing body of a taxing unit may approve a debt service tax rate that exceeds such minimum rate only if (i) the rate is proposed by a motion that states the minimum rate, the proposed rate, the difference between the two rates, and the purpose for which the excess revenue will be used, and (ii) the motion is approved by at least 60 percent of the members of the governing body. If the governing body approves a higher debt service tax rate under such procedure, that rate is considered the current debt service tax rate for the applicable tax year, and the voter-approval tax rate is recalculated to reflect the higher debt service tax rate. This procedure does not limit the City's obligation to levy taxes at a rate sufficient to pay debt service (within any applicable legal limitations) on outstanding obligations, including the Obligations. However, this tax rate setting limitation could constrain the City's ability to levy a debt service tax rate in a given year that creates a short-term surplus from which the Obligations could be repaid in the event of unexpected delays in the receipt of debt service taxes.

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

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.

Except with respect to the process to exceed the default debt service tax rate described above, the calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Under Chapter 26 of the Tax Code, the ad valorem taxes levied to pay debt service on certain non-voted debt approved after September 1, 2021 are included as part of the maintenance and operations tax rate calculations. The result is that the tax levied for debt service on such non-voted debt will be subject to the maintenance and operations tax limitations described in this subcaption. The Certificates are not subject to such limitations.

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.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem taxsupported 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 of Taxable Assessed Valuation to fund operations and to pay debt service. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance and based on a 90% collection rate.

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

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation.

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

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $6,000.

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

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

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

The City does not tax nonbusiness personal property. The Hunt County Tax Office collects taxes for the City.

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

The City does tax freeport property.

The City does not collect the additional one-quarter cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy.

CHAPTER 380 ECONOMIC DEVELOPMENT AGREEMENTS . . .The City has entered into six Chapter 380 Economic Development Agreements ("380 Agreements") with industrial and manufacturing developers between 2021 and 2024 pursuant to Chapter 380, Texas Local Government Code, as amended. The 380 Agreements include (i) discretionary cash grant of up to $750,000, among other incentives, in exchange for certain developer's relocation into the City, (ii) renovation of commercial construction materials manufacturing space and/or (iii) development of manufacturing space for solar power component and related energy facilities. Under the 380 Agreements referenced in (ii) and (iii), the City provides annual economic development grant payments funded solely from property tax revenues collected on the improved value of the respective project. Such grant payments are made on a declining schedule over ten years, with each developer receiving 100% of the City's property tax on improved value above the initial appraised value in years one through five, stepping down to 10% in year ten, conditioned upon the developer maintaining specified levels of full-time employment throughout the project term.

TAX ABATEMENT AGREEMENTS . . .The City has entered into two tax abatement agreements, one with Huaru Group Holding, Inc. and another with OEP, Inc. Each agreement was authorized by the City Council on October 22, 2020. Both agreements were entered into in exchange for the respective company's installation of new machinery and equipment and improvements at an existing manufacturing, warehousing, and distribution facility in Hunt County, Texas. Under each agreement, the City grants a graduated abatement of ad valorem real and personal property taxes on the eligible improvements over a ten-year period, beginning at 100% in year one and declining by 10 percentage points annually to 10% in year ten. The Tax Year 2026 value of the abatements is approximately $5,440,000.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2026/2027 Market Valuation Established by Hunt County Appraisal District (excluding totally exempt property)			$ 770,140,421
Less Exemptions/Reductions at 100% Market Value:			
Over Age 65 and Disabled	$	2,419,801	
Disabled Veterans		8,838,851	
Homestead Cap		5,635,690	
Circuit Breaker		4,154,859	
Abatements		10,306,000	
Freeport		29,892,561	
Productivity Loss		13,560,416	
Pollution Control		1,108,000	
Miscellaneous		19,013,879	94,930,057
2026/27 Taxable Assessed Valuation(1)			$ 675,210,364
Outstanding General Obligation Debt Payable from Ad Valorem Taxes (as of 8/1/2026)(2)	$	37,797,000	
The Bonds		2,510,000	
The Certificates		8,665,000	
Total General Obligation Debt Payable from Ad Valorem Taxes (as of 8/1/2026)			$ 48,972,000
Less: Self-Supporting General Obligation Debt (as of 8/1/2026)(3)	$	14,369,000	
The Certificates (Water & Sewer)		6,095,000	20,464,000
Net General Obligation Debt Payable from Ad Valorem Taxes (as of 8/1/2026)			$ 28,508,000
General Obligation Interest and Sinking Fund (as of 6/15/2026)			$ 390,513
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation			4.22%

2026 Estimated Population - 9,800

Per Capita Taxable Assessed Valuation - $68,899

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $2,909

(1) Taxable Assessed Valuation includes $28,536,704 under protest as provided by the Hunt County Appraisal District (the "Appraisal District") on July 22, 2026. Preliminary; subject to change.
(2) Excludes the Refunded Obligations.
(3) General obligation debt in the amounts as shown for which repayment is provided from revenues of the System. See Table 10 herein for more detailed information on the City's general obligation self-supporting debt. It is the City's current policy to provide these payments from System revenues; this policy is subject to change in the future, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligation, the City will be required to levy an ad valorem tax to pay such debt service. Includes a portion of the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2027[1]		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 280,608,467	36.44%	$ 281,521,157	38.87%	$ 278,127,507	39.48%
Real, Residential, Multi-Family	101,095,462	13.13%	96,182,109	13.28%	92,171,252	13.08%
Real, Vacant Lots/Tracts	19,141,243	2.49%	20,078,988	2.77%	21,299,568	3.02%
Real, Acreage (Land Only)	14,024,833	1.82%	14,439,250	1.99%	13,585,511	1.93%
Real, Farm and Ranch Improvements	23,858,899	3.10%	24,192,393	3.34%	23,294,082	3.31%
Real, Commercial and Industrial	127,294,531	16.53%	127,574,987	17.62%	127,125,214	18.05%
Real and Tangible Personal, Utilities	48,980,395	6.36%	43,803,687	6.05%	41,593,850	5.90%
Tangible Personal, Business	147,972,653	19.21%	107,804,890	14.89%	100,802,252	14.31%
Tangible Personal, Mobile Homes, Other	2,623,483	0.34%	2,235,250	0.31%	2,735,220	0.39%
Real Property, Inventory	1,521,980	0.20%	2,428,267	0.34%	-	0.00%
Special Inventory	3,018,475	0.39%	3,961,640	0.55%	3,741,980	0.53%
Total Appraised Value Before Exemptions	$ 770,140,421		$ 724,222,618	100.00%	$ 704,476,436	100.00%
Less: Total Exemptions/Reductions	94,930,057		61,641,966		71,438,812	
Taxable Assessed Value	$ 675,210,364		$ 662,580,652		$ 633,037,624	

	Taxable Appraised Value for Fiscal Year Ended Septemer 30,					
	2024		2023		2022	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 240,352,380	36.89%	$ 211,087,339	37.32%	$ 175,368,697	38.51%
Real, Residential, Multi-Family	85,058,391	13.05%	76,858,011	13.59%	60,464,084	13.28%
Real, Vacant Lots/Tracts	15,203,029	2.33%	10,368,570	1.83%	7,037,621	1.55%
Real, Acreage (Land Only)	12,696,221	1.95%	9,607,926	1.70%	7,078,327	1.55%
Real, Farm and Ranch Improvements	21,828,876	3.35%	18,904,441	3.34%	14,803,523	3.25%
Real, Commercial and Industrial	124,657,860	19.13%	107,316,249	18.97%	89,975,348	19.76%
Real and Tangible Personal, Utilities	25,987,720	3.99%	23,925,872	4.23%	22,442,270	4.93%
Tangible Personal, Business	119,132,836	18.28%	101,196,191	17.89%	73,818,096	16.21%
Tangible Personal, Mobile Homes, Other	2,032,940	0.31%	1,602,580	0.28%	983,320	0.22%
Real Property, Inventory	-	0.00%	215,630	0.04%	169,720	0.04%
Special Inventory	4,591,170	0.70%	$ 4,484,730	0.79%	3,245,170	0.71%
Total Appraised Value Before Exemptions	$ 651,541,423	100.00%	$ 565,567,539	100.00%	$ 455,386,176	100.00%
Less: Total Exemptions/Reductions	66,281,111		54,604,079		33,681,715	
Taxable Assessed Value	$ 585,260,312		$ 510,963,460		$ 421,704,461	

(1) Taxable Assessed Valuation includes $28,536,704 under protest as provided by the Hunt County Appraisal District on July 22, 2026. Preliminary; subject to change.

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2022	9,307	$ 421,704,461	$ 45,310	$ 13,839,881	3.28%	$ 1,487
2023	9,393	510,963,460	54,398	16,816,955	3.29%	1,790
2024	9,460	585,260,312	61,867	20,806,000	3.55%	2,199
2025	9,460	633,037,624	66,917	26,593,000	4.20%	2,811
2026	9,800	662,580,652	67,610	28,508,000 (4)	4.30% (4)	2,909

(1) Source: City staff, the Municipal Advisory Council of Texas and the U.S. Census Bureau.
(2) As reported by the Appraisal District to the Texas Comptroller of Public Accounts. Subject to change during the ensuing year.
(3) Does not include self-supporting debt from the System. The City's policy to pay its self-supporting general obligation debt from other System revenues is subject to change in the future at the City's discretion; although the City has no current plans to do so (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt). In the event the City changes it policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.
(4) Includes a portion of the Certificates. Excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.82000	$ 0.60270	$ 0.21730	$ 3,457,977	97.62%	98.94%
2023	0.76933	0.55247	0.21686	3,930,975	94.51%	95.67%
2024	0.79891	0.56704	0.23187	4,675,697	95.75%	95.21%
2025	0.79891	0.56282	0.23609	5,057,395	97.74%	100.07%
2026	0.83060	0.59450	0.23610	5,513,556	95.57% (1)	98.72% (1)

(1) Collections as of June, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	Nature of Property	2026/2027 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Hydro Aluminum Metal Products	Industrial Manufacturing	$ 50,400,823	7.46%
Oncor Electric Delivery Co	Electric Utility/Power Plant	15,273,883	2.26%
Spectrum Gulf Coast LLC	Cable/TV/Internet Utility	12,748,180	1.89%
Commerce Redevelopment LLC	Apartments	12,699,434	1.88%
Amos Light Resources LLC	Apartments	10,000,000	1.48%
Wal-Mart Stores	Retail	9,725,799	1.44%
Rahman Amir	Residential Land	9,671,808	1.43%
Ben E Keith Co	Food Services	9,221,856	1.37%
Atmos Energy/ Mid - Tex Distribution	Gas Utility	8,254,460	1.22%
Hydro Aluminum Metals USA LLC	Metal	7,802,165	1.16%
		$ 145,798,408	21.59%

(1) Source: The Appraisal District.

General Obligation Debt Limitation . . . No general obligation debt limitation is imposed on the City under current State law (however, see "THE OBLIGATIONS - Tax Rate Limitation").

Table 6 - Tax Adequacy[1]

Net Principal and Interest Requirements, 2026	$ 1,744,107
$0.26358 Tax Rate at 98% Collection Produces	$ 1,744,125
Net Average Annual Principal and Interest Requirements, 2026-2051	$ 1,726,421 (1)
$0.26091 Tax Rate at 98% Collection Produces	$ 1,726,458
Net Maximum Principal and Interest Requirements, 2035	$ 2,344,470 (1)
$0.35431 Tax Rate at 98% Collection Produces	$ 2,344,491

(1) Includes a portion of the Certificates treated as self-supporting. Excludes the Refunded Obligations.

Table 7 - Estimated Overlapping Debt

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

Taxing Jurisdiction	2025/2026 Taxable Assessed Value (1)	2025/2026 Tax Rate (1)	Total G.O. Tax Debt as of 8/1/2026(1)	Estimated % Applicable (1)	City's Overlapping G.O. Tax Debt as of 8/1/2026 (1)
City of Commerce	$ 662,580,652	$ 0.8306	$ 28,508,000 (2)	100.00%	$ 28,508,000
Commerce ISD	866,945,012	1.2375	80,215,000	79.43%	63,714,775
Hunt County	16,036,507,589	0.3332	8,575,000	4.13%	354,148
Hunt Memorial Hospital District	15,868,137,486	0.2072	55,525,000	4.13%	2,293,183
Total Direct and Overlapping G.O. Tax Debt					$ 94,870,105
Ratio of Direct and Overlapping G.O. Tax Debt to Taxable Assessed Valuation					14.32%
Per Capita Overlapping G.O. Tax Debt					$ 10,193

(1) Excludes the Refunded Obligations and self-supporting debt. Includes the Bonds and a portion of the Certificates.

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TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1]			The Bonds			The Certificates			Less: Self Supported Debt Service [(2)(3)]	Net Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
2026	$ 1,301,000	$ 1,418,555	$ 2,719,555	$ -	$ -	$ -	$ -	$ -	$ -	$ 975,448	$ 1,744,107	
2027	994,000	1,288,720	2,282,720	-	132,587	132,587	-	390,745	390,745	1,288,619	1,517,434	
2028	1,032,000	1,259,100	2,291,100	-	137,159	137,159	135,000	400,844	535,844	1,425,321	1,538,782	
2029	1,139,000	1,223,669	2,362,669	-	137,159	137,159	145,000	393,844	538,844	1,429,040	1,609,632	
2030	1,231,000	1,182,043	2,413,043	-	137,159	137,159	150,000	386,469	536,469	1,424,339	1,662,331	10.27%
2031	1,273,000	1,135,693	2,408,693	50,000	135,937	185,937	160,000	378,719	538,719	1,424,189	1,709,159	
2032	1,853,000	1,081,686	2,934,686	-	134,714	134,714	190,000	369,969	559,969	1,423,451	2,205,918	
2033	1,913,000	1,020,286	2,933,286	50,000	133,442	183,442	205,000	360,094	565,094	1,426,514	2,255,307	
2034	1,968,000	958,474	2,926,474	100,000	129,594	229,594	195,000	350,094	545,094	1,404,445	2,296,716	
2035	2,029,000	895,598	2,924,598	155,000	122,989	277,989	205,000	340,094	545,094	1,403,210	2,344,470	29.56%
2036	1,849,000	839,186	2,688,186	310,000	110,775	420,775	300,000	327,469	627,469	1,401,040	2,335,390	
2037	1,889,000	790,331	2,679,331	330,000	93,714	423,714	315,000	312,094	627,094	1,398,985	2,331,154	
2038	1,944,000	736,843	2,680,843	350,000	75,265	425,265	335,000	295,844	630,844	1,400,642	2,336,309	
2039	1,999,000	678,485	2,677,485	365,000	55,509	420,509	350,000	278,719	628,719	1,396,069	2,330,643	
2040	2,054,000	617,614	2,671,614	390,000	34,327	424,327	365,000	260,844	625,844	1,395,281	2,326,503	53.43%
2041	2,120,000	547,825	2,667,825	410,000	11,665	421,665	385,000	243,538	628,538	1,394,644	2,323,383	
2042	2,195,000	468,550	2,663,550	-	-	-	405,000	226,750	631,750	1,391,959	1,903,341	
2043	2,280,000	382,206	2,662,206	-	-	-	420,000	209,219	629,219	1,392,000	1,899,425	
2044	2,365,000	289,181	2,654,181	-	-	-	435,000	190,778	625,778	1,384,687	1,895,272	
2045	830,000	224,700	1,054,700	-	-	-	460,000	171,200	631,200	669,856	1,016,044	80.95%
2046	870,000	189,094	1,059,094	-	-	-	480,000	150,638	630,638	672,825	1,016,907	
2047	905,000	150,809	1,055,809	-	-	-	500,000	128,575	628,575	664,263	1,020,122	
2048	945,000	110,341	1,055,341	-	-	-	520,000	104,988	624,988	664,272	1,016,057	
2049	985,000	68,122	1,053,122	-	-	-	550,000	80,244	630,244	668,034	1,015,331	
2050	1,035,000	23,288	1,058,288	-	-	-	575,000	54,228	629,228	670,282	1,017,234	95.97%
2051	-	-	-	-	-	-	885,000	20,466	905,466	685,494	219,972	100.00%
	$ 38,998,000	$ 17,580,398	$ 56,578,398	$ 2,510,000	$ 1,581,993	$ 4,091,993	$ 8,665,000	$ 6,426,461	$ 15,091,461	$ 30,874,911	$ 44,886,941	

(1) Excludes the Refunded Obligations.
(2) General obligation debt in the amounts as shown for which repayment is provided from revenues of the System revenues. See Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt. It is the City's current policy to provide these payments from System revenues; this policy is subject to change in the future, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligation, the City will be required to levy an ad valorem tax to pay such debt service.
(3) Includes a portion of the Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 1,744,107
Interest and Sinking Fund, Fiscal Year Ending 9/30/2025	$ 104,758	
Budgeted Interest and Sinking Fund Tax Levy (Adopted FYE 2026 Budget)	1,535,890	
Budgeted Delinquencies, Penalties & Interest (Adopted FYE 2026 Budget)	14,000	
Budgeted Transfer from Other Sources	89,459	1,744,107
Estimated Balance, Fiscal Year Ending 9/30/2026		$ -

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . . The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

As of Fiscal Year Ending September 30, 2025:

Combination Tax and Revenue Certificates of Obligation, Series 2007	$ 200,000
Combination Tax and Revenue Certificates of Obligation, Series 2010A	1,221,000
Combination Tax and Revenue Certificates of Obligation, Series 2010B	255,000
Combination Tax and Revenue Certificates of Obligation, Series 2010C	1,765,000
General Obligation Refunding and Improvement Bonds Series 2017	549,000
Combination Tax and Revenue Certificates of Obligation, Series 2021	920,000
Combination Tax and Revenue Certificates of Obligation, Series 2022	1,755,000
Combination Tax and Revenue Certificates of Obligation, Series 2023	3,510,000
Combination Tax and Revenue Certificates of Obligation, Series 2024	2,550,000
Combination Tax and Revenue Certificates of Obligation, Series 2025	2,085,000
The Certificates (Water & Sewer)[(1)]	6,095,000
Total Self-Supported Debt	$ 20,905,000

Net System Revenue Available Fiscal Year Ended September 30, 2025	$ 1,740,888
Less: Requirements for Revenue Bonds Fiscal Year Ending September 30, 2025	-
Balance Available for Other Purposes	$ 1,740,888
Requirements for System Tax Bonds	$ 975,448
Percentage of System General Obligation Bonds Self-Supporting	100%

(1) Portion of the Certificates treated as self-supporting.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds. The City may incur other financial obligations payable from its collection of taxes and other sources of revenue, including certificates of obligation maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, and leases for various purposes payable from ad valorem taxes and other City revenues.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing any additional general obligation tax supported debt within the next twelve months.

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TABLE 12 - OTHER OBLIGATIONS

LEASE LIABILITY . . The City entered into leases to finance equipment. The property is classified as right-to-use assets with a net book value of $1,630,199 as of year end for governmental activities.

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 386,277	$ 32,730	$ 419,007
2027	390,539	24,108	414,647
2028	344,742	13,048	357,790
2029	213,264	4,709	217,973
2030	66,359	844	67,203
Total	$1,401,181	$ 75,439	$1,476,620

SUBSCRIPTION LIABILITY . . . The City entered into multiple software and license subscriptions. The property is classified as right-to-use assets with a total net book value of $114,154 as of year end for governmental activities.

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	57,626	3,466	61,094
2027	26,433	1,816	28,249
2028	27,329	923	28,252
Total	$ 111,390	$ 6,205	$ 117,595

The following is a summary of changes in the City's other long-term liabilities for the year ended September 30, 2025. In general, the City uses the General Fund and Water and Sewer Fund to liquidate compensated absences.

	Beginning Balance	Change	Ending Balance	Amounts Due Within One Year
Governmental Activities:				
Compensated Absences	$ 896,068	$ 136,261	$1,032,329	$ 517,744
Total Governmental Activties	$ 896,068	$ 136,261	$1,032,329	$ 517,744
Other Long-term Liabilities Due in More than One Year			$ 514,585	
Business-Type Activities:				
Compensated Absences	$ 232,099	$ 95,928	$ 328,027	$ 164,516
Total Business-Type Activties	$ 232,099	$ 95,928	$ 328,027	$ 164,516
Other Long-term Liabilities Due in More than One Year			$ 163,511	
Component-Unit Activities:				
Compensated Absences	$ 55,732	$ (4,372)	$ 51,360	$ 25,759
Total Business-Type Activties	$ 55,732	$ (4,372)	$ 51,360	$ 25,759
Other Long-term Liabilities Due in More than One Year			$ 25,601	

PENSION FUND . . . The City participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined pension plan administered by the Texas Municipal Retirement System (the "TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issue a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

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

For more information concerning the City's pension plan, see "Appendix B – Excerpts from the City's Annual Comprehensive Financial Report - Note V - OTHER INFORMATION".

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Taxes	$ 5,748,800	$ 5,332,731	$ 4,833,787	$ 4,544,784	$ 4,174,017
In-Lieu of Property Taxes	272,764	254,255	203,398	193,294	137,600
Licenses and Permits	138,470	152,923	341,011	118,822	90,234
Intergovernmental	280,641	700,250	58,376	59,208	31,689
Grant Revenue	-	-	591,103	970,693	14,145
Donations	-	-	11,615	4,190	-
Charges for Services	855,017	882,889	940,327	977,245	811,745
Fines and Forfeitures	67,167	66,722	48,159	90,143	81,779
Interest	550,766	693,217	623,184	117,380	40,734
Other	274,791	160,520	302,674	195,230	411,769
Total Revenues	$ 8,188,416	$ 8,243,507	$ 7,953,634	$ 7,270,989	$ 5,793,712
Expenditures:					
Administration	$ 2,603,663	$ 2,310,748	$ 2,120,615	$ 1,785,715	$ 1,651,261
Municipal Court	79,920	79,736	62,183	68,879	56,571
Community Development	266,480	261,944	482,080	251,239	160,284
Parks and Recreation	558,490	548,836	428,535	370,369	364,844
Public Safety	4,158,113	4,153,376	3,645,174	3,456,744	2,645,095
Public Works	741,463	784,428	702,493	616,239	521,519
General Government	-	-	-	-	-
Public Library	60,297	63,237	62,787	80,372	70,533
Capital Outay	-	-	-	19,096	-
Debt Service: Interest	21,182	-	-	-	-
Total Expenditures	$ 8,489,608	$ 8,202,305	$ 7,503,867	$ 6,648,653	$ 5,470,107
Excess (Deficiency) of Revenues Over Expenditures	$ (301,192)	$ 41,202	$ 449,767	$ 622,336	$ 323,605
Other Financing Sources (Uses):					
Proceeds from sale of capital assests	$ -	$ 35,900	$ 14,938	$ -	$ 15,840
Transfers (Out) In	44,847	11,000	$ (234,366)	(23,000)	(6,060)
Other	40,892	21,977	-	-	-
Total Other Financing Sources	$ 85,739	$ 68,877	$ (219,428)	$ (23,000)	$ 9,780
Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures	$ (215,453)	$ 110,079	$ 230,339	$ 599,336	$ 333,385
Extraordinary Gain (Loss)					
Beginning Fund Balance	3,350,214	3,224,967	2,994,628	2,395,292	2,061,907
Prior Period Adjustment	-	15,168	-	-	-
Ending Fund Balance	$ 3,134,761	$ 3,350,214	$ 3,224,967	$ 2,994,628	$ 2,395,292

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 are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In 1994, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-half of one percent (1/2 of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of Commerce Economic Development Corporation and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended 9/30	City 1.5% Total Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	$2,110,944	61.05%	$ 0.5006	$ 226.81
2023	2,297,642	58.45%	0.4497	244.61
2024	2,350,066	50.26%	0.4015	248.42
2025	2,428,879	48.03%	0.3837	256.75
2026	2,211,968 (2)	40.12%	0.3338	225.71

(1) Includes ½% sales tax available for 4A Corporation not available for the City's general use. The ½% sales tax was initiated July 1, 1994.
(2) Collections through July 2026.

FINANCIAL POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

Use of Certificate Proceeds, Grants, etc. . . . The City's policy is to use bond proceeds for capital expenditures only, not to fund normal City operations.

Fund Investments . . . The City investment policy parallels state law which governs investment of public funds. The City generally restricts investments to direct obligations of the United States Government and to insured or collateralized bank certificates of deposits.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance

Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) 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) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7; (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. 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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio; and (6) yield.

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

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

TABLE 15- CURRENT INVESTMENTS

As of July 1, 2026, the City's investable funds were invested in the following categories:

Description	% of Portfolio	Market Value
Checking Account	0.64%	$ 77,283
Bank of New York	0.35%	42,213
TexStar	81.87%	9,867,714
LOGIC	17.14%	2,065,321
Total	100.00%	$ 12,052,531

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Obligations and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Obligations and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Obligations as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Obligations as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of an Obligation who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of an Obligation that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF OBLIGATIONS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION.

PROSPECTIVE HOLDERS OF THE OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE OBLIGATIONS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE OBLIGATIONS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the IRS. 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 withholding or 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 foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

THE CERTIFICATES

OPINION . . . On the date of initial delivery of the Certificates, 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) for federal income tax purposes, interest on the Certificates will be excludable from the "gross income" of the holders thereof and (2) the Certificates 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 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 Certificates (see Appendix C - Forms of Bond Counsel's Opinions).

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate related to the Certificates, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion regarding the Certificates 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 related to the Certificates is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that 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 Certificates.

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

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates 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 U.S. Holder who has purchased a Certificate as an Original Issue Discount Certificate 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 Certificate 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 Certificate prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Certificate in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate 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 Certificate.

All U.S. Holders of Original Issue Discount Certificates 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 Certificates 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 Certificates.

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 Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 Certificates; 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 Certificate 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.

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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates should consult their own tax advisors regarding the foregoing matters.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year, except that such amount will be $30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take**

a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Certificates would not be "qualified tax-exempt obligations."

THE BONDS

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds have been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS . . . A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the registered and beneficial owners of the Obligations. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("*MSRB*"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("*EMMA*") at http://emma.msrb.org/.

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 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. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March 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 file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Website or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement (except for the possible use of bond insurance for the Certificates), the appointment of a trustee or liquidity enhancement.

For these purposes, any event described in clause (12) in the preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clauses (15) and (16), the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide the information described under "Annual Reports."

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 via EMMA at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City failed to file certain notices of incurrence of a financial obligation on a timely basis. The City has since cured such instances. Except as set forth in this Official Statement, during the last five years, the City believes that it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS . . . The Obligations are expected to be rated "AA" (stable outlook) by S&P Global Ratings a division of Standard and Poor's Financial Services LLC ("S&P"), by virtue of a municipal bond insurance policy to be issued by ASSURED GUARANTY INC., upon delivery of the Obligations to the Underwriter. The Obligations are rated "AA-" (stable outlook) by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflects only the view of such companies and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations.

LITIGATION . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations. There is no litigation pending, or to the best knowledge of the City threatened against or affecting the City, to restrain or enjoin the issuance, sale or delivery of the Obligations or the levy and collection of taxes or other amounts to pay the same, or in any way contesting or affecting the validity of the Obligations or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Obligations or contesting the corporate existence or boundaries of the City.

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

It is the obligation of the Underwriter to register or qualify the sale of the Obligations under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, upon written request from and at the sole expense of, the Underwriter, in registering or qualifying the Obligations or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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 Obligations are negotiable instruments, investment securities 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 Obligations by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates 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 – The Certificates", including the alternative minimum tax on certain corporations. The customary closing papers, including a certificate from the City to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Obligations will also be furnished. Though Bond Counsel may represent the Municipal Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. 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 herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (excluding the information under the subcaptions "Sources and Uses of Bond Proceeds" and "Sources and Uses of Certificate Proceeds"), "THE OBLIGATIONS" (excluding subcaptions "Book-Entry-Only System", "DTC Notices", "Obligationholders' Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale", "Legal Opinions" (excluding the last sentence of the first paragraph thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement 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 Ordinances. Bond Counsel's legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. The City expects to pay all legal fees of McCall, Parkhurst & Horton L.L.P. for services rendered in connection with the issuance of the Obligations from proceeds of the Obligations. Certain legal matters will be passed upon for the Underwriter by its counsel Bracewell LLP, Dallas, Texas whose fee is also contingent on the sale of the Obligations.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . The Verification Agent will deliver to the City, on or before the Delivery Date, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of and interest on the Refunded Obligations. Such verification will be relied upon by Bond Counsel in rendering its opinion with respect to defeasance of the Refunded Obligations.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by Hilltop Securities Inc. on behalf of the City. The Verification Agent has restricted its procedures to recalculating the computations provided by Hilltop Securities Inc. on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

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

MUNICIPAL ADVISOR . . .Hilltop Securities Inc., is employed as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. The Municipal Advisor has agreed, in its Municipal Advisory contract, not to bid for the Obligations, either independently or as a member of a syndicate organized to submit a bid for the Obligations. Hilltop Securities Inc., in its capacity as Municipal Advisor, 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITER . . . 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, as shown on page 2 hereof, less an underwriting discount of $17,327.51. 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 agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices to the public, as shown on page 4 hereof, less an underwriting discount of $54,801.07. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, 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 federal securities always as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

The Underwriter is BOK Financial Securities, Inc., which is not a bank, and the Obligations are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the

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

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

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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinances approved the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its further use in the reoffering of the Obligations by the Underwriter.

/s/ STEPHANIE MULLER
Mayor
City of Commerce, Texas

ATTEST:

/s/ MOLLY JACOBSEN
City Secretary
City of Commerce, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Certificates of Obligation, Series 2021

Original Dated Date	Original Maturity (Feb. 15)	Interest Rate	Principal Amount Currently Outstanding	Principal Amount Being Defeased	Principal Amount Remaining	Redemption Date
3/1/2021	2027	3.750%	$ 65,000	$ 45,000	$ 20,000	Escrowed to maturity
	2028	3.750%	100,000	40,000	60,000	Escrowed to maturity
	2029	3.750%	115,000	55,000	60,000	Escrowed to maturity
	2030	3.750%	120,000	55,000	65,000	Escrowed to maturity
	2031(1)	1.250%	120,000	55,000	65,000	Escrowed to maturity
			$ 520,000	$ 250,000	$ 270,000	

(1) Part of a term bond maturing in 2032.

General Obligation Refunding Bonds, Series 2021

Original Dated Date	Original Maturity (Feb. 15)	Interest Rate	Principal Amount Currently Outstanding	Principal Amount Being Defeased	Principal Amount Remaining	Redemption Date
10/15/2021	2027	4.000%	$ 400,000	$ 400,000	$ -	Escrowed to maturity
	2028	4.000%	420,000	420,000	-	Escrowed to maturity
	2029	4.000%	425,000	425,000	-	Escrowed to maturity
	2030	4.000%	445,000	445,000	-	Escrowed to maturity
	2031	4.000%	465,000	465,000	-	Escrowed to maturity
			$ 2,155,000	$ 2,155,000	$ -	

<u>APPENDIX A</u>

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

THE CITY

The City of Commerce is located approximately 70 miles northeast of Dallas, the county seat of Hunt County. State Highway 50, 11, 19, 224 and Interstate 30 provide surface access to the City. The City's airport is located northeast of the city and is available for private and charter planes, with a 3,500 foot landing strip. The City's economy is based on manufacturing and agriculture. Major industries produce medical supplies, plumbing fixtures, wood doors, mobile homes and elevator controls. Agricultural production includes cotton, cattle and agricultural production.

EDUCATION

The Commerce Independent School District serves the City with facilities consisting of one high school, one junior high school and two elementary schools. In 2025-2026 the District has an enrollment of approximately 1,531 students.

East Texas A&M University is a four-year public university with enrollment of approximately 13,172 students. The University's main campus is located wholly within the City.

THE COUNTY

Hunt County is a northeast Texas county with a 2025 population of 123,336. The economy is based on manufacturing, education, agribusiness and education. Crops include cattle, horses, dairy products, hay, cotton, sorghums, wheat, oats and other grains. The City of Greenville is the county Seat and principal commercial center with a 2024 population of 34,355. The City of Greenville is located on Interstate Highway 30 and U.S. Highway 69, approximately 60 miles east of Dallas. Key employers include manufactures of electronic parts, clothing, plastics, drill bits, aircraft modifications and nursing homes.

LABOR FORCE

Employment figures for Hunt County are as follows:

	June	Average Annual (Calendar Year)				
	2026	2025	2024	2023	2022	2021
Labor Force	57,561	57,432	55,627	54,348	51,358	48,063
Employed	54,741	55,036	53,343	52,213	49,429	45,692
Unemployed	2,820	2,396	2,284	2,135	1,929	2,371
Unemployment Rate	4.9%	4.2%	4.1%	3.9%	3.8%	4.9%

Source: Texas Employment Commission.

TOP TEN WATER CUSTOMERS

Customer	Type of Business	Fiscal 2025 Water Usage (000's)	% of Total Water Usage
North Hunt Special Utility	Water Utility	40,467	12.30%
Hydro Aluminum Metal Products	Aluminum Product Mfg.	31,297	9.51%
East Texas A&M University	University	29,014	8.82%
West Delta Water Supply	Water Utility	16,042	4.88%
City of Commerce	City	7,911	2.40%
Commerce Townhomes	Apartment Complex	7,175	2.18%
Commerce Redevelopment	Various Housing	6,547	1.99%
Oak Manor Nursing Home	Nursing Home	5,953	1.81%
Amos Light Resources	Apartment Complex	4,943	1.50%
Live Oak Commerce LLC	Apartment Complex	4,871	1.48%
		154,220	46.87%

WATER AND SEWER STATEMENT OF OPERATIONS

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Operating Revenues:					
Water & Sewer	$ 7,823,880	$ 7,072,774	$ 7,250,112	$ 6,482,353	$ 5,212,898
Interest Income	45,829	32,142	27,385	8,711	7,814
Total Revenues	$ 7,869,709	$ 7,104,916	$ 7,277,497	$ 6,491,064	$ 5,220,712
Operating Expenses					
Water Purchased	$ 448,789	$ 448,063	$ 444,119	$ 472,278	$ 454,177
Administrative Fee	834,047	459,530	452,920	464,072	646,600
Other	4,845,985	4,787,959	5,178,924	4,119,326	3,321,844
Total Expenses	$ 6,128,821	$ 5,695,552	$ 6,075,963	$ 5,055,676	$ 4,422,621
Net Available for Debt Service	$ 1,740,888	$ 1,409,364	$ 1,201,534	$ 1,435,388	$ 798,091
Water Customers	2,563	2,639	2,611	2,541	2,541
Sewer Customers	2,427	2,319	2,255	2,238	2,244

MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2025)

Meter Size	Monthly Demand Rate
5/8"	$ 25.00
1"	55.00
1.5"	105.00
2"	165.00
2.5"	245.00
3"	325.00
4"	505.00
6"	1,005.00
8"	-
10"	-

Usage Fee per 1,000 gallons of water:

Customer Classification	Consumption Tiers (1,000 gals)	Consumption Rates per 1,000 gals
Residential (Single Family, Duplex, Triplex)	0 – 4	$4.00
	5 – 15	$6.75
	16 – 50	$7.75
	> 50	$8.75
Multi-Family Commercial (Quadplex, Apartments)	0 – 15	$7.75
	16 – 50	$7.75
	> 50	$8.75
Commercial/ Industrial/ Institutional	0 – 15	$7.75
	16 – 50	$7.75
	> 50	$8.75
Wholesale Water Contracts		
Raw Water	All Consumption	$1.50
Potable Water		$6.00

MONTHLY WASTEWATER RATES (EFFECTIVE OCTOBER 1, 2025)

Meter Size	Monthly Demand Rate
5/8"	25.00
1"	32.50
1.5"	65.00
2"	104.00
2.5"	156.00
3"	208.00
4"	325.00
6"	650.00
8"	1,040.00
10"	1,495.00

Usage Fee per 1,000 gallons of water:

Customer Classification	Consumption Tiers (1,000 gals)	Consumption Rates per 1,000 gals
Residential	0 - 4	$4.00
	5 - 10	$7.75
	> 10	-0-
Multi-Family (Quadplex, Apartments)	All Consumption	$7.75
Commercial	All Consumption	$7.75
Industrial	All Consumption	$7.75
Institutional	All Consumption	$7.75

AVERAGE MONTHLY WATER USAGE

Fiscal Year Ended 30-Sep	Monthly Average Usage
2021	33,093
2022	25,547
2023	25,215
2024	26,047
2025	27,420

AVERAGE MONTHLY WASTEWATER USAGE

Fiscal Year Ended 30-Sep	Monthly Average Usage
2021	19,303
2022	18,793
2023	17,980
2024	19,511
2025	19,611

APPENDIX B

EXCERPTS FROM THE

CITY'S ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Commerce, Texas Annual Financial Report ("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.

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CITY OF

COMMERCE, TX

2025

ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

1119 ALAMO STREET | COMMERCE TX 75428
WWW.COMMERCETX.ORG | 903.886.1100

ANNUAL
FINANCIAL REPORT

of the

City of Commerce, Texas

For the Year Ended
September 30, 2025

<u>Prepared by</u>

Howdy Lisenbee
City Manager

Jamie Campbell
Assistant City Manager/
Finance Director

Table of Contents

FINANCIAL SECTION

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Commerce, 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 Commerce, 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 Commerce, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Commerce, 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 stated in Note V.E. of the notes to the financial statements, due to the implementation of GASB 101, *Compensated Absences,* the City restated beginning net position/fund balance for governmental activities, business-type activities, component unit activities, and the water & sewer fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

This accompanying 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.

BrooksWatson & Co.

BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
March 16, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Commerce, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2025

As management of the City of Commerce, 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.

Financial Highlights

- The City's total combined net position is $21,031,260 at September 30, 2025. Of this, $5,754,837 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $13,315,749, an increase of $2,090,787.
- As of the end of the year, the unassigned fund balance of the general fund was $2,852,775 or 34% of total general fund expenditures.
- The City had an overall increase in net position of $191,483.

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, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. 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).

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, and culture and recreation. The business-type activities of the City include water, sewer, and drainage operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Commerce Economic Development Corporation (the "EDC") for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Commerce. They are usually segregated for specific activities or objectives. The City of Commerce uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

<u>Governmental Funds</u>

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 year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 ten 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, debt service, and capital projects, which are 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 of Commerce adopts an annual appropriated budget for the general fund. A budgetary comparison schedule have been provided to demonstrate compliance with all governmental fund budgets that were appropriated.

Proprietary Funds

The City maintains two types of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for its water and sewer utility services and drainage services. All activities associated with providing such services are accounted for in these funds, including salaries and benefits, materials and supplies, and other operating expenses. 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 an internal service fund to account for equipment replacement expenses.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Commerce EDC is a discretely presented component unit displayed on the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic 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 RSI that GASB Statement No. 34 requires is a budgetary comparison schedule for the general fund, schedules for the City's Defined Pension Plan, and schedule for changes in postemployment benefits other than pension. 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 Commerce, assets and deferred outflows exceeded liabilities and deferred inflows by $21,031,260 as of September 30, 2025, in the primary government.

A large portion of the City's net position, $14,861,127, reflects its investments in capital assets (e.g., land, buildings and improvements, machinery and equipment roads, bridges, sidewalks, and similar items), 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.

An additional portion of the City's net position, $415,296, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,754,837 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Total current assets as of September 30, 2025 for the primary government increased by $4,224,152, primarily due greater cash on hand due to unspent bond proceeds and current year operating surpluses.

Total capital assets for governmental activities as of September 30, 2025 and September 30, 2024 were $28,605,871 and $23,272,688, respectively. The increase of $5,333,183 was primarily attributable to new capital improvements outweighing current year depreciation during the year.

Total other liabilities for business-type activities as of September 30, 2025 increased by $487,046. The increase is primarily due to the implementation of GASB 101, nonrecurring unpaid vendor payables, and timing of repayments subsequent to yearend.

Total long-term liabilities for the primary government as of September 30, 2025 increased by $8,912,679. The increase was primarily due to nonrecurring bond issuances outweighing current year principal payments.

City of Commerce, 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 Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 14,004,334	$ 7,710,759	$ 21,715,093	$ 11,900,847	$ 5,590,094	$ 17,490,941
Capital assets, net	28,605,871	19,650,354	48,256,225	23,272,688	19,602,370	42,875,058
Total Assets	42,610,205	27,361,113	69,971,318	35,173,535	25,192,464	60,365,999
Deferred Outflows of Resources	283,874	84,248	368,122	663,359	179,853	843,212
Other liabilities	2,212,665	1,789,174	4,001,839	2,024,508	1,302,128	3,326,636
Long-term liabilities	30,248,001	14,797,059	45,045,060	22,903,667	13,228,714	36,132,381
Total Liabilities	32,460,666	16,586,233	49,046,899	24,928,175	14,530,842	39,459,017
Deferred Inflows of Resources	201,484	59,797	261,281	115,466	31,305	146,771
Net Position:						
Net investment in capital assets	6,647,418	8,213,709	14,861,127	6,233,430	8,467,759	14,701,189
Restricted	415,296	-	415,296	367,159	-	367,159
Unrestricted	3,169,215	2,585,622	5,754,837	4,192,664	2,342,411	6,535,075
Total Net Position	$ 10,231,929	$ 10,799,331	$ 21,031,260	$ 10,793,253	$ 10,810,170	$ 21,603,423

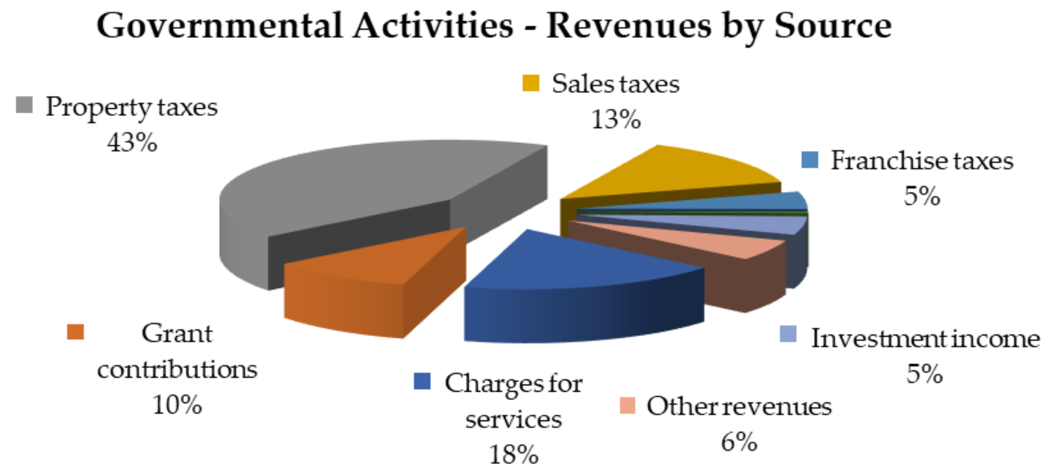
Statement of Activities:

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 Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 2,167,610	$ 7,919,640	$ 10,087,250	$ 1,986,243	$ 7,168,724	$ 9,154,967
Grant contributions	1,190,918	-	1,190,918	800,250	-	800,250
General revenues:						
Property taxes	5,046,722	-	5,046,722	4,662,984	-	4,662,984
Sales taxes	1,594,936	-	1,594,936	1,559,020	-	1,559,020
Franchise taxes	559,293	-	559,293	510,345	-	510,345
Hotel and other taxes	40,451	-	40,451	69,928	-	69,928
Investment income	593,377	46,419	639,796	698,359	32,659	731,018
Other revenues	672,319	113,000	785,319	701,533	-	701,533
Total Revenues	11,865,626	8,079,059	19,944,685	10,988,662	7,201,383	18,190,045
Expenses						
General government	2,953,449	-	2,953,449	2,606,272	-	2,606,272
Police department	2,511,421	-	2,511,421	2,677,068	-	2,677,068
Fire and emergency services	2,549,265	-	2,549,265	1,853,402	-	1,853,402
Public works	1,328,524	-	1,328,524	1,443,693	-	1,443,693
Parks and recreation	795,712	-	795,712	742,455	-	742,455
Community development	451,139	-	451,139	291,783	-	291,783
Judicial	89,703	-	89,703	87,543	-	87,543
Library	60,297	-	60,297	63,237	-	63,237
Airport	201,890	-	201,890	157,312	-	157,312
Interest and fiscal charges	978,149	349,251	1,327,400	772,818	262,099	1,034,917
Water & sewer	-	7,388,452	7,388,452	-	6,837,553	6,837,553
Commerce water district	-	95,950	95,950	-	95,950	95,950
Total Expenses	11,919,549	7,833,653	19,753,202	10,695,583	7,195,602	17,891,185
Change in Net Position Before Transfers	(53,923)	245,406	191,483	293,079	5,781	298,860
Transfers	99,826	(99,826)	-	-	-	-
Total	99,826	(99,826)	-	-	-	-
Change in Net Position	45,903	145,580	191,483	293,079	5,781	298,860
Beg. Net Position, restated	* 10,186,026	* 10,653,751	20,839,777	10,500,174	10,804,389	21,304,563
Ending Net Position	$ 10,231,929	$ 10,799,331	$ 21,031,260	$ 10,793,253	$ 10,810,170	$ 21,603,423

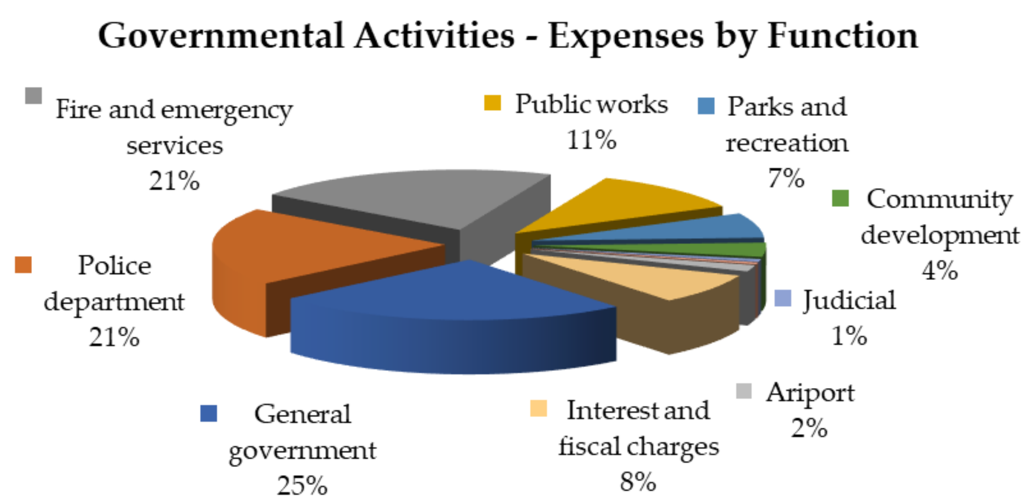
*Includes restatement for the City's implementation of new accounting standard – GASB 101

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



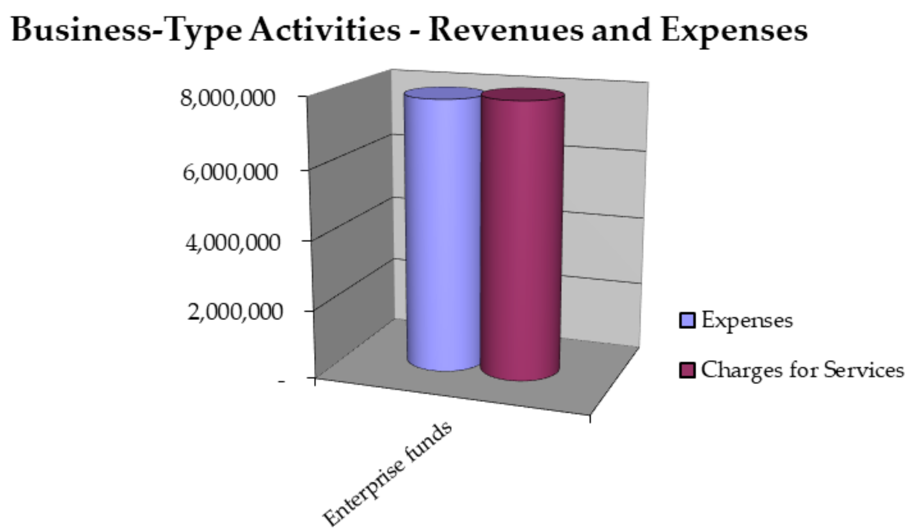
For the year ended September 30, 2025, revenues from governmental activities totaled $11,865,626. Property taxes, charges for services, and sales taxes are the City's largest revenue sources. Charges for services increased $181,367 or 9% primarily due to nonrecurring equipment user fees through the City's internal service fund in the current year. Grants and contributions increased by $390,668 or 49% due to nonrecurring forest service and public safety related capital grants in the current year. Property taxes increased by $383,738 or 8% primarily due to greater appraised values in the current year. Franchise taxes increased by $48,948 or 10% due to continued local economic growth. Investment income decreased by $104,982 or 15% primarily due to the realization of lower interest rates in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2025, expenses for governmental activities totaled $11,919,549. This represents an increase of $1,223,966 or 28% from the prior year. The City's largest functional expense is the general governmental department of $2,953,449. General government increased by $347,177 or 13% primarily due to greater overall personnel costs related to general salary increases, greater animal control operating costs, and nonrecurring computer maintenance in the current year. Police expenses decreased $165,647 or 6% caused primarily by a reduction in personnel costs, related to officer vacancies in the current year and nonrecurring overtime paid in the prior year. Fire and emergency services increased by $695,863 or 38% primarily due to the reallocation of certain dispatch and clerical employees to this department, nonrecurring equipment user fees, and vehicle maintenance in the current year. Public works decreased by $115,169 or 8% primarily due to nonrecurring street and vehicle maintenance/repairs in the prior year. Parks and recreation increased by $53,257 or 7% due to greater equipment depreciation and nonrecurring downtown maintenance expenses in the current year. Community development increased by $159,356 or 55% primarily as a result of greater asset depreciation in the current year. Airport expenses increased by $44,578 or 28% primarily due to greater aviation fuel costs and building maintenance in the current year. Interest and fiscal charges increased by $205,331 or 27% due to nonrecurring bond issuance costs in the current year. All other expenses remained relatively consistent with the previous year.

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



For the year ended September 30, 2025, charges for services by business-type activities totaled $7,919,640. This represents an increase of $750,916 or 10% from the previous year. The increase is primarily a result of greater utility service consumption and greater service rates charged over the course of the year.

Total expenses increased by $638,051 or 9% from the prior year due to greater personnel costs, solid waste disposal expenses, asset depreciation, and nonrecurring administrative reimbursements to the general fund 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 total fund balance of $3,134,761, $2,852,775 of which is unassigned. The general fund decreased by $215,453 and consistent with the planned budgeted decrease in the fund balance. The decrease is primarily a result of nonrecurring transfers out to other funds and less than anticipated transfers received from other funds during the year.

The debt service fund reflected an ending fund balance of $104,758, an increase of $24,545. This increase is primarily due to property tax revenues exceeding debt service requirements.

The capital projects fund reflected an ending balance of $8,694,797, an increase of $2,358,904. The increase is primarily due to bond issuance proceeds exceeding capital outlay expenditures in the current year.

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 $48,648 in the general fund. This is a combination of a positive revenue variance of $231,761, a positive expenditure variance of $2,999, and a negative variance for other financing uses of $186,112. The positive revenue variance was primarily a result of actual intergovernmental revenues and other revenues being greater than budgeted revenues. Total expenditures (including transfers out) exceeded appropriations at the legal level of control by $62,691.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $28,605,871 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 $19,650,354 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Eddie Moore improvements totaling $614,039.
- Continued downtown improvements for $78,284.
- Expanded the animal shelter for $1,062,441.
- Phase 1 street improvements totaling $1,031,472.
- Fuel farm airport investments totaling $227,184.
- Phase 2 street improvements totaling $93,507.
- Purchased 2025 Sutphen aerial ladder truck for $1,899,296.
- Purchased asphalt zipper for $216,270.
- Purchased TFS brush for $350,000.
- Purchased new public safety equipment totaling $1,470,491.
- Purchased 2025 excavator for $237,894.
- Wastewater aeration project investments totaling $499,950.
- Water utility plan master plan costing $163,650.
- Water and sewer system improvements totaling $542,448.
- Entered into multiple new leases for various vehicles totaling $521,593.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of $41,403,000. During the year, the City had principal payments on bonds of $1,258,000. During the year, the City issued $8,615,000 of Series 2025, Certificates of Obligation. The City had total other long-term debt totaling $3,268,531 as of year end. During the year, the city entered new note and lease agreements totaling $2,243,145. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC CONDITIONS AND OUTLOOK:

The expansion of the DFW population and market continues to have a significant impact on Hunt County. While much of that impact is most pronounced in southwest Hunt County, the City of Commerce has also begun to see a positive effect. The local economy continues to grow at a controlled pace, and the City is working to stay ahead of and facilitate this growth.

Three fundamental factors are fueling this economic growth:

1. The expansion of the DFW market is leading to population growth in Hunt County. As the southwestern portions of Hunt County experience rapid population growth, there is a trend of migration further east to maintain a more rural lifestyle. We often hear that it is "quieter" and "less congested," which is desirable to some people. This is leading to growth for our community, albeit at a slower pace.

2. The development of Lake Ralph Hall continues to have a positive impact on the local economy. With the creation of this new water source, Commerce is ideally situated within 20 minutes of two different lakes, offering a range of recreational opportunities.
3. East Texas A&M University continues to experience enrollment growth as well as expansion of facilities and programs.
    a. ETAMU has completed construction on a new $40+ million Ag Science and competition arena, which will attract many students and visitors to the local economy. This facility will provide the University, Texas UIL, and other regional and state-wide competitions and events. The tourism and traffic in our community are expected to be significant.
    b. ETAMU is nearing completion of a new, state-of-the-art Gamebird Research Center. This will place Commerce firmly in the spotlight of Texas's quail-hunting and sporting industry, which generates more than $1 billion in economic activity each year.
    c. ETAMU is under construction for a new 2,500-seat indoor sports arena and should complete construction within the next 12-18 months. This project is expected to anchor additional development around the complex.

UPCOMING DEVELOPMENTS:

Residential Development:

- Phase 1 of the East Oak Creek subdivision by Bloomfield Homes continues to build out at a steady pace. Phase 1 will be 110 new homes. Bloomfield has submitted the plans for Phase II of the development, which will be approximately 80-85 additional homes.
- The City has approved the subdivision and replat of 102 lots for DR Horton to begin a new townhome subdivision. The developer had purchased an additional 22 acres for development.
- The City has approved plans for a new apartment complex along Culver St. (Hwy 11) that will provide additional workforce housing for the community.
- The City has approved the zoning request for a new hotel development that will include focused retail and service development around it.
- The City has acquired an old, condemned apartment complex that has been vacant for over 20+ years through a tax foreclosure suit. The City will begin looking for development partners to rehabilitate the 7 acre property into a mixed use commercial development.

Commercial & Industrial Development:

- Signature Solar is a well-established residential and commercial solar panel distributor and installation company located in Sulphur Springs. They have established a new company, Solar 76, to manufacture components, and it is based in Commerce. Additionally, they relocated two partner companies out of state to begin manufacturing additional components. These three companies will create 300 new jobs over the next three years.
- The Commerce EDC is negotiating an incentive agreement for a new manufacturing start-up to build a new facility in Commerce. The full investment will employ 100 staff within the next 2 years.
- Hydro Aluminum continues to be an industry-leading plant across the entire nation in the aluminum recycling space, and they have purchased additional land for potential plant expansion.
- Mohawk leads its corporate national presence in carpet pad production and efficiency.
- Gramazini Stone continues to expand their Brazilian operations into the US here in Commerce. They have begun acquiring stone quarries across the US and will ship raw material to the Commerce location for production.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Commerce'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 Chief Financial Officer, City of Commerce, 1119 Alamo Street, Commerce, Texas, 75428.

FINANCIAL STATEMENTS

City of Commerce, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	**Business-Type Activities**	**Total**	**Commerce EDC**
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	$ 13,095,094	$ 3,231,488	$ 16,326,582	$ 5,752,958
Restricted cash	-	3,597,091	3,597,091	-
Internal balances	923	(923)	-	-
Notes receivable - current	-	-	-	15,249
Receivables, net	895,439	858,613	1,754,052	155,472
Inventory	12,878	24,490	37,368	-
Total Current Assets	14,004,334	7,710,759	21,715,093	5,923,679
Noncurrent assets:				
Notes receivable - noncurrent	-	-	-	47,177
Capital assets:				
Non-depreciable	2,069,286	1,548,993	3,618,279	468,215
Net depreciable capital assets	26,536,585	18,101,361	44,637,946	-
Total Noncurrent Assets	28,605,871	19,650,354	48,256,225	515,392
Total Assets	42,610,205	27,361,113	69,971,318	6,439,071
<u>Deferred Outflows of Resources</u>				
Pension outflows	276,784	82,144	358,928	-
OPEB outflows	7,090	2,104	9,194	-
Total Deferred Outflows	283,874	84,248	368,122	-

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Commerce EDC
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$ 193,425	$ 646,235	$ 839,660	$ 1,376
Accrued interest payable	88,193	61,123	149,316	-
Customer deposits	-	376,300	376,300	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	517,744	164,516	682,260	25,759
Long-term debt, current	1,413,303	541,000	1,954,303	-
Total Current Liabilities	2,212,665	1,789,174	4,001,839	27,135
Noncurrent liabilities:				
Due in more than one year:				
Long-term debt, noncurrent	29,258,948	14,492,736	43,751,684	-
Compensated absences	514,585	163,511	678,096	25,601
Net pension liability	255,516	75,831	331,347	-
OPEB liability	218,952	64,981	283,933	-
Total Noncurrent Liabilities	30,248,001	14,797,059	45,045,060	25,601
Total Liabilities	32,460,666	16,586,233	49,046,899	52,736
Deferred Inflows of Resources				
Pension inflows	151,552	44,978	196,530	-
OPEB inflows	49,932	14,819	64,751	-
Total Deferred Inflows	201,484	59,797	261,281	-
Net Position				
Net investment in capital assets	6,647,418	8,213,709	14,861,127	468,215
Restricted for:				
Debt service	104,758	-	104,758	-
Hotel/motel	111,229	-	111,229	-
Municipal court	68,478	-	68,478	-
Public safety	126,373	-	126,373	-
Recreational programs	4,458	-	4,458	-
Economic development	-	-	-	5,918,120
Unrestricted	3,169,215	2,585,622	5,754,837	-
Total Net Position	$ 10,231,929	$ 10,799,331	$ 21,031,260	$ 6,386,335

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Operating	Capital	Primary Government			Component Unit
		Charges for	Grants and	Grants and	Governmental	Business-Type		Commerce
Functions/Programs	**Expenses**	**Services**	**Contributions**	**Contributions**	**Activities**	**Activities**	**Total**	**EDC**
Primary Government								
Governmental Activities								
General government	$ 2,953,449	$ 1,693,761	$ 270,550	$ -	$ (989,138)	$ -	$ (989,138)	$ -
Police department	2,511,421	-	10,091	-	(2,501,330)	-	(2,501,330)	-
Fire and emergency services	2,549,265	-	-	569,789	(1,979,476)	-	(1,979,476)	-
Public works	1,328,524	401,950	-	-	(926,574)	-	(926,574)	-
Parks and recreation	795,712	-	-	240,000	(555,712)	-	(555,712)	-
Community development	451,139	-	-	-	(451,139)	-	(451,139)	-
Judicial	89,703	71,899	-	-	(17,804)	-	(17,804)	-
Library	60,297	-	-	-	(60,297)	-	(60,297)	-
Airport	201,890	-	-	100,488	(101,402)	-	(101,402)	-
Interest and fiscal charges	978,149	-	-	-	(978,149)	-	(978,149)	-
Total Governmental Activities	11,919,549	2,167,610	280,641	910,277	(8,561,021)	-	(8,561,021)	-
Business-Type Activities								
Water and sewer	7,737,703	7,823,880	-	-	-	86,177	86,177	-
Commerce water district	95,950	95,760	-	-	-	(190)	(190)	-
Total Business-Type Activities	7,833,653	7,919,640	-	-	-	85,987	85,987	-
Total Primary Government	$ 19,753,202	$ 10,087,250	$ 280,641	$ 910,277	(8,561,021)	85,987	(8,475,034)	-
Component Unit								
Economic Development Corporation	505,862	-	-	-				(505,862)
	$ 505,862	$ -	$ -	$ -				(505,862)
General Revenues:								
Taxes								
Property taxes					5,046,722	-	5,046,722	-
Sales taxes					1,594,936	-	1,594,936	802,849
Franchise taxes					559,293	-	559,293	-
Hotel and other taxes					40,451	-	40,451	-
Payments in lieu of taxes					272,764	-	272,764	-
Investment income					593,377	46,419	639,796	223,231
Other revenues					283,188	-	283,188	-
Gain on sale of assets					33,967	-	33,967	-
Insurance recoveries					82,400	113,000	195,400	-
Transfers					99,826	(99,826)	-	-
Total General Revenues and Transfers					8,606,924	59,593	8,666,517	1,026,080
Change in Net Position					45,903	145,580	191,483	520,218
Beginning Net Position, as previously reported					10,793,253	10,810,170	21,603,423	5,880,280
New Accounting Standard - GASB 101					(607,227)	(156,419)	(763,646)	(14,163)
Beginning Net Position, as adjusted					10,186,026	10,653,751	20,839,777	5,866,117
Ending Net Position					$ 10,231,929	$ 10,799,331	$ 21,031,260	$ 6,386,335

See Notes to Financial Statements.

City of Commerce, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Other Governmental	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 2,727,144	$ 91,575	$ 8,770,798	$ 1,341,859	$ 12,931,376
Receivables, net	764,476	87,898	-	41,976	894,350
Due from other funds	923	-	-	-	923
Inventory	12,878	-	-	-	12,878
Total Assets	$ 3,505,421	$ 179,473	$ 8,770,798	$ 1,383,835	$ 13,839,527
Liabilities					
Accounts payable and accrued liabilities	$ 113,260	$ -	$ 76,001	$ 2,402	$ 191,663
Total Liabilities	113,260	-	76,001	2,402	191,663
Deferred Inflows of Resources					
Unavailable revenue					
Property taxes	209,768	74,715	-	-	284,483
Court fines	47,632	-	-	-	47,632
Total Deferred Inflows of Resources	257,400	74,715	-	-	332,115
Fund Balances					
Nonspendable:					
Inventory	12,878	-	-	-	12,878
Restricted for:					
Debt service	-	104,758	-	-	104,758
Municipal court	-	-	-	68,478	68,478
Hotel/motel	-	-	-	111,229	111,229
Recreational programs	-	-	-	4,458	4,458
Public safety	37,567	-	-	-	37,567
Federal seizures	88,806	-	-	-	88,806
Capital projects	-	-	8,690,152	-	8,690,152
Committed for:					
Animal shelter	-	-	4,645	-	4,645
Streets	-	-	-	546,561	546,561
Assigned for:					
Airport	-	-	-	530,461	530,461
Grant	-	-	-	120,246	120,246
Insurance	142,735	-	-	-	142,735
Unassigned	2,852,775	-	-	-	2,852,775
Total Fund Balances	3,134,761	104,758	8,694,797	1,381,433	13,315,749
Total Liabilities, Deferred Inflows, and Fund Balances	$ 3,505,421	$ 179,473	$ 8,770,798	$ 1,383,835	$ 13,839,527

See Notes to Financial Statements

City of Commerce, Texas

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

September 30, 2025

Fund Balances - Total Governmental Funds	$	13,315,749
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		2,069,286
Capital assets - net depreciable		22,570,027
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		284,483
Court fines receivable		47,632
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/ expenditure)/(revenues) until then.		
Pension outflows		276,784
Pension inflows		(151,552)
OPEB outflows		7,090
OPEB inflows		(49,932)
Internal service funds are used by management to charge the cost of internal 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		861,072
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(88,193)
Compensated absences		(1,032,329)
Bond premium		(810,720)
Net pension liability		(255,516)
OPEB liability		(218,952)
Non-current liabilities due in one year		(760,000)
Non-current liabilities due in more than one year		(25,833,000)
Net Position of Governmental Activities	$	10,231,929

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Other Governmental	Total Governmental Funds
Revenues					
Property tax	$ 3,594,571	$ 1,505,804	$ -	$ -	$ 5,100,375
Sales taxes	1,594,936	-	-	-	1,594,936
Franchise taxes	559,293	-	-	-	559,293
Hotel and other taxes	-	-	-	40,451	40,451
Charges for services	80,198	-	-	14,895	95,093
Payments in lieu of taxes	272,764	-	-	-	272,764
License and permits	138,470	-	-	-	138,470
Fines and forfeitures	67,167	-	-	4,221	71,388
Administration fees	767,519	-	-	-	767,519
Contributions and donations	-	-	569,789	340,488	910,277
Rents and leases	7,300	-	-	-	7,300
Street maintenance fees	-	-	-	263,480	263,480
Intergovernmental revenue	280,641	-	-	-	280,641
Investment income	550,766	-	37,263	5,348	593,377
Other revenue	274,791	-	-	8,397	283,188
Total Revenues	8,188,416	1,505,804	607,052	677,280	10,978,552
Expenditures					
Current:					
General government	2,603,663	-	-	36,324	2,639,987
Police department	1,924,985	-	-	-	1,924,985
Fire and emergency	2,233,128	-	-	-	2,233,128
Public works	741,463	-	-	22,278	763,741
Parks and recreation	558,490	-	-	10,457	568,947
Community development	266,480	-	-	-	266,480
Judicial	79,920	-	-	-	79,920
Library	60,297	-	-	-	60,297
Airport	-	-	-	56,306	56,306
Debt service					
Principal	-	743,000	-	-	743,000
Interest	21,182	738,259	-	-	759,441
Bond issuance costs	-	-	239,578	-	239,578
Capital outlay	-	-	4,940,933	794,103	5,735,036
Total Expenditures	8,489,608	1,481,259	5,180,511	919,468	16,070,846
Excess of Revenues Over (Under) Expenditures	(301,192)	24,545	(4,573,459)	(242,188)	(5,092,294)

City of Commerce, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Other Governmental	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	$ 112,537	$ -	$ -	$ 396,568	$ 509,105
Transfers (out)	(67,690)	-	(110,000)	(231,589)	(409,279)
Bond proceeds	-	-	6,530,000	-	6,530,000
Premium on bond proceeds	-	-	112,363	-	112,363
Sale of capital assets	-	-	400,000	-	400,000
Insurance recoveries	40,892	-	-	-	40,892
Total Other Financing Sources (Uses)	85,739	-	6,932,363	164,979	7,183,081
Net Change in Fund Balances	(215,453)	24,545	2,358,904	(77,209)	2,090,787
Beginning Fund Balances	3,350,214	80,213	6,335,893	1,458,642	11,224,962
Ending Fund Balances	$ 3,134,761	$ 104,758	$ 8,694,797	$ 1,381,433	$ 13,315,749

See Notes to Financial Statements.

City of Commerce, 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	$ 2,090,787
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	5,637,567
Depreciation expense	(1,219,360)
Adjustment for capital assets sold	(374,622)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property tax receivable	(53,653)
Court fines receivable	511
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	(136,261)
Accrued interest	34,734
Pension (expense) income	(23,713)
OPEB expense	16,257
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 issuance 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.	
Bond issuance	(6,530,000)
Premium on debt	(112,363)
Amortization of bond premium	58,742
Principal payments	743,000
Internal service funds are used by management to charge the cost of internal services to individual funds. The City reports the net gain (loss) of internal service funds within governmental activities.	(85,723)
Change in Net Position of Governmental Activities	$ 45,903

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2025

	Water & Sewer	Nonmajor Commerce Water District	Total Enterprise Funds	Governmental Activities Internal Service
Assets				
Current Assets				
Cash and cash equivalents	$ 3,226,378	$ 5,110	$ 3,231,488	$ 163,718
Restricted cash	3,597,091	-	3,597,091	-
Receivables, net	858,613	-	858,613	1,089
Inventory	24,490	-	24,490	-
Total Current Assets	7,706,572	5,110	7,711,682	164,807
Noncurrent Assets				
Capital assets:				
Non-depreciable	1,548,993	-	1,548,993	-
Net depreciable capital assets	18,101,361	-	18,101,361	3,966,558
Total Noncurrent Assets	19,650,354	-	19,650,354	3,966,558
Total Assets	27,356,926	5,110	27,362,036	4,131,365
Deferred Outflows of Resources				
Pension outflows	82,144	-	82,144	-
OPEB outflows	2,104	-	2,104	-
Total Deferred Outflows of Resources	84,248	-	84,248	-
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	646,235	-	646,235	1,762
Accrued interest	61,123	-	61,123	-
Customer deposits	376,300	-	376,300	-
Due to other funds	923	-	923	-
Compensated absences - current	164,516	-	164,516	-
Long-term debt, current	541,000	-	541,000	653,303
Total Current Liabilities	1,790,097	-	1,790,097	655,065
Noncurrent Liabilities				
Compensated absences - noncurrent	163,511	-	163,511	-
Net pension liability	75,831	-	75,831	-
OPEB liability	64,981	-	64,981	-
Long-term debt, noncurrent	14,492,736	-	14,492,736	2,615,228
Total Noncurrent Liabilities	14,797,059	-	14,797,059	2,615,228
Total Liabilities	16,587,156	-	16,587,156	3,270,293
Deferred Inflows of Resources				
Pension inflows	44,978	-	44,978	-
OPEB inflows	14,819	-	14,819	-
Total Deferred Inflows of Resources	59,797	-	59,797	-
Net Position				
Net investment in capital assets	8,213,709	-	8,213,709	698,027
Unrestricted	2,580,512	5,110	2,585,622	163,045
Total Net Position	$ 10,794,221	$ 5,110	$ 10,799,331	$ 861,072

See Notes to Financial Statements.

City of Commerce, Texas

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

For the Year Ended September 30, 2025

	Water & Sewer	Nonmajor Commerce Water District	Total Enterprise Funds	Governmental Activities Internal Service
Operating Revenues				
Water sales	$ 353,029	$ 95,760	$ 448,789	$ -
Penalties	95,226	-	95,226	-
Tap and reconnect fees	129,099	-	129,099	-
Charges for services	7,232,615	-	7,232,615	823,849
Other revenues	13,911	-	13,911	-
Total Operating Revenues	7,823,880	95,760	7,919,640	823,849
Operating Expenses				
Salaries and benefits	1,756,556	-	1,756,556	-
Contracted services	1,345,488	-	1,345,488	-
Administration fees	834,047	-	834,047	28,209
Water purchases	448,789	95,760	544,549	-
Depreciation	1,182,165	-	1,182,165	858,854
Utilities	386,642	-	386,642	-
Repairs and maintenance	340,423	-	340,423	-
Insurance	63,132	-	63,132	-
Supplies	205,576	-	205,576	-
Payments in lieu of taxes	272,764	-	272,764	-
Other	475,404	190	475,594	-
Total Operating Expenses	7,310,986	95,950	7,406,936	887,063
Operating Income (Loss)	512,894	(190)	512,704	(63,214)
Nonoperating Revenues (Expenses)				
Interest income	45,829	590	46,419	-
Insurance recoveries	113,000	-	113,000	41,508
Gain (loss) on disposal of assets	-	-	-	8,589
Bond issuance costs	(77,466)	-	(77,466)	-
Interest expense	(349,251)	-	(349,251)	(72,606)
Total Nonoperating Revenues (Expenses)	(267,888)	590	(267,298)	(22,509)
Income (Loss) Before Transfers and Capital Contributions	245,006	400	245,406	(85,723)
Transfers and Capital Contributions				
Transfers (out)	(99,826)	-	(99,826)	-
Total Transfers and Capital Contributions	(99,826)	-	(99,826)	-
Change in Net Position	145,180	400	145,580	(85,723)
Beg. net position, as previously reported	10,805,460	4,710	10,810,170	946,795
New Accounting Standard - GASB 101	(156,419)	-	(156,419)	-
Beg. net position, as adjusted	10,649,041	4,710	10,653,751	946,795
Ending Net Position	$ 10,794,221	$ 5,110	$ 10,799,331	$ 861,072

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2025

	Water & Sewer	Nonmajor Commerce Water District	Total Enterprise Funds	Governmental Activities Internal Service
Cash Flows from Operating Activities				
Receipts from customers	$ 7,802,565	$ 95,760	$ 7,898,325	$ 864,319
Payments to suppliers	(3,980,655)	(103,930)	(4,084,585)	(71,579)
Payments to employees	(1,648,547)	-	(1,648,547)	-
Net Cash Provided (Used) by Operating Activities	2,173,363	(8,170)	2,165,193	792,740
Cash Flows from Noncapital Financing Activities				
Transfers (out)	(99,826)	-	(99,826)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(99,826)	-	(99,826)	-
Cash Flows from Capital and Related Financing Activities				
Capital purchases	(1,348,429)	-	(1,348,429)	-
Proceeds (loss) from sale of capital assets	118,280	-	118,280	103,282
Insurance recoveries (losses)	-	-	-	41,508
Proceeds from debt issuance	2,085,000	-	2,085,000	-
Bond issuance costs	(77,466)	-	(77,466)	-
Principal paid on debt	(515,000)	-	(515,000)	(701,206)
Interest paid on debt	(368,833)	-	(368,833)	(72,606)
Net Cash Provided (Used) by Capital and Related Financing Activities	(106,448)	-	(106,448)	(629,022)
Cash Flows from Investing Activities				
Purchase of investments, net	97,974	-	97,974	-
Interest on investments	45,829	590	46,419	-
Insurance proceeds	113,000	-	113,000	-
Net Cash Provided (Used) by Investing Activities	256,803	590	257,393	-
Net Increase (Decrease) in Cash and Cash Equivalents	2,223,892	(7,580)	2,216,312	163,718
Beginning cash and cash equivalents	4,599,577	12,690	4,612,267	-
Ending Cash and Cash Equivalents	$ 6,823,469	$ 5,110	$ 6,828,579	$ 163,718

See Notes to Financial Statements.

City of Commerce, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2025

	Water & Sewer	Nonmajor Commerce Water District	Total Enterprise Funds	Governmental Activities Internal Service
Reconciliation of Operating Inc. (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	$ 512,894	$ (190)	$ 512,704	$ (63,214)
Adjustments to reconcile operating income to net cash provided:				
Depreciation	1,182,165	-	1,182,165	858,854
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(30,560)	-	(30,560)	40,470
Inventory	27,310	-	27,310	-
Interfund balances	923	-	923	(39,144)
Deferred outflows of resources				
TMRS - Pension	95,468	-	95,468	-
TMRS - OPEB	137	-	137	-
Deferred inflows of resources				
TMRS - Pension	28,872	-	28,872	-
TMRS - OPEB	(380)	-	(380)	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	363,377	(7,980)	355,397	(4,226)
Compensated absences	95,928	-	95,928	-
Customer deposits	9,245	-	9,245	-
OPEB liability	2,553	-	2,553	-
Net pension liability (asset)	(114,569)	-	(114,569)	-
Net Cash Provided (Used) by Operating Activities	$ 2,173,363	$ (8,170)	$ 2,165,193	$ 792,740
Schedule of Non-Cash Capital and Related Financing Activities				
Lease issuance	$ -	$ -	$ -	$ 521,496
Assets purchased through note financing	-	-	-	1,721,649
	$ -	$ -	$ -	$ 2,243,145

See Notes to Financial Statements.

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 Commerce, Texas (the "City") is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: general government, public works, police and judicial, fire and emergency services, library, airport, community development, water and sewer services, and waste management services.

The City is an independent political subdivision of the State of Texas governed by an elected four member 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.

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Discretely Presented Component Unit

Commerce Economic Development Corporation (the "EDC")

The EDC is a legally separate entity responsible for certain economic developments benefiting all citizens of the government and is financed by a portion of sales tax revenue. The EDC is comprised of City Council members and citizens of the community, appointed by the Commerce City Council. As the City can impose its will on the EDC, and the EDC is fiscally dependent on the City, the EDC is considered a component unit of the City. The EDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that is repaid using City resources. The scope of public service of the EDC benefits citizens and is operated primarily within geographic boundaries of the City. Separate financial statements have not been prepared.

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 interfund services provided and used, where the amounts are reasonably equivalent in value to the services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues (i.e. charges for services, licenses and permits, garbage services, fines and forfeitures, grants and contributions, etc.) reported for the various functions concerned.

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. The City reports the following major governmental funds:

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, hotel occupancy taxes, licenses and permits, and fines and forfeitures. Expenditures include general government, public safety, public works, community development, judicial, library, airport, and parks and recreation.

Debt Service Fund

The debt service fund accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, leases, and interest. This fund reports all such ad valorem taxes collected.

Capital Projects Fund

The capital projects fund accounts for the proceeds of bond issuances that will be utilized for capital improvement.

Additionally, the City reports the following nonmajor governmental fund type:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the grant fund, airport fund, street maintenance fund, recreational program fund, hotel/motel fund, court security fund, and court technology fund.

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. Subsequent to November 30, 1989, 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:

Water and Sewer Fund

The Water and Sewer Fund accounts for the activities of the water distribution system, sewage treatment, sewage pumping stations and collection systems.

Additionally, the City reports the following nonmajor enterprise fund:

Commerce Water District Fund

The Commerce Water District fund accounts for the purchase and sale of water to the Sabine Water Authority. Activities of the fund include water purchases, water sales, and administration fees.

Additionally, the government reports the following fund type:

Internal Service Fund

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.

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 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.

E. 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 TexStar, are reported using the pools' share price.

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 of supplies are reported at cost using the first-in/first-out method, whereas inventories held for resale are reported at lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition 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
Buildings	20 – 40 years
Road infrastructure	20 – 25 years
Water and sewer infrastructure and rights	20 – 40 years
Vehicles	7 years
Furniture, machinery, and equipment	5 – 10 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 assets 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. 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 taxes revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. 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. 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.

9. 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.

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

11. Compensated Absences

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. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave 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.

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.

12. 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.

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.

13. 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.

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.

14. Subscription-Based Information Technology Agreements ("SBITA")

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $5,000 or more.

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

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The subscription term includes the noncancellable period of the SBITA.

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

15. 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.

16. 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.

17. Other Postemployment Benefits ("OPEB")

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 plan, with retiree coverage. The TMRS Supplemental Death Benefits Fund (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) and 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.

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 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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. A budget schedule for the general fund has been included to show compliance with the standard.

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

A. Expenditures Exceeding Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations for the general fund in the amount of $62,691.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Carrying Value	Average Maturity (Years)
External investment pools	$ 10,461,838	0.14
Total value	$ 10,461,838	
Portfolio weighted average maturity		0.14

Interest rate risk – In accordance with its investment policy, Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City generally requires investment maturities to correspond to anticipated cash flow needs. City policy also states that unless matched to a specific cash flow requirement, the City may not invest any portion of the City portfolio for a period greater than two years.

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 AAAm, 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 fair value of not less than the principal amount of the deposits.

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.

TexSTAR

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The City's market value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

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

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

Primary Government

	General	Debt Service	Nonmajor Governmental	Water & Sewer	Internal Service Fund	Total
Property taxes	$ 268,287	$ 97,665	$ -	$ -	-	$ 365,952
Sales tax	310,944	-	-	-	-	310,944
Franchise & local taxes	29,649	-	-	-	-	29,649
Hotel/motel taxes	-	-	8,803	-	-	8,803
Accounts	182,425	-	33,173	902,759	1,089	1,119,446
Allowance	(26,829)	(9,767)	-	(44,146)	-	(80,742)
	$ 764,476	$ 87,898	$ 41,976	$ 858,613	1,089	$ 1,754,052

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

	EDC
Sales tax	$ 155,472
Note receivable	62,426
	$ 217,898

C. Notes Receivables

The footnote below represents notes receivable as of September 30, 2025 in which the amount will be forgiven if specific conditions are met. Accordingly, these notes are reflected under restricted assets in the balance sheet.

Component Unit

Forgivable Notes Receivable:	Original Balance	Beginning Balance	Additions	Reductions	Ending Balance
Omega's Biscuits N Eggs (Martinez)	$ 25,000	$ 24,637	$ -	$ (4,467)	$ 20,170
McKay County Kitchen (Evans)	40,000	27,220	-	(5,608)	21,612
Commerce Family Chiropractic (Reel)	25,000	25,000	-	(4,356)	20,644
Total Governmental Activities	$ 90,000	$ 76,857	$ -	$ (14,431)	$ 62,426

The following comprise the note receivable repayment schedule for the component unit:

Year ending	Component Unit		
September 30,	**Principal**	**Interest**	**Total**
2026	$ 15,249	$ 2,773	$ 18,022
2027	16,018	2,004	18,022
2028	16,826	1,195	18,021
2029	14,333	372	14,705
	$ 62,426	$ 6,344	$ 68,770

City of Commerce, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

D. Capital Assets

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 747,343	$ -	$ -	$ 747,343
Construction in progress	6,602,163	785,830	(6,066,050)	1,321,943
Total capital assets not being depreciated	7,349,506	785,830	(6,066,050)	2,069,286
Capital assets, being depreciated:				
Infrastructure	12,543,491	1,258,656	3,407,519	17,209,666
Buildings and improvements	8,983,342	1,087,111	2,658,531	12,728,984
Equipment	3,661,639	4,214,258	(647,669)	7,228,228
Right of Use - Leases (equipment)	2,128,908	521,593	(252,514)	2,397,987
Right of Use - SBITA assets	468,196	-	(156,038)	312,158
Total capital assets being depreciated	27,785,576	7,081,618	5,009,829	39,877,023
Less accumulated depreciation				
Infrastructure	4,505,336	678,608	-	5,183,944
Buildings and improvements	4,219,717	381,246	-	4,600,963
Equipment	2,384,822	477,964	(273,047)	2,589,739
Right of Use - Leases (equipment)	528,640	410,232	(171,084)	767,788
Right of Use - SBITA assets	223,879	130,164	(156,039)	198,004
Total accumulated depreciation	11,862,394	2,078,214	(600,170)	13,340,438
Net capital assets being depreciated	15,923,182	5,003,404	5,609,999	26,536,585
Total Capital Assets	$ 23,272,688	$ 5,789,234	$ (456,051)	$ 28,605,871

Depreciation was charged to governmental functions as follows:

General government	$ 170,046
Police department	59,425
Fire and emergency	169,166
Public works	326,486
Parks and recreation	173,490
Community development	177,883
Airport	142,864
Internal service	858,854
Total Governmental Activities Depreciation Expense	$ 2,078,214

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

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 639,255	$ -	$ -	$ 639,255
Construction in progress	1,910,985	753,344	(1,754,591)	909,738
Total capital assets not being depreciated	2,550,240	753,344	(1,754,591)	1,548,993
Capital assets, being depreciated:				
Buildings and improvements	3,921,120	52,637	-	3,973,757
Water and sewer facilities	36,647,818	542,448	1,636,311	38,826,577
Total capital assets being depreciated	40,568,938	595,085	1,636,311	42,800,334
Less accumulated depreciation				
Buildings and improvements	2,972,102	123,813	-	3,095,915
Water and sewer facilities	20,544,706	1,058,352	-	21,603,058
Total accumulated depreciation	23,516,808	1,182,165	-	24,698,973
Net capital assets being depreciated	17,052,130	(587,080)	1,636,311	18,101,361
Total Capital Assets	$ 19,602,370	$ 166,264	$ (118,280)	$ 19,650,354

A summary of changes in the discretely presented component unit's activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Disposals / Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 468,215	$ -	$ -	$ 468,215
Total capital assets not being depreciated	468,215	-	-	468,215
Total Capital Assets	$ 468,215	$ -	$ -	$ 468,215

E. Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Certificates of Obligation	$ 14,985,000	$ 6,530,000	$ (380,000)	$ 21,135,000	$ 385,000
General Obligation Refunding Bonds	5,595,000	-	(330,000)	5,265,000	340,000
Deferred amounts:					
Issuance Premium	757,099	112,363	(58,742)	810,720	-
Note Payables	206,102	1,721,649	(171,791)	1,755,960	209,398
Total bonds, notes and other payables	21,543,201	8,364,012	(940,533)	28,966,680	934,398
Tax Notes	226,000	-	(33,000)	193,000	35,000
Lease Liabilities	1,288,934	521,496	(409,249)	1,401,181	386,277
SBITA liabilities	231,556	-	(120,166)	111,390	57,628
Total Governmental Activities	$ 23,289,691	$ 8,885,508	$ (1,502,948)	$ 30,672,251	$ 1,413,303
Long-term liabilities due in more than one year				$ 29,258,948	
Business-Type Activities:					
Bonds, notes and other payables:					
Certificates of Obligation	$ 12,554,000	$ 2,085,000	$ (378,000)	$ 14,261,000	$ 398,000
General Obligation Refunding Bonds	686,000	-	(137,000)	549,000	143,000
Deferred amounts:					
Issuance Premium	243,318	-	(19,582)	223,736	-
Total bonds payable	13,483,318	2,085,000	(534,582)	15,033,736	541,000
Total Governmental Activities	$ 13,483,318	$ 2,085,000	$ (534,582)	$ 15,033,736	$ 541,000
Long-term liabilities due in more than one year				$ 14,492,736	

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities	Total
Certificates of Obligation:			
$2,005,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $100,000, maturing in 2027.	$ -	$ 200,000	$ 200,000
$2,193,000 Series 2010A Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $81,000 to $82,000, maturing in 2040.	-	1,221,000	1,221,000
$450,000 Series 2010B Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $17,000, maturing in 2040.	-	255,000	255,000
$3,490,000 Series 2010C Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $115,000 to $120,000, maturing in 2040.	-	1,765,000	1,765,000
$2,615,000 Series 2021 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $55,000 to $195,000 with an interest rate of 1.25% to 3.75%, maturing in 2040.	1,230,000	920,000	2,150,000
$8,130,000 Series 2022 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $100,000 to $1,050,000 with an interest rate of 3.00% to 3.37%, maturing in 2042.	5,945,000	1,755,000	7,700,000
$6,535,000 Series 2023 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $60,000 to $1,770,000 with an interest rate of 4.00% to 5.00%, maturing in 2043.	2,745,000	3,510,000	6,255,000
$7,350,000 Series 2024 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $115,000 to $2,265,000 with an interest rate of 2.00% to 3.00%, maturing in 2042.	4,685,000	2,550,000	7,235,000
$6,615,000 Series 2025 Combination Tax and Limited Pledge Revenue Certificates of Obligation, due in annual installments of $100,000 to $1,035,000 with an interest rate of 4.00% to 6.00%, maturing in 2050.	6,530,000	2,085,000	8,615,000
Total Certificates of Obligation	$ 21,135,000	$ 14,261,000	$ 35,396,000

	Governmental Activities	Business - Type Activities	Total
General Obligation Refunding Bonds			
$6,450,000 Series 2021 General Obligation Refunding Bonds, due in annual installments of $295,000 to $480,000 with an interest rate of 1.75% to 4.00%, maturing in 2037.	$ 5,265,000	$ -	$ 5,265,000
$1,610,000 Series 2017 General Obligation Refunding Bonds, due in annual installments of $62,000 to $171,000 with an interest rate of 2.60%, maturing in 2029.	$ -	$ 549,000	$ 549,000
Total General Obligation Refunding Bonds	$ 5,265,000	$ 549,000	$ 5,814,000
Tax Notes			
$437,000 Series 2023 Tax Notes, due in annual installments of $33,000 to $211,000, including an interest rate 5.0%, through 2030.	193,000	-	193,000
Total Tax Notes	$ 193,000	$ -	$ 193,000
Subscription Liabilities	$ 111,390	$ -	$ 231,556
Lease Liabilities	1,401,181	-	1,401,181
Notes Payable	1,755,960	-	1,755,960
Deferred amounts:			
Issuance premium	810,720	223,736	1,034,456
Total Other Long-Term Liabilities	$ 3,967,861	$ 223,736	$ 4,191,597
Total Long-term Debt	$ 30,672,251	$ 15,033,736	$ 45,705,987

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize governmental and business-type activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

Year ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 385,000	$ 923,067	$ 1,308,067
2027	415,000	969,179	1,384,179
2028	440,000	966,285	1,406,285
2029	545,000	1,030,304	1,575,304
2030	620,000	1,070,016	1,690,016
2031	690,000	1,105,766	1,795,766
2032	760,000	1,093,304	1,853,304
2033	795,000	1,083,866	1,878,866
2034	830,000	1,068,604	1,898,604
2035	860,000	1,057,644	1,917,644
2036	660,000	813,353	1,473,353
2037	680,000	796,103	1,476,103
2038	1,195,000	775,257	1,970,257
2039	1,235,000	745,473	1,980,473
2040	1,270,000	708,889	1,978,889
2041	1,315,000	679,550	1,994,550
2042	1,360,000	642,122	2,002,122
2043	1,410,000	599,475	2,009,475
2044	1,465,000	1,676,900	3,141,900
2045	625,000	794,672	1,419,672
2046	655,000	797,863	1,452,863
2047	685,000	798,959	1,483,959
2048	715,000	798,334	1,513,334
2049	745,000	796,397	1,541,397
2050	780,000	797,550	1,577,550
Total	$ 21,135,000	$ 22,588,932	$ 43,723,932

City of Commerce, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2025

Year ending	Business-Type Activities		
September 30,	Principal	Interest	Total
2026	$ 398,000	$ 422,033	$ 820,033
2027	443,000	416,776	859,776
2028	423,000	409,426	832,426
2029	518,000	398,551	916,551
2030	623,000	383,408	1,006,408
2031	638,000	366,008	1,004,008
2032	653,000	348,520	1,001,520
2033	668,000	330,458	998,458
2034	683,000	312,389	995,389
2035	699,000	294,154	993,154
2036	714,000	276,484	990,484
2037	729,000	259,429	988,429
2038	749,000	241,586	990,586
2039	764,000	223,013	987,013
2040	784,000	203,725	987,725
2041	805,000	178,275	983,275
2042	835,000	146,428	981,428
2043	870,000	112,731	982,731
2044	900,000	77,281	977,281
2045	205,000	55,028	260,028
2046	215,000	46,231	261,231
2047	220,000	36,850	256,850
2048	230,000	27,006	257,006
2049	240,000	16,725	256,725
2050	255,000	5,738	260,738
Total	$ 14,261,000	$ 5,588,253	$ 19,849,253

General Obligation Refunding Bonds

Year ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 340,000	$ 147,263	$ 487,263
2027	400,000	132,463	532,463
2028	420,000	116,063	536,063
2029	425,000	99,163	524,163
2030	445,000	81,763	526,763
2031	465,000	63,563	528,563
2032	440,000	49,863	489,863
2033	450,000	40,963	490,963
2034	455,000	32,481	487,481
2035	470,000	23,800	493,800
2036	475,000	14,350	489,350
2037	480,000	4,800	484,800
Total	$ 5,265,000	$ 806,531	$ 6,071,531

Year ending	Business-Type Activities		
September 30,	Principal	Interest	Total
2026	$ 143,000	$ 12,415	$ 155,415
2027	144,000	8,684	152,684
2028	171,000	4,589	175,589
2029	91,000	1,183	92,183
Total	$ 549,000	$ 26,871	$ 575,871

Tax Notes

Year ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 35,000	$ 8,775	$ 43,775
2027	37,000	6,975	43,975
2028	38,000	5,100	43,100
2029	40,000	3,150	43,150
2030	43,000	1,075	44,075
	$ 193,000	$ 25,075	$ 218,075

Notes Payable

Year ending September 30,	Governmental Activities Principal	Interest	Total
2026	$ 209,398	$ 87,983	$ 297,381
2027	212,577	77,758	290,335
2028	208,771	67,479	276,250
2029	219,409	56,840	276,249
2030	230,590	45,659	276,249
2031	186,449	33,908	220,357
2032	195,962	24,395	220,357
2033	92,956	14,397	107,353
2034	97,526	9,827	107,353
2035	102,322	5,031	107,353
	$ 1,755,960	$ 423,277	$ 2,179,237

Lease Liabilities

Year ending September 30,	Governmental Activities Principal	Interest	Total
2026	$ 386,277	$ 32,730	$ 419,007
2027	390,539	24,108	414,647
2028	344,742	13,048	357,790
2029	213,264	4,709	217,973
2030	66,359	844	67,203
Total	$ 1,401,181	$ 75,439	$ 1,476,620

The City entered into leases to finance equipment. The property is classified as right-to-use assets with a net book value of $1,630,199 as of yearend for governmental activities.

Subscription Liabilities

Year ending September 30,	Governmental Activities Principal	Interest	Total
2026	$ 57,628	$ 3,466	$ 61,094
2027	26,433	1,816	28,249
2028	27,329	923	28,252
	$ 111,390	$ 6,205	$ 117,595

The City entered into multiple software and license subscriptions. The property is classified as right-to-use assets with a total net book value of $114,154 as of yearend for governmental activities.

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.

F. 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 water and sewer fund to liquidate compensated absences.

	Beginning Balance	Change	Ending Balance	Amounts Due Within One Year
Governmental Activities:				
Compensated Absences	$ 896,068	$ 136,261	$ 1,032,329	$ 517,744
Total Governmental Activities	$ 896,068	$ 136,261	$ 1,032,329	$ 517,744
Other Long-term Liabilities Due in More than One Year			$ 514,585	
Business-Type Activities:				
Compensated Absences	$ 232,099	$ 95,928	$ 328,027	$ 164,516
Total Business-Type Activities	$ 232,099	$ 95,928	$ 328,027	$ 164,516
Other Long-term Liabilities Due in More than One Year			$ 163,511	
Component-Unit Activities:				
Compensated Absences	$ 55,732	$ (4,372)	$ 51,360	$ 25,759
Total Component-Unit Activities	$ 55,732	$ (4,372)	$ 51,360	$ 25,759
Other Long-term Liabilities Due in More than One Year			$ 25,601	

G. Interfund Transactions

Amounts transferred between funds include a 5% franchise fee from the water sewer fund to the general fund, and transfers to the governmental capital projects fund for capital expenditures.

	Due to (payable fund):	
Due from (receivable fund):	**Water & Sewer**	**Total**
General fund	$ 923	$ 923
	$ 923	$ 923

	Transfers In:		
Transfers out:	**General**	**Nonmajor Govt.**	**Total**
General	$ -	$ 67,690	$ 67,690
Capital projects	-	110,000	110,000
Nonmajor govt	12,711	218,878	231,589
Water Sewer	99,826	-	99,826
	$ 112,537	$ 396,568	$ 509,105

Transfers between the funds were primarily to support debt service requirements, utilize capital funds for capital projects, and operations of funds.

H. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	Restricted		Committed	Assigned
Debt service	$ 104,758		-	-
Municipal court	68,478	*	-	-
Hotel/motel	111,229		-	-
Public safety	37,567		-	-
Federal seizures	88,806		-	-
Capital projects	8,690,152		-	-
Recreational programs	4,458			
Animal shelter	-		4,645	-
Streets	-		546,561	-
Airport	-		-	530,461
Grant	-		-	120,246
Insurance	-		-	142,735
	$ 9,105,448		$ 551,206	$ 793,442

* Represents restriction by enabling legislation.

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 2,700 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.

B. Contingent Liabilities

The City is involved in litigation from time to time during the ordinary course of business. Management estimates that any potential litigation will not have a material impact on impact on the City's financial statements.

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs by the granting organizations for the year ended September 30, 2025, have not been conducted. Accordingly, the City's final compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

The City has entered into various construction commitments for several projects. Total committed amounts are approximately $929,268 and will be funded through the use of the 2021 - 2023 bond proceeds.

The City has an open violation from TCEQ for certain deficiencies at the sewer treatment plant. Management has not accrued any amounts for penalties related to this violation. Management expects that any fines related to this violation will not have a material impact on the City's financial statements. Management expects that bond funded projects being implemented will cure any deficiencies identified by TCEQ.

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 also engages an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service’s rules and regulations.

D. Defined Benefit Pension Plans

1. Plan Description

The City of Commerce, Texas 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 the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

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

2. <u>Benefits Provided</u>

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 three payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	Plan Year 2023	Plan Year 2024
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI, Repeating	70% of CPI, Non-retroactive Repeating

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	74
Inactive employees entitled to but not yet receiving benefits	117
Active employees	85
Total	276

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 Commerce were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Commerce were 8.24%, 8.90%, and 8.39% in calendar years 2023, 2024, and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $441,240, and were equal to 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. The City uses the general fund and the water and sewer fund to liquidate governmental activities and the business-type pension liabilities, respectively.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, 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 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 expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 12/31/2023	$ 15,701,813	$ 14,809,155	$ 892,658
Changes for the year:			
Service Cost	564,971	-	564,971
Interest (on the Total Pension Liab.)	1,055,956	-	1,055,956
Change in benefit terms	-	-	-
Difference between expected and actual experience	36,640	-	36,640
Changes of assumptions	-	-	-
Contributions – employer	-	454,837	(454,837)
Contributions – employee	-	238,384	(238,384)
Net investment income	-	1,535,761	(1,535,761)
Benefit payments, including refunds of emp. contributions	(681,022)	(681,022)	-
Administrative expense	-	(9,869)	9,869
Other changes	-	(235)	235
Net changes	976,545	1,537,856	(561,311)
Balance at 12/31/2024	$ 16,678,358	$ 16,347,011	$ 331,347

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:

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
$ 2,798,763	$ 331,347	$ (1,664,431)

Pension Plan Fiduciary Net Position:

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

5. <u>Pension Expense/Income and Deferred Outflows (Inflows) of Resources Related to Pensions</u>

For the year ended September 30, 2025, the City recognized pension expense of $474,725.

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
Difference between projected and actual earnings on pension plan investments	$ -	$ (161,400)
Changes in assumptions	-	(35,130)
Differences between expected and actual economic experience	26,855	-
Contributions subsequent to the measurement date	332,073	-
Total	$ 358,928	$ (196,530)

The City reported $332,073 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 (asset) 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	$ (7,744)
2026	179,917
2027	(234,624)
2028	(107,224)
2029	-
Thereafter	-
	$ (169,675)

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	16
Active employees	85
Total	150

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2025	0.25%	0.25%	100.0%
2024	0.29%	0.29%	100.0%
2023	0.31%	0.31%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were $12,512, $13,987, and $12,901, 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. The City uses the general fund and the water and sewer fund to liquidate governmental activities and the business-type OPEB liabilities, respectively.

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, 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 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP=2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease 3.08%	Current Single Rate 4.08%	1% Increase 5.08%
$ 333,917	$ 283,933	$ 244,597

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	$ 292,685
Changes for the year:	
Service Cost	12,396
Interest	11,007
Difference between expected and actual experience	(4,030)
Changes of assumptions	(14,299)
Benefit payments	(13,826)
Net changes	(8,752)
Balance at 12/31/24	$ 283,933

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

For the year ended September 30, 2025, the City recognized OPEB income of $1,436.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual economic experience	$ -	$ (15,170)
Change in assumptions	-	(49,581)
Contributions subsequent to measurement date	9,194	-
Total	$ 9,194	$ (64,751)

The City reported $9,194 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. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2025	$ (30,970)
2026	(26,433)
2027	(4,330)
2028	(3,018)
2029	-
Thereafter	-
	$ (64,751)

E. Restatements

Due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position/fund balance for governmental activities, business-type activities, component unit activities, and the water & sewer fund.

The restatements are summarized below:

	Governmental Activities	Bus-Type Activities	Water & Sewer	Component Unit Activities
Prior year ending fund balance/net position as reported	$ 10,793,253	$ 10,810,170	$ 10,805,460	$ 5,880,280
Implementation of GASB 101	(607,227)	(156,419)	(156,419)	(14,163)
Prior year ending fund balance/net position, as adjusted	$ 10,186,026	$ 10,653,751	$ 10,649,041	$ 5,866,117

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 $767,874 as of September 30, 2025.

G. Subsequent Events

There were no material subsequent events through March 16, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Commerce, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property tax	$ 3,744,770	$ 3,744,770	$ 3,594,571	$ (150,199)
Sales taxes	1,540,000	1,540,000	1,594,936	54,936
Franchise taxes	525,000	525,000	559,293	34,293
Charges for services	27,500	27,500	80,198	52,698
Payments in lieu of taxes	272,764	272,764	272,764	-
License and permits	123,500	123,500	138,470	14,970
Fines and forfeitures	100,200	100,200	67,167	(33,033)
Administration fees	766,049	766,049	767,519	1,470
Rents and leases	6,900	6,900	7,300	400
Intergovernmental revenues	220,602	220,602	280,641	60,039
Investment income	535,000	535,000	550,766	15,766
Other revenue	94,370	94,370	274,791	180,421
Total Revenues	7,956,655	7,956,655	8,188,416	231,761
Expenditures				
Current:				
General government	2,213,010	2,463,550	2,603,663	(140,113)
Police department	2,133,964	2,146,764	1,924,985	221,779
Fire and emergency services	2,146,923	2,169,243	2,233,128	(63,885)
Public works	712,806	719,406	741,463	(22,057)
Parks and recreation	531,954	537,954	558,490	(20,536)
Community development	302,239	304,559	266,480	38,079
Judicial	79,533	80,533	79,920	613
Library	58,098	58,098	60,297	(2,199)
Interest	12,500	12,500	21,182	(8,682)
Total Expenditures	8,191,027	8,492,607	8,489,608	2,999

City of Commerce, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL- GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues Over (Under) Expenditures	$ (234,372)	$ (535,952)	$ (301,192)	$ 234,760
Other Financing Sources (Uses)				
Transfers in	$ 273,851	$ 273,851	$ 112,537	$ (161,314)
Transfers (out)	(2,000)	(2,000)	(67,690)	(65,690) *
Insurance recoveries	-	-	40,892	40,892
Total Other Financing Sources (Uses)	271,851	271,851	85,739	(186,112)
Net Change in Fund Balance	$ 37,479	$ (264,101)	(215,453)	$ 48,648
Beginning Fund Balance			3,350,214	
Ending Fund Balance			$ 3,134,761	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures (including transfers out) exceeded appropriations at the legal level of control.

City of Commerce, Texas

SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY AND RELATED RATIOS

Years ended December 31,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 564,971	$ 496,658	$ 468,103	$ 391,054	$ 335,690	$ 336,915	$ 329,072	$ 317,484	$ 321,694	$ 321,674
Interest (on the Total Pension Liability)	1,055,956	1,002,645	931,419	860,722	819,336	789,761	760,052	733,737	704,581	685,933
Changes in benefit terms	-	(140,590)	-	-	-	-	-	-	-	-
Differences between expected and actual experience	36,640	12,657	431,339	372,594	(39,678)	(128,639)	(114,660)	(179,982)	(131,344)	(21,602)
Changes of assumptions	-	(115,892)	-	-	-	(18,054)	-	-	-	74,198
Benefit payments, including refunds of participant contributions	(681,022)	(599,864)	(698,811)	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)
Net change in total pension liability	976,545	655,614	1,132,050	1,092,095	587,829	425,048	452,898	418,443	425,970	687,130
Total pension liability - beginning	15,701,813	15,046,199	13,914,149	12,822,054	12,234,225	11,809,177	11,356,279	10,937,836	10,511,866	9,824,736
Total pension liability - ending (a)	$ 16,678,358	$ 15,701,813	$ 15,046,199	$ 13,914,149	$ 12,822,054	$ 12,234,225	$ 11,809,177	$ 11,356,279	$ 10,937,836	$ 10,511,866
Plan fiduciary net position										
Contributions - employer	$ 454,837	$ 410,001	$ 382,775	$ 325,088	$ 285,440	$ 279,428	$ 256,451	$ 242,205	$ 229,774	$ 256,531
Contributions - members	238,384	215,563	199,362	169,141	146,079	143,003	140,749	136,376	137,125	144,249
Net investment income	1,535,761	1,532,125	(1,051,870)	1,667,388	910,163	1,624,770	(328,597)	1,345,429	621,688	13,526
Benefit payments, including refunds of participant contributions	(681,022)	(599,864)	(698,811)	(532,275)	(527,519)	(554,935)	(521,566)	(452,796)	(468,961)	(373,073)
Administrative expenses	(9,869)	(9,764)	(9,114)	(7,725)	(5,893)	(9,186)	(6,354)	(6,975)	(7,021)	(8,238)
Other	(235)	(69)	10,875	54	(230)	(276)	(332)	(354)	(378)	(408)
Net change in plan fiduciary net position	1,537,856	1,547,992	(1,166,783)	1,621,671	808,040	1,482,804	(459,649)	1,263,885	512,227	32,587
Plan fiduciary net position - beginning	14,809,155	13,261,163	14,427,946	12,806,275	11,998,235	10,515,431	10,975,080	9,711,195	9,198,968	9,166,381
Plan fiduciary net position - ending (b)	$ 16,347,011	$ 14,809,155	$ 13,261,163	$ 14,427,946	$ 12,806,275	$ 11,998,235	$ 10,515,431	$ 10,975,080	$ 9,711,195	$ 9,198,968
Fund's net pension (asset) liability - ending (a) - (b)	$ 331,347	$ 892,658	$ 1,785,036	$ (513,797)	$ 15,779	$ 235,990	$ 1,293,746	$ 381,199	$ 1,226,641	$ 1,312,898
Plan fiduciary net position as a percentage of the total pension liability	98.01%	94.31%	88.14%	103.69%	99.88%	98.07%	89.04%	96.64%	88.79%	87.51%
Covered payroll	$ 4,767,687	$ 4,311,269	$ 3,987,247	$ 3,382,819	$ 2,921,586	$ 2,860,057	$ 2,814,988	$ 2,727,528	$ 2,742,493	$ 2,884,971
Fund's net pension liability as a percentage of covered payroll	6.95%	20.71%	44.77%	-15.19%	0.54%	8.25%	45.96%	13.98%	44.73%	45.51%

City of Commerce, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Actuarially determined employer contributions	$ 441,240	$ 452,397	$ 393,725	$ 374,122	$ 310,171	$ 286,093	$ 278,996	$ 252,087	$ 249,812	$ 244,732
Contributions in relation to the actuarially determined contribution	441,240	452,397	393,725	374,122	310,171	286,093	278,996	252,087	249,812	244,732
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual covered payroll	$ 4,821,817	$ 4,745,639	$ 4,131,199	$ 3,895,791	$ 3,216,177	$ 2,928,277	$ 2,856,341	$ 2,813,919	$ 2,774,965	$ 2,791,822
Employer contributions as a percentage of covered payroll	9.15%	9.53%	9.53%	9.60%	9.64%	9.77%	9.77%	8.96%	9.00%	8.77%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

City of Commerce, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Year ended December 31,

	2024	2023	2022	2021	2020	2019	2018	2017 [1]
Total OPEB liability								
Service cost	$ 12,396	$ 8,623	$ 16,746	$ 13,531	$ 8,765	$ 7,150	$ 8,163	$ 6,819
Interest	11,007	11,590	7,701	7,757	9,080	12,672	9,322	9,306
Differences between expected and actual experience	(4,030)	(18,100)	(6,126)	6,888	(5,936)	(80,778)	63,698	-
Changes of assumptions	(14,299)	15,398	(133,577)	12,544	50,234	51,799	(17,909)	21,284
Benefit payments, including refunds of participant contributions	(13,826)	(13,365)	(12,759)	(10,487)	(3,214)	(2,860)	(2,815)	(2,455)
Net changes	(8,752)	4,146	(128,015)	30,233	58,929	(12,017)	60,459	34,954
Total OPEB liability - beginning	292,685	288,539	416,554	386,321	327,392	339,409	278,950	243,996
Total OPEB liability - ending	$ 283,933	$ 292,685	$ 288,539	$ 416,554	$ 386,321	$ 327,392	$ 339,409	$ 278,950 [2]
Covered-employee payroll	$ 4,767,687	$ 4,311,269	$ 3,987,247	$ 3,382,819	$ 2,921,586	$ 2,860,057	$ 2,814,988	$ 2,727,528
Total OPEB Liability as a percentage of covered employee payroll	5.96%	6.79%	7.24%	12.31%	13.22%	11.45%	4.75%	10.23%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

City of Commerce, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2025

	Special Revenue Funds							
	Grant Fund	Airport Fund	Street Maintenance	Recreational Program	Hotel/ Motel	Court Security	Court Technology	Total
Assets								
Cash and cash equivalents	$ 119,758	$ 526,543	$ 517,956	$ 6,698	$ 102,426	$ 32,415	$ 36,063	$ 1,341,859
Receivables, net	488	4,080	28,605	-	8,803	-	-	41,976
Total Assets	$ 120,246	$ 530,623	$ 546,561	$ 6,698	$ 111,229	$ 32,415	$ 36,063	$ 1,383,835
Liabilities								
Accounts payable and accrued expenses	$ -	$ 162	$ -	$ 2,240	$ -	$ -	$ -	$ 2,402
Total Liabilities	-	162	-	2,240	-	-	-	2,402
Fund Balances								
Restricted for:								
Municipal court	-	-	-	-	-	32,415	36,063	68,478
Hotel/motel	-	-	-	-	111,229	-	-	111,229
Recreational program	-	-	-	4,458	-	-	-	4,458
Committed for:								
Streets	-	-	546,561	-	-	-	-	546,561
Assigned for:								
Airport	-	530,461	-	-	-	-	-	530,461
Grant	120,246	-	-	-	-	-	-	120,246
Total Fund Balances	120,246	530,461	546,561	4,458	111,229	32,415	36,063	1,381,433
Total Liabilities, Deferred Inflows, and Fund Balances	$ 120,246	$ 530,623	$ 546,561	$ 6,698	$ 111,229	$ 32,415	$ 36,063	$ 1,383,835

City of Commerce, Texas

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	Special Revenue Funds							
	Grant Fund	Airport Fund	Street Maintenance	Recreational Program	Hotel/ Motel	Court Security	Court Technology	Total
Revenues								
Hotel/motel taxes	$ -	$ -	$ -	$ -	$ 40,451	$ -	$ -	$ 40,451
Fines and forfeitures	-	-	-	-	-	2,044	2,177	4,221
Street maintenance fees	-	-	263,480	-	-	-	-	263,480
Charges for services	-	-	-	14,895	-	-	-	14,895
Grants and contributions	340,488	-	-	-	-	-	-	340,488
Other revenue	-	8,377	-	20	-	-	-	8,397
Investment income	5,348	-	-	-	-	-	-	5,348
Total Revenues	345,836	8,377	263,480	14,915	40,451	2,044	2,177	677,280
Expenditures								
General government	-	-	-	-	36,324	-	-	36,324
Public works	-	-	22,278	-	-	-	-	22,278
Parks and recreation	-	-	-	10,457	-	-	-	10,457
Airport	-	56,306	-	-	-	-	-	56,306
Capital outlay	577,833	-	216,270	-	-	-	-	794,103
Total Expenditures	577,833	56,306	238,548	10,457	36,324	-	-	919,468
Revenues Over (Under) Expenditures	(231,997)	(47,929)	24,932	4,458	4,127	2,044	2,177	(242,188)
Other Financing Sources (Uses)								
Transfers in	328,878	-	65,136	2,554	-	-	-	396,568
Transfers (out)	-	(218,878)	-	-	(12,711)	-	-	(231,589)
Total Other Financing Sources (Uses)	328,878	(218,878)	65,136	2,554	(12,711)	-	-	164,979
Net Change in Fund Balances	96,881	(266,807)	90,068	7,012	(8,584)	2,044	2,177	(77,209)
Beginning fund balances	23,365	797,268	456,493	(2,554)	119,813	30,371	33,886	1,458,642
Ending Fund Balances	$ 120,246	$ 530,461	$ 546,561	$ 4,458	$ 111,229	$ 32,415	$ 36,063	$ 1,381,433

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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 COMMERCE, TEXAS,
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,510,000

AS BOND COUNSEL for the City of Commerce, Texas (the "City"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing serially on the dates specified in the text of the Bonds, all in accordance with the Ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the City relating to the authorization, issuance, sale and delivery of the Bonds, including the Ordinance; certificates of officials of the City; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the City relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as provided in the Ordinance.

IT IS FURTHER OUR OPINION that the Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended.

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.

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 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.

Respectfully,

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Proposed Form of Opinion of Bond Counsel

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

CITY OF COMMERCE, TEXAS,
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

IN THE AGGREGATE PRINCIPAL AMOUNT OF $8,665,000

AS BOND COUNSEL for the City of Commerce, Texas (the "City"), the issuer of the above-described Certificates (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the date specified in the text of the Certificates, at the rates and payable on the dates as stated in the text of the Certificates, maturing all in accordance with the terms and conditions stated in the text of the Certificates.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the City relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the revenues of the City's combined Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, all as provided in the Ordinance of the City authorizing the issuance of the Certificates.

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

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

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the 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 Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the 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 Certificates 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

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ASSURED GUARANTY®

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

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Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions