

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT
July 6, 2026

Moody's (underlying): "A2"
(See "RATINGS" and "BOND
INSURANCE".)

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

**THE CERTIFICATES ARE EXPECTED TO BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS**

\$5,000,000*
CITY OF GIDDINGS, TEXAS
(Lee County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated: July 15, 2026 (interest to accrue from the Delivery Date, defined below)

Due: March 1, as shown on page ii

The City of Giddings, Texas (the "City") Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance to be adopted by the City Council of the City on, July 13, 2026, authorizing the issuance of the Certificates (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance").

The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. The Certificates are additionally secured by a pledge of the "Surplus Revenues" derived from the ownership and operation of the City's water and sewer system, not to exceed \$1,000, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations"). Interest on the Certificates will accrue from the Delivery Date (defined herein) and will be payable March 1 and September 1 of each year until stated maturity or prior redemption, commencing March 1, 2027, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a stated maturity.

The definitive Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates (see "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City's water and wastewater system, (ii) planning, constructing, improving, designing, acquiring, equipping, and repairing the City's streets; and (iii) paying professional services in connection therewith, including legal, fiscal, engineering, architectural fees, and the costs of issuing the Certificates (see "THE CERTIFICATES – Purpose").

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2037, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2036 or any date thereafter, at par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Redemption Provisions").

Application has been made to municipal bond insurance companies to have the payment of principal of and interest on the Certificates insured by a municipal bond insurance policy (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS").

SEE MATURITY SCHEDULE ON PAGE ii

The Certificates are offered when, as and if issued and subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter of the Certificates named below (the "Underwriter") by its counsel, Bracewell LLP, Houston, Texas. The Certificates are expected to be available for initial delivery to the Underwriter through the facilities of DTC on or about August 12, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

* Preliminary, subject to change.

STATED MATURITY SCHEDULE
CUSIP Base Number: 375064⁽¹⁾

\$5,000,000*
CITY OF GIDDINGS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Maturity Date (3/1)	Principal Amount*	Interest Rate	Yield⁽²⁾	CUSIP Suffix⁽¹⁾
2028	\$ 30,000	%	%	
2029	175,000			
2030	185,000			
2031	195,000			
2032	205,000			
2033	215,000			
2034	225,000			
2035	235,000			
2036	245,000			
2037	260,000			
2038	275,000			
2039	285,000			
2040	300,000			
2041	315,000			
2042	335,000			
2043	350,000			
2044	370,000			
2045	390,000			
2046	410,000			

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2037, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2036 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. If two or more Certificates of consecutive maturities are combined into one or more “term” Certificates by the Underwriter, such Term Certificates shall be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance (see “THE CERTIFICATES – Redemption Provisions”).

⁽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 Underwriter, the City or the Municipal Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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 the accuracy or completeness and is not to be construed as a promise or guarantee of 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. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of the 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.

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 such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

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

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

NONE OF THE CITY, THE MUNICIPAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN UNDER THE CAPTIONS “BOND INSURANCE” AND “BOND INSURANCE RISK FACTORS.”

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 THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE “FORWARD-LOOKING STATEMENTS” HEREIN.

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The City	The City of Giddings, Texas (the “City”) is the county seat and major commercial center of Lee County. The City operates as a Home Rule City under the laws of the State of Texas. The City operates under the Council/Manager form of government. The mayor and five (5) Council Members are elected for two-year staggered terms. (See Appendix B – “General Information Regarding the City of Giddings, Texas and Lee County, Texas”).
The Certificates	\$5,000,000* City of Giddings, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026, dated July 1, 2026, maturing as described on the inside cover page of this Official Statement.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City’s water and wastewater system, (ii) planning, constructing, improving, designing, acquiring, equipping, and repairing the City’s streets; and (iii) paying professional services in connection therewith, including legal, fiscal, engineering, architectural fees, and the costs of issuing the Certificates.
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Initial Paying Agent/Registrar”). Initially, the City intends to use the Book-Entry-Only System of The Depository Trust Company (see “BOOK ENTRY-ONLY SYSTEM”).
Authorization and Security	<p>The Certificates will constitute a direct obligation of the City issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance to be adopted by the City Council of the City on July 13, 2026 authorizing the issuance of the Certificates (the “Ordinance”) (see “THE CERTIFICATES – Authority for Issuance”).</p> <p>The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. The Certificates are additionally secured by a pledge of the “Surplus Revenues” derived from the ownership and operation of the City’s water and sewer system, not to exceed \$1,000, as provided in the Ordinance (see “THE CERTIFICATES – Security and Source of Payment”).</p>
Redemption Provisions	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2037, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2036 or any date thereafter, at par value thereof plus accrued interest to the date of redemption. If two or more Certificates of consecutive maturities are combined into one or more “term” Certificates by the Underwriter, such Term Certificates shall be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance (see “THE CERTIFICATES – Redemption Provisions”).
Tax Exemption	In the opinion of Bond Counsel, the 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” herein, including the alternative minimum tax on certain corporations (see “TAX MATTERS” and “APPENDIX D – Form of Bond Counsel’s Opinion”).
Qualified Tax-Exempt Obligations	The City expects to designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS - Qualified Tax-Exempt Obligations”).
Bond Insurance	The City is considering insuring payment of debt service on the Certificates with municipal bond insurance and has made application to several municipal bond insurance companies. No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates (see “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS”).
Ratings	The Certificates have been assigned a rating of “A2” by Moody’s Investors Services, Inc. (“Moody’s”). An explanation of the significance of such rating may be obtained from the rating agency (see “RATINGS”, “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS”).
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about August 12, 2026.

*Preliminary, subject to change.

CITY OF GIDDINGS, TEXAS
 118 East Richmond
 Giddings, Texas 78942

ELECTED OFFICIALS

CITY COUNCIL

Name	Term Expires (May)	Occupation
Linda Pruitt Mayor	2028	Business Owner – Gourmet Divas
Alan Casey Mayor Pro-Tem	2027	Business Owner – Computer Network Technologies
John Dowell Council Member	2028	Business Manager
Jacob Janda Council Member	2027	Business Owner – Janda Monument Co.
Mark D. Muniz Council Member	2028	Business Owner – Muniz Electric
Kevin Rinn Council Member	2027	Pharmacist

APPOINTED OFFICIALS

Name	Position	Years with the City	Years of Experience
Heather Garner	Interim City Manager/Director of Finance ⁽¹⁾	5	5
Andrea Ray	City Secretary	8	8

⁽¹⁾ The City expects to hire a permanent City Manager to start on July 27, 2026.

BOND COUNSEL AND ADVISORS

Bond Counsel
 McCall, Parkhurst & Horton L.L.P.
 600 Congress Avenue, Suite 2150
 Austin, Texas 78701

Certified Public Accountants
 Brooks Watson & Co.
 14950 Heathrow Forest Pkwy, Suite 530
 Houston, Texas 77032

Municipal Advisor
 R. Dustin Traylor
 RBC Capital Markets, LLC
 303 Parkway, Suite 220
 San Antonio, Texas 78215

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OFFICIAL STATEMENT
relating to
CITY OF GIDDINGS, TEXAS
(Lee County)
\$5,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026

INTRODUCTORY STATEMENT

All financial and other information presented in this Official Statement has been provided by the City of Giddings, Texas (the “City”) from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience will necessarily continue or be repeated in the future.

There follows in this Official Statement a description of the Certificates and certain information about 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 and, during the offering period, from RBC Capital Markets, LLC, the Municipal Advisor, upon payment of reasonable copying, handling, and delivery charges. Certain capitalized terms used in the Official Statement have meanings assigned to them in the ordinance authorizing issuance of the Certificates to be adopted by the City Council of the City on July 13, 2026 (the “Ordinance”), except as otherwise indicated herein.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General Description

The Certificates will be dated July 15, 2026 (the “Dated Date”), and will be issued in fully-registered form, in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the Delivery Date and interest will be paid semiannually on March 1 and September 1 of each year, commencing March 1, 2027. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on page ii hereof.

Principal of and interest on the Certificates will be paid by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Subject to the requirements associated with the use of the Book-Entry-Only System, interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the “Owners”) appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of such Owner. Principal will be paid to the Owners at maturity or prior redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry Only System of The Depository Trust Company, New York, New York (“DTC”), in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates (see “BOOK-ENTRY ONLY SYSTEM”).

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Ordinance.

Purpose

Proceeds from the sale of the Certificates will be used for (i) constructing, improving, designing, acquiring, and equipping the City's water and wastewater system, (ii) planning, constructing, improving, designing, acquiring, equipping, and repairing the City's streets; and (iii) paying professional services in connection therewith, including legal, fiscal, engineering, architectural fees, and the costs of issuing the Certificates.

¹*Preliminary, subject to change.

Legality

The Certificates are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "LEGAL MATTERS" herein).

Security and Source of Payment

Tax Pledge . . . The Certificates constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" below).

Pledge of Surplus Water and Sewer System Revenues for Certificates . . . The Certificates are additionally secured by a pledge of surplus revenues ("Surplus Revenues") of the City's water 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 bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's water and sewer system, not to exceed \$1,000, as provided in the Ordinance.

Redemption Provisions

Optional Redemption . . . The City reserves the right, at its sole option, to redeem Certificates having stated maturities on and after March 1, 2037, in whole or in part thereof, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

If less than all of the respective Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption . . . In the event the Underwriter designates principal amounts of any two or more consecutive maturities of the Certificates to be combined into one or more term obligations (the "Term Certificates"), each such Term Certificate will be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Certificate and continuing on March 1 in each year thereafter until the stated maturity date of that Term Certificate.

Notice of Redemption for the Certificates . . . Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates 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. The notice with respect to optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or 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 Certificates, 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 certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. 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 approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. City officials may restrict such eligible securities in connection with the sale of the Certificates. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the 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.

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 Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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 Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance as may be required (i) by the provisions of the Ordinance, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners.

The Ordinance further provides that the holders of the respective Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to amend, change, modify or rescind any provisions therein; provided, however, that without the consent of 100% of the holders affected, no such amendment, change, modification, or rescission shall: (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Certificate over any other Certificate, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of the Certificates required for consent to any such amendment, change, modification, or rescission.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Sources and Uses of Proceeds

The following table shows the estimated sources and uses of the proceeds of the Certificates:

Sources:	Principal Amount of the Certificates	\$
	[Net] Reoffering Premium/Discount on the Certificates	
	Total Sources of Funds	\$
Uses:	Deposit to Construction Fund	\$
	Costs of Issuance and Underwriter's Discount	
	Total Uses of Funds	\$

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Municipal Advisor and the Underwriter believe the source of such information to be reliable, but take 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 Certificates or redemption, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Certificates, each in the aggregate principal amount thereof, 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 S&P Global Ratings 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, interest and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices,

as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City, the Municipal Advisor and the Underwriter believe to be reliable, but the City, the Municipal Advisor and the Underwriter take 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 Certificates are in Book-Entry-Only form, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to Registered Owners under the Ordinance will be given only to DTC.

ENFORCEMENT OF REMEDIES

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal or interest on the Certificates 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 Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 30 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous language.” Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities under certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services.

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

governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that Certificateholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

BOND INSURANCE

The City has applied for a bond insurance policy to guarantee the scheduled payment of principal of and interest on the Certificates. The City has yet to determine whether an insurance policy will be purchased on the Certificates. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

BOND INSURANCE RISK FACTORS

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

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

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

The long-term ratings on the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates (see “RATINGS”).

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further

information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Certificates. If the Paying Agent/Registrar is replaced by the City, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City shall promptly cause a written notice of such change to be sent to each registered owner of the Certificates affected by the change, by United States mail, first class postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

Future Registration

In the event the use of the "Book-Entry-Only System" for the Certificates should be discontinued, printed security certificates will be delivered to the registered owners of the Certificates affected thereby and thereafter such Certificates may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed security certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. The Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new security certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New security certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM").

Mutilated, Destroyed, Lost, or Stolen Certificates

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

Record Date

The record date ("Record Date") for determining the person to whom the interest is payable on the Certificates on any interest payment date means the close of business on the fifteenth business day of the month immediately preceding each such date.

Special Record Date for Interest Payment

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 (the "Special Payment Date" which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (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 Certificate or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable by the registered owner of the uncalled balance of a Certificate.

AD VALOREM PROPERTY TAXATION

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.

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.

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 Lee Central 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. 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 "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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. See APPENDIX, Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (1) above that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Legislation passed by the Legislature during the 89th Regular Session provides a person 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. See “ - City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

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

Chapter 380 Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

“unused increment rate” means the 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-approved 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 the City’s tax rate when calculating the voter-approval tax rate.

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

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

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

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

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

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

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

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

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

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

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

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 tax-supported 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. 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.

City and Taxpayer Remedies

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 "AD VALOREM PROPERTY TAXATION – 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. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. 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.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

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

City Application of Property Tax Code

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older or disabled of \$3,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

The City does not tax freeport property.

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

The City has elected not to tax non-business vehicles and boats owned as non-business property.

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

The City has not adopted a tax abatement policy with respect to certain areas within the City.

The City has elected to continue taxing goods-in-transit.

MUNICIPAL SALES TAX COLLECTIONS

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, 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. Voters within the City approved an additional sales and use tax of ½ of 1% for the benefit of the Giddings Economic Development Council. See "TABLE 4 – City Sales Tax History."

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with City funds, and 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 Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) be prepared jointly by all investment officers of the City, (3) be signed by each investment officer of the City, (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the: (a) beginning market value for the reporting period, (b) additions and changes to the market value during the period, (c) ending market value for the period, and (d) fully accrued interest for the reporting period, (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the account or fund or pooled group fund of the City for which each individual investment was acquired, and (8) state the compliance of the investment portfolio of the City as it related to (a) the investment strategy expressed in the City's investment policy, and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the City is additionally required to (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City 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 (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement 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 Treasurer, chief financial officer and investment officers; (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.

See Appendix A for a description of the City's current investments.

PENSION PLANS AND RETIREMENT FUND

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 7% of gross covered salary. For additional information, refer to the notes to the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2025, in Appendix C herein.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes 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 Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix D - Form of Bond Counsel's Opinion.

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

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 is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that 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 Internal Revenue Service by the City with respect to the Certificates or the property financed with proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the owners of the Certificates 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 made thereon. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount 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 owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount 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.

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

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Certificates may be includable in certain corporations, “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt 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 bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 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. 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 expects to designate the Certificates as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the 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.”**

LITIGATION

In the opinion of various officials of the City, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the City.

At the time of the initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

It is the obligation of the Underwriter to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter’s written request and sole expense, in registering or qualifying the Certificates 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, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act, requires that the Certificates be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “RATINGS” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates 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 Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City and the approving legal opinion 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” herein. The form of Bond Counsel’s opinion is attached hereto as Appendix D.

Though it represents the Underwriter and the Municipal Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. Except as noted below, Bond Counsel 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 appearing under captions “THE CERTIFICATES” (except under the subcaptions “Payment Record” and “Sources and Uses of Proceeds”), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE”, “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS”, “LEGAL MATTERS” (excluding the last sentence of the second paragraph thereof), and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance With Prior Undertakings”) and such firm is of the opinion that the information relating to the Certificates and legal matters 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 Certificates, such information conforms to the Ordinance. Certain legal matters will be passed upon for the Underwriter by its counsel, Bracewell LLP, Houston, Texas

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

RATINGS

The Certificates have been assigned an underlying rating of “A2” by Moody’s Investors Service, Inc. (“Moody’s”), without regard to credit enhancement. An explanation of the significance of such rating may be obtained from Moody’s.

The rating of the Certificates reflects only the view of said company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody’s, if, in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement while it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”) via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org, as further described below under “Availability of Information.”

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System (“EMMA”) at www.emma.msrb.org. 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 in Appendix A (Tables 1-7 and 9-11) and in Appendix C. The City will update and provide this information within twelve months after the end of each fiscal year ending in and after 2026.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C 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 and audited financial statements by the last day of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Occurrence of Certain Events

The City also will 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 (10) 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 or 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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under the 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, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Notice of Failure to Timely File

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Obligations will be made with the MSRB in electronic format in accordance with MSRB guidelines, by and through EMMA. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of significant events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates 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 the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Certificates in the primary offering of the Certificates. If the City so amends the provisions of either of the agreements described above, it shall include with any financial information or operating data next provided in accordance with such agreement an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Compliance with Prior Undertakings

During the past five years, the City has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule, except as follows. On January 13, 2023, Moody's Investors Services upgraded the City's general obligation limited tax ratings to A2 from Baa2. The City did not file a notice in connection with such upgrade.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial public offering prices set forth on the inside front cover of this Official Statement, less an underwriting discount of \$_____. The Underwriter's obligation is subject to certain conditions precedent. 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 the 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 its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

MUNICIPAL ADVISOR

RBC Capital Markets, LLC is employed as the Municipal Advisor to the City in connection with the issuance of the Certificates. The fees for the Municipal Advisor are contingent upon the issuance, sale and delivery of the Certificates. The Municipal Advisor is not obligated to

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

CYBERSECURITY RISKS

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the City's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

WEATHER EVENTS

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

FORWARD LOOKING STATEMENTS

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 thereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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 would prove to be accurate.

AUTHENTICITY OF FINANCIAL INFORMATION

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.

USE OF INFORMATION IN OFFICIAL STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

MISCELLANEOUS

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the re-offering of the Certificates by the Underwriter.

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2 12, as amended.

Mayor
City of Giddings, Texas

ATTEST:

City Secretary
City of Giddings, Texas

APPENDIX A

Financial Information Regarding the City of Giddings, Texas

**FINANCIAL INFORMATION REGARDING
THE CITY OF GIDDINGS, TEXAS**

Table 1-Valuations, Exemptions and Tax Supported Debt

2025/26 Market Valuation Established by Lee County Appraisal District	\$ <u>641,377,736</u>
Less: Exemptions/Reductions at 100% Market Value	
Veterans Exemption	\$ 3,856,499
10% Lost to Cap Adjustment	23,780,296
Lost to Non-Homestead Cap	18,221,298
Over 65/Disabled	1,302,381
Productivity Loss/Other	<u>15,149,080</u>
Total	\$ 62,309,554
 2025/26 Net Taxable Assessed Valuation	 \$ <u>579,068,182</u>

Table 2 - City Funded Debt Payable from Ad Valorem Taxes:

General Obligation Debt Payable From Ad Valorem Taxes (As of July 1, 2026)	\$ 10,550,000
The Certificates	<u>5,000,000</u> ⁽¹⁾
Total General Obligation Debt Payable From Ad Valorem Taxes	\$ 15,550,000
 Less: Self Supporting General Obligation Debt ⁽²⁾	
Total Self-Supporting General Obligation Debt	\$ 2,689,986
 Net General Obligation Debt	 \$ <u><u>12,860,014</u></u>
 Interest and Sinking Fund Balance as of September 30, 2025	
	\$ 617,508
Ratio Total General Obligation Debt to Taxable Assessed Valuation ⁽³⁾	2.69%
Ratio Net General Obligation Debt to Taxable Assessed Valuation ⁽³⁾	2.22%
Estimated Population	5,324
Per Capita Total General Obligation Funded Debt ⁽³⁾	\$ 2,921
Per Capita Net General Obligation Funded Debt ⁽³⁾	\$ 2,415
Per Capita Taxable Assessed Valuation	\$ 108,766

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ General obligation debt in the amounts shown for which repayment is provided from revenues of the City's water and sewer system (the "System"). It is the City's current policy to pay such self-supporting debt from System revenues; provided, however, that this policy is subject to change in the future. In the event the City changes this 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.

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

Table 3 - Taxable Assessed Valuation by Category ⁽¹⁾

Category	Taxable Appraised Value for Fiscal Year Ended September 30:					
	2026		2025		2024	
	Value	% of Total	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$ 324,805,622	50.64%	\$ 316,867,563	53.14%	\$ 279,717,166	53.26%
Real Residential, Multi-Family	18,902,467	2.95%	16,640,580	2.79%	16,034,820	3.05%
Real, Vacant Lots/Tracts	19,448,551	3.03%	16,693,696	2.80%	13,829,578	2.63%
Real, Acreage (Land Only)	15,500,810	2.42%	14,487,920	2.43%	10,963,550	2.09%
Real, Farm and Ranch Improvements	15,181,186	2.37%	14,649,550	2.46%	11,142,190	2.12%
Real, Commercial and Industrial	134,161,284	20.92%	127,161,497	21.32%	111,277,397	21.19%
Real, Minerals and Oil	1,007,720	0.16%	1,335,370	0.22%	1,290,210	0.25%
Real, Tangible Personal, Utilities	9,287,946	1.45%	8,690,120	1.46%	7,014,050	1.34%
Tangible Personal, Commercial	89,266,850	13.92%	71,079,546	11.92%	65,332,379	12.44%
Tangible Personal, Other	5,037,852	0.79%	4,826,450	0.81%	4,621,560	0.88%
Real Inventory	-	0.00%	-	0.00%	-	0.00%
Intangible	-	0.00%	-	0.00%	-	0.00%
Special Inventory	8,777,448	1.37%	3,877,560	0.65%	3,958,240	0.75%
Total Appraised Value Before Exemptions	\$ 641,377,736	100.00%	\$ 596,309,852	100.00%	\$ 525,181,140	100.00%
Less: Total Exemptions/ Reductions	62,309,554		67,089,181		47,405,265	
Taxable Assessed Value	<u>\$ 579,068,182</u>		<u>\$ 529,220,671</u>		<u>\$ 477,775,875</u>	

Category	Taxable Appraised Value for Year Ended September 30:			
	2023		2022	
	Value	% of Total	Value	% of Total
Real, Residential, Single Family	\$ 237,937,962	51.47%	\$ 189,898,983	48.58%
Real Residential, Multi-Family	14,270,922	3.09%	13,706,870	3.51%
Real, Vacant Lots/Tracts	13,142,866	2.84%	5,288,420	1.35%
Real, Acreage (Land Only)	10,438,890	2.26%	8,782,580	2.25%
Real, Farm and Ranch Improvements	9,702,052	2.10%	8,660,282	2.22%
Real, Commercial	103,564,728	22.40%	91,395,126	23.38%
Real, Minerals and Oil	1,206,640	0.26%	789,350	0.20%
Real, Tangible Personal, Utilities	6,573,810	1.42%	5,991,250	1.53%
Tangible Personal, Commercial	58,028,041	12.55%	60,359,721	15.44%
Tangible Personal, Other	4,095,401	0.89%	3,435,520	0.88%
Real Inventory	-	0.00%	-	0.00%
Intangible	-	0.00%	-	0.00%
Special Inventory	3,364,010	0.73%	2,631,390	0.67%
Total Appraised Value Before Exemptions	\$ 462,325,322	100.00%	\$ 390,939,492	100.00%
Less: Total Exemptions/ Reductions	38,654,039		21,489,821	
Taxable Assessed Value	<u>\$ 423,671,283</u>		<u>\$ 369,449,671</u>	

⁽¹⁾ Obtained from property tax reports provided by the Lee Central Appraisal District and the State of Texas Comptroller of Public Accounts.

Table 4 - City Sales Tax History

Fiscal Year <u>Ending 9/30</u>	Sales Tax <u>Collections</u>	% of Ad Valorem <u>Tax Levy</u>	Equivalent Ad Valorem <u>Tax Rate</u>
2016	\$ 1,196,321	71.84%	\$ 0.37927
2017	1,326,637	87.06%	0.45961
2018	1,289,947	81.49%	0.43019
2019	1,392,246	84.04%	0.45416
2020	1,379,781	79.14%	0.42767
2021	1,355,763	69.85%	0.37749
2022	1,565,116	81.66%	0.44129
2023	1,875,113	85.31%	0.46103
2024	1,973,184	71.98%	0.43020
2025	2,051,328	62.37%	0.40376

Note: Figures above represent total sales taxes collected by the City of Giddings. The City transfers 1/3 of the sales taxes collected to the Giddings Economic Development Council. See "MUNICIPAL SALES TAX COLLECTIONS."

Table 5 - Valuation History

Fiscal Year <u>Ended 9/30</u>	Taxable Assessed <u>Valuation</u>	Percent Increase Over <u>Prior Year</u>
2017	\$ 300,669,695	-8.49%
2018	312,352,359	3.89%
2019	319,329,132	2.23%
2020	336,067,349	5.24%
2021	374,115,700	11.32%
2022	369,449,671	-1.25%
2023	423,671,283	14.68%
2024	477,775,875	12.77%
2025	529,220,671	10.77%
2026	579,068,182	9.42%

Table 6 - Tax Rate, Levy and Collection History

Fiscal Year <u>Ending 9/30</u>	General <u>Fund</u>	Interst and <u>Sinking Fund</u>	Total <u>Tax Rate</u>	Total <u>Tax Levy</u>	% Total <u>Collections</u>
2016	\$ 0.3354	\$ 0.1714	\$ 0.5068	\$ 1,665,205	100.21%
2017	0.3200	0.1868	0.5068	1,523,794	101.09%
2018	0.3268	0.1800	0.5068	1,583,002	101.58%
2019	0.3497	0.1691	0.5188	1,656,680	100.90%
2020	0.3497	0.1691	0.5188	1,743,517	102.05%
2021	0.4417	0.0771	0.5188	1,940,912	100.16%
2022	0.4129	0.1059	0.5188	1,916,705	101.36%
2023	0.4281	0.0907	0.5188	2,198,007	100.32%
2024	0.4925	0.0813	0.5738	2,741,478	99.86%
2025	0.4710	0.1505	0.6215	3,289,106	100.81%
2026	0.4943	0.1332	0.6275	3,633,653	In Process of Collection

Source: The City.

Table 7 - Ten Largest Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	2025/26 <u>Assessed Valuation</u>	Percent <u>of Total⁽¹⁾</u>
Pumpco Inc	Oil and Gas	14,025,850	2.42%
Cargill LLC	Agriculture	12,374,734	2.14%
Horizontal Specialist LLC	Oil and Gas	11,324,340	1.96%
Banc of America Leasing & Capital LLC	Banking Institution	8,919,870	1.54%
Jaehne Mark	Oil and Gas	5,704,845	0.99%
Techline Ltd.	Electric Supplier	4,969,650	0.86%
290 Travel Plaza LLC	Truck Stop	4,882,418	0.84%
Bluebonnett Electric Coop	Electric Utility	3,541,204	0.61%
Union Pacific Railroad	Railroad	3,013,840	0.52%
First National Bank of Giddings	Banking Institution	2,896,800	0.50%
		<u>\$ 71,653,551</u>	<u>12.37%</u>

⁽¹⁾ Approximately 12.37% of the City’s total taxable assessed value is concentrated in its top ten taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

Table 8 - Overlapping Debt Statement

<u>Taxing Body</u>	<u>Amount</u>	<u>As of</u>	Percentage <u>Overlapping</u>	Amount <u>Overlapping</u>
Giddings ISD	\$ 20,200,000	05/31/2026	30.48%	\$ 6,156,960
Lee County	1,375,000	05/31/2026	19.52%	<u>268,400</u>
Total Overlapping Debt				\$ 6,425,360
City of Giddings	\$ 15,550,000 ⁽¹⁾	07/01/2026	100.00%	\$ 15,550,000
Total Direct and Overlapping Debt				<u>\$ 21,975,360</u>
Ratio Direct and Overlapping Debt to Net Taxable Assessed Valuation				3.79%
Ratio Direct and Overlapping Debt to Total Assessed Valuation				3.43%
Per Capita Direct and Overlapping Debt				\$4,128

⁽¹⁾ Includes the Certificates and self-supporting debt. Preliminary, subject to change.

Table 9 - Pro-Forma Outstanding Limited Tax General Obligation Debt Service Requirements

Fiscal Year Ended	Outstanding General Obligation <u>Debt Service</u>	The Certificates ⁽¹⁾			Less: Self Supported <u>Debt Service</u>	Net Outstanding General Obligation <u>Debt Service</u>
		Principal	Interest	Total		
2026	\$ 2,020,206				\$ 1,309,063	\$ 711,143
2027	1,805,218		\$ 281,944	\$ 281,944	1,303,022	784,140
2028	1,800,088	\$ 30,000	249,250	279,250	1,299,708	779,630
2029	1,631,698	175,000	244,125	419,125	1,194,906	855,916
2030	1,638,320	185,000	235,125	420,125	1,195,934	862,511
2031	882,950	195,000	225,625	420,625	440,857	862,718
2032	709,850	205,000	215,625	420,625	331,500	798,975
2033	380,600	215,000	205,125	420,125	-	800,725
2034	381,950	225,000	194,125	419,125	-	801,075
2035	377,550	235,000	182,625	417,625	-	795,175
2036	380,000	245,000	170,625	415,625	-	795,625
2037	379,400	260,000	158,000	418,000	-	797,400
2038	378,400	275,000	144,625	419,625	-	798,025
2039	381,900	285,000	130,625	415,625	-	797,525
2040	379,900	300,000	116,000	416,000	-	795,900
2041	377,500	315,000	100,625	415,625	-	793,125
2042	379,600	335,000	84,375	419,375	-	798,975
2043	381,100	350,000	67,250	417,250	-	798,350
2044	382,000	370,000	49,250	419,250	-	801,250
2045	377,400	390,000	30,250	420,250	-	797,650
2046	-	410,000	10,250	420,250	-	420,250
TOTAL	\$ 15,425,628	\$ 5,000,000	\$ 3,095,444	\$ 8,095,444	\$ 7,074,989	\$ 16,446,083

⁽¹⁾ Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.

Authorized but Unissued General Obligation Bonds:

The City has no authorized but unissued general obligation bonds.

Table 10 - Tax Adequacy for Bonds

2025/26 Taxable Assessed Valuation	\$ 579,068,182
Estimated Maximum Net Debt Service for the Fiscal Year Ending September 30, 2031	\$ 862,718
Indicated Interest and Sinking Fund Tax Rate	\$ 0.15203
Indicated Interest and Sinking Fund Tax Levy	\$ 880,357
Estimated 98% Tax Collections	\$ 862,750
Interest and Sinking Fund Balance as of September 30, 2025	\$ 617,508

Table 11 - General Fund Revenues and Expenditures

	Fiscal Years Ended September 30:				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:					
Taxes	\$ 4,712,859	\$ 4,442,452	\$ 3,830,657	\$ 4,152,595	\$ 3,148,541
Licenses and permits	82,249	102,094	85,245	132,839	88,501
Fines and Forfeitures	198,196	255,587	215,407	364,679	188,554
Charges for Services	-	-	-	138,343	-
Investment Earnings	78,982	97,547	48,613	4,343	17,324
Public Safety Revenue	-	-	-	-	-
Other Revenues	772,518	526,564	648,382	470,764	273,132
Total Revenues	\$ 5,844,804	\$ 5,424,244	\$ 4,828,304	\$ 5,263,563	\$ 3,716,052
Expenditures:					
Current:					
General Government	\$ 1,532,464	\$ 1,756,512	\$ 1,738,107	\$ 1,289,802	\$ 1,231,032
Public Safety	3,261,133	2,957,916	2,583,740	2,581,213	2,248,121
Public Works	483,829	507,531	453,395	402,488	374,926
Culture and Recreation	1,881,244	1,385,672	1,005,017	1,047,057	990,362
Capital Outlay	2,249,445	345,984	596,084	133,811	57,272
Debt Service	381,695	261,938	181,118	7,359	16,215
Total Expenditures	\$ 9,789,810	\$ 7,215,553	\$ 6,557,461	\$ 5,461,730	\$ 4,917,928
Excess/(Deficiency) of Revenues Over Expenditures	\$ (3,945,006)	\$ (1,791,309)	\$ (1,729,157)	\$ (198,167)	\$ (1,201,876)
Other Financing Sources	3,419,568	1,834,809	2,687,248	864,742	1,587,518
Other Financing (Uses)	(38,105)	-	-	(324,067)	-
Total Other Financing Sources	3,381,463	1,834,809	2,687,248	540,675	1,587,518
Net Change in Fund Balance	(563,543)	43,500	958,091	342,508	385,642
Beginning Fund Balance	\$ 2,321,625	\$ 2,278,125	\$ 1,209,766	\$ 867,258	\$ 481,616
Prior Period Adjustment	-	-	-	-	-
Residual Equity Transfers In/(Out)	-	-	110,268	-	-
Ending Fund Balance - Sept. 30	\$ 1,758,082	\$ 2,321,625	\$ 2,278,125	\$ 1,209,766	\$ 867,258

Source: City's Audited Financial Statements for the Fiscal Years Ended September 30, 2021-2025.

APPENDIX B

General Information Regarding the City of Giddings, Texas and Lee County, Texas

**GENERAL INFORMATION REGARDING THE CITY OF GIDDINGS, TEXAS
AND LEE COUNTY, TEXAS**

General Description

Lee County is a southeast Texas county and is traversed by U.S. Highways 77 and 290. The City of Giddings is the county seat and principal commercial center of Lee County. The City's 2020 census was 4,969 and the 2023 estimated population is 5,254. The Giddings State School institution for youth is located within the City.

Population

City of Giddings	Year	Lee County
4,969	2020	17,478
4,881	2010	16,612
5,105	2000	15,657
4,903	1990	12,854

Economy

The area economy is diversified by manufacturing, agribusiness and oil and gas operations. The Texas Almanac designates cattle as the principal source of agricultural income. The area's largest employer is the Giddings State School, which houses over 300 students.

Historical Employment Data, Lee County

<u>Area</u>	<u>2026⁽¹⁾</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Labor Force	9,629	9,321	9,251	9,316	8,794
Employed	9,293	8,985	8,929	9,021	8,481
Unemployed	336	336	322	295	313
Unemployment Rate	3.5%	3.6%	3.5%	3.2%	3.6%

Source: Texas Workforce Commission.

⁽¹⁾ As of April 2026.

Comparative Unemployment Rates

	<u>2026⁽¹⁾</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Lee County	3.5%	3.6%	3.5%	3.2%	3.6%
State of Texas	4.0%	4.2%	4.1%	3.9%	3.9%
United States of America	4.0%	4.3%	4.0%	3.6%	3.6%

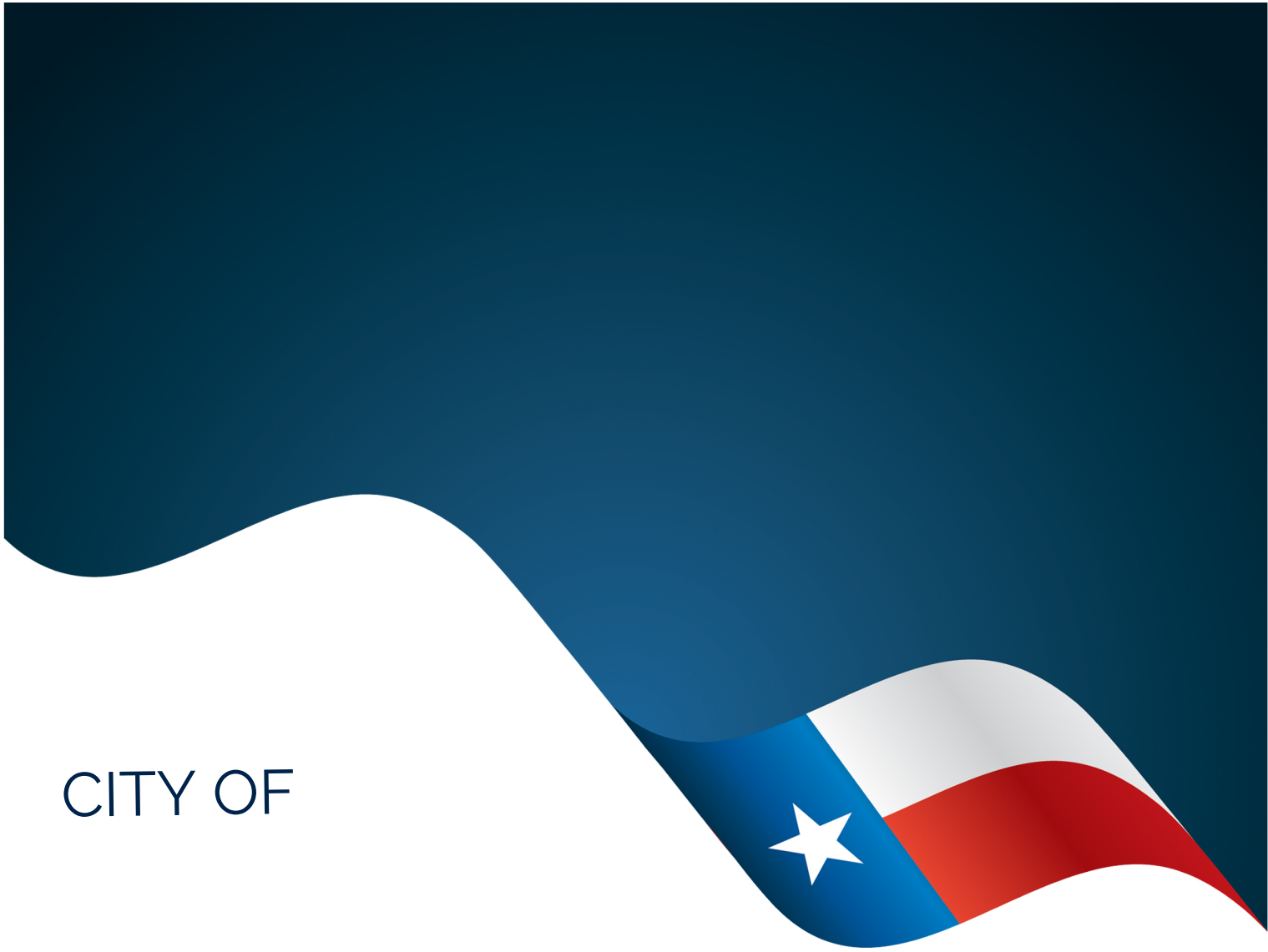
Source: Texas Workforce Commission.

⁽¹⁾ As of April 2026.

APPENDIX C

Excerpts from the City of Giddings, Texas Annual Financial Report for Fiscal Year Ending September 30, 2025

CITY OF



2025 ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

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ANNUAL FINANCIAL REPORT

of the

City of Giddings, Texas

**For the Year Ended
September 30, 2025**

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City of Giddings, Texas

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September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Giddings, 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 Giddings, 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 Giddings, 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 Giddings, 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 Matter

As discussed in Note V.G. to the financial statements, the City restated the beginning net position/fund balance of governmental activities, business-type activities, and the water fund due to prior year accounting errors and implementation of new accounting standard – GASB 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes to the OPEB liability, and general fund 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
May 18, 2026

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

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City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

As management of the City of Giddings, 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 assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2025 by \$20,943,357.
- The City's total net position increased by \$831,140. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$3,666,306 at September 30, 2025, a decrease of \$467,600 from the prior fiscal year; this includes a decrease of \$563,543 in the general fund, a decrease of \$8,223 in the debt service fund, an increase of \$212,325 in the capital projects fund, and a decrease of \$108,159 in the nonmajor governmental funds.
- The City's net pension liability decreased by \$313,703 compared to the prior fiscal year. The net pension liability outstanding at the close of the fiscal year was \$3,258,235.

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

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

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 electric, water, sewer and refuse operations.

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

The government-wide financial statements can be found on pages 20 through 23 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. The City's special revenue funds are considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general, hotel tax, and utility funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 24 through 27 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its electric, water, sewer and sanitation operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, and refuse fund since it is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 28 through 37 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Giddings Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 39 through 75 of this report.

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on page 82 through 89 of this report.

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 Giddings, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,943,357 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$16,537,562, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as public works facilities, utility infrastructure and equipment), less any debt used to acquire those assets that is 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.

Current and other assets for business-type activities increased by \$3,693,876, or 81%, primarily due to greater cash on hand, resulting from nonrecurring transfers in from the capital projects fund.

Capital assets for governmental activities increased \$2,775,599, or 47%, primarily due to cash outflows for capital improvements during the year.

Other liabilities for the primary government increased by \$333,979, or 27%, primarily due to nonrecurring outstanding payables for capital improvements and timing of repayments subsequent to yearend.

Net pension liability for the primary government decreased by \$313,703, or 9%, primarily due to pension actuarial changes in assumptions during the year.

Long-term liabilities for governmental activities increased by \$5,957,709, or over 100%, primarily due to new debt issuances in the current year.

Long-term liabilities for business-type activities decreased by \$1,043,058, or 13%, primarily due to principal payments made towards debt in the current year.

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

Total deferred outflows of the primary government decreased and total deferred inflows of the primary government decreased by \$392,088 and \$126,045, respectively. These changes are strictly due to actuarial changes in the City's pension inputs over the course of the year.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and						
other assets	\$ 5,134,319	\$ 8,268,761	\$ 13,403,080	\$ 5,398,914	\$ 4,574,885	\$ 9,973,799
Capital assets, net	8,676,231	17,404,425	26,080,656	5,900,632	17,613,265	23,513,897
component unit	197,427	428,940	626,367	79,450	368,986	448,436
Internal balances	948,338	(948,338)	-	1,190,376	(1,190,376)	-
Total Assets	14,956,315	25,153,788	40,110,103	12,569,372	21,366,760	33,936,132
Total Def. Outflows	769,058	289,596	1,058,654	1,079,222	371,520	1,450,742
Other liabilities	633,767	926,584	1,560,351	526,860	699,512	1,226,372
Net pension liability	2,504,226	754,009	3,258,235	2,787,465	784,473	3,571,938
Long-term liabilities	7,923,885	7,211,572	15,135,457	1,966,176	8,254,630	10,220,806
Total Liabilities	11,061,878	8,892,165	19,954,043	5,280,501	9,738,615	15,019,116
Total Def. Inflows	208,561	62,796	271,357	113,399	31,913	145,312
Net Position:						
Net investment in						
capital assets	1,071,177	15,466,385	16,537,562	4,209,734	10,468,073	14,677,807
Restricted	1,358,484	-	1,358,484	1,265,609	-	1,265,609
Unrestricted	2,025,273	1,022,038	3,047,311	2,779,351	1,499,679	4,279,030
Total Net Position	\$ 4,454,934	\$ 16,488,423	\$ 20,943,357	\$ 8,254,694	\$ 11,967,752	\$ 20,222,446

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

Statement of Activities:

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

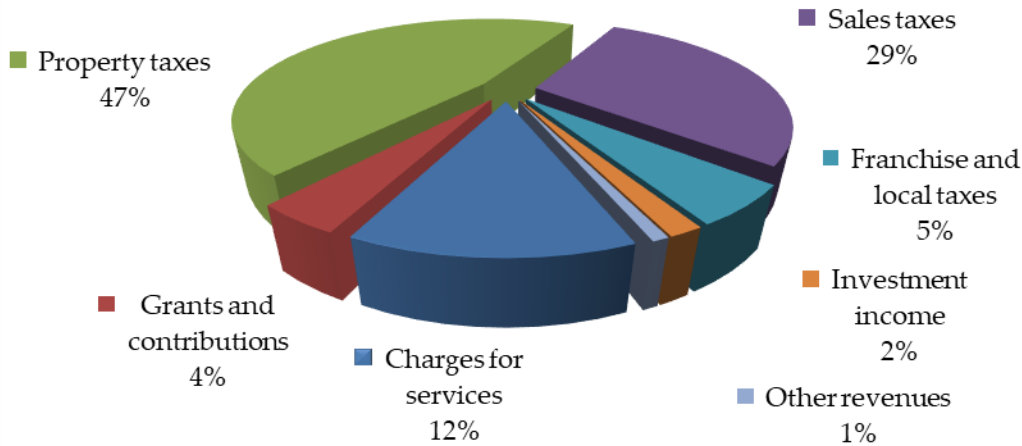
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total primary Government	Governmental Activities	Business-Type Activities	Total primary Government
Revenues						
Program revenues:						
Charges for services	\$ 875,368	\$ 10,603,615	\$ 11,478,983	\$ 775,766	\$ 10,095,019	\$ 10,870,785
Grants and contributions	430,348	199,464	629,812	140,895	373,032	513,927
General revenues:						
Property taxes	3,315,652	-	3,315,652	2,786,384	-	2,786,384
Sales taxes	2,051,328	-	2,051,328	1,973,184	-	1,973,184
Franchise and local taxes	381,509	-	381,509	324,292	-	324,292
Investment income	112,509	197,768	310,277	137,483	118,297	255,780
Other revenues	54,437	250,388	304,825	7,408	288,309	295,717
Total Revenues	7,221,151	11,251,235	18,472,386	6,145,412	10,874,657	17,020,069
Expenses						
General government	1,941,732	-	1,941,732	1,862,579	-	1,862,579
Public safety	3,589,219	-	3,589,219	3,609,352	-	3,609,352
Public works	618,742	-	618,742	641,653	-	641,653
Culture and recreation	2,076,548	-	2,076,548	1,719,226	-	1,719,226
Interest and fiscal charges	448,806	256,131	704,937	89,974	277,650	367,624
Public utilities	-	8,710,068	8,710,068	-	8,284,227	8,284,227
Total Expenses	8,675,047	8,966,199	17,641,246	7,922,784	8,561,877	16,484,661
Change in Net Position						
Before Transfers	(1,453,896)	2,285,036	831,140	(1,777,372)	2,312,780	535,408
Transfers in (out)	(2,235,635)	2,235,635	-	1,762,994	(1,762,994)	-
Total	(2,235,635)	2,235,635	-	1,762,994	(1,762,994)	-
Change in Net Position	(3,689,531)	4,520,671	831,140	(14,378)	549,786	535,408
Beginning net position *	8,144,465	11,967,752	20,112,217	8,269,072	11,417,966	19,687,038
Ending Net Position	\$ 4,454,934	\$ 16,488,423	\$ 20,943,357	\$ 8,254,694	\$ 11,967,752	\$ 20,222,446

* Includes restatement for New Acct. Standard GASB 101

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

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

Governmental Activities - Revenues

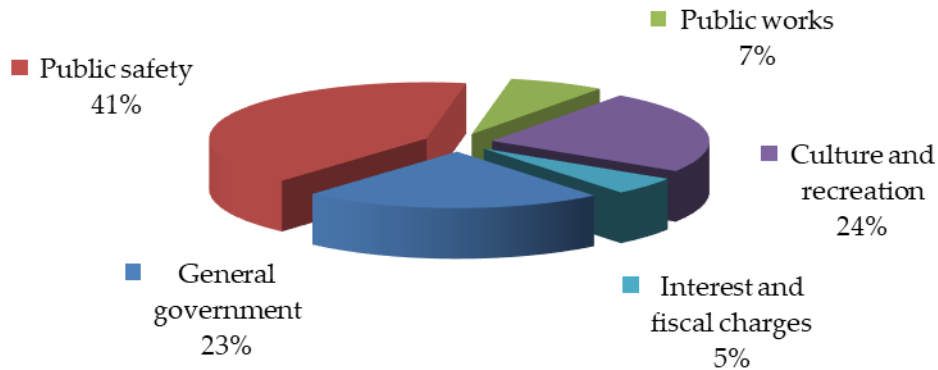


For the year ended September 30, 2025, revenues from governmental activities totaled \$7,221,151. Property tax and sales tax are the City's largest general revenue sources. Overall revenues increased by \$1,075,739, or 18%, compared to the prior year. Charges for services increased by \$99,602, or 13%, primarily due to greater golf course membership and golf club merchandise sales in the current year. Grant revenues increased \$289,453, or over 100%, due to nonrecurring contributions from the Giddings VFD and Lower Colorado River Authority (LCRA) in the current year. Property taxes increased \$529,268, or 19%, due to an 8% increase in the tax rate and greater appraised property values. Franchise taxes/local taxes increased by \$57,217, or 18%, primarily due to an increase in utility service pole fees in the current year. Other revenues increased by \$47,029, or over 100%, primarily due to nonrecurring from sales of assets in the current year. All other revenues remained relatively consistent with the previous year.

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

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

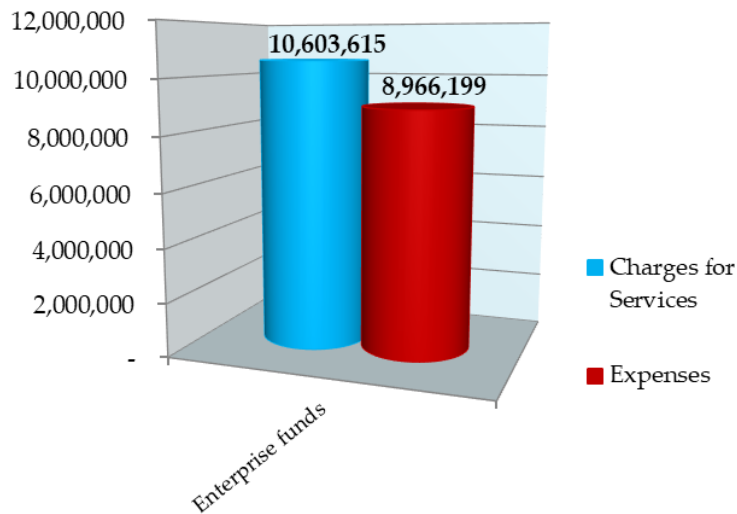


For the year ended September 30, 2025, expenses for governmental activities totaled \$8,675,047. This represents an increase of \$752,263, or 9%, from the prior year. The City's largest functional expense is public safety of \$3,589,219, which decreased by \$20,133, or 1%, and is considered minimal. Culture and recreation expenses increased by \$357,322, or 21%, primarily due to greater salaries/employee benefits, utilities, building repair and maintenance, pool maintenance, and golf course material/supply purchases in the current year. Interest and fiscal charges increased \$358,832, or over 100%, primarily due to issuance and interest costs related to new debt entered into during the year. All other expenses remained relatively stable over the course of the fiscal year.

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

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

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2025, charges for services by business-type activities totaled \$10,603,615, an increase of \$508,596, or 5% which is considered relatively consistent with prior year. Customer consumption of utilities remained relatively consistent during the year. Grants and contributions decreased \$173,568, or 47%, due to nonrecurring Economic Development Agency grant funds received in the prior year.

For the year ended September 30, 2025, expenses for business-type activities totaled \$8,966,199, an increase of \$404,322, or 5%. Public utilities expense increased \$425,841, or 5%, primarily due to rising electricity wholesale costs, greater personnel costs related to wage increases and new hires, and greater asset depreciation in the current year. Interest and fiscal charges decreased by \$21,519, or 8%, primarily due to outstanding long-term debt approaching maturity.

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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

At September 30, 2025, the City's governmental funds reported combined fund balances of \$3,524,222, a decrease of \$609,684 in comparison with the prior year. The City has an unassigned fund balance in the governmental funds of \$1,523,986. The remainder of the fund balance is either *nonspendable, committed, or restricted* to indicate that it is 1) not in spendable form \$14,239, 2) committed by the government for a specific purpose \$769,597 or 3) restricted for particular purposes \$1,216,400.

As of the end of the year the general fund reflected a total fund balance of \$1,758,082. Of this, \$14,239 is considered nonspendable, \$142,866 is restricted, and \$1,600,977 is unassigned. The general fund balance decreased by \$563,543 primarily a result of capital outlay expenses incurred in the current year.

The debt service fund had an ending fund balance of \$617,508 at September 30, 2025 compared to the previous year's balance of \$625,731. The debt service fund balance decreased slightly by \$8,223 due to debt service payments exceeding current year revenues during the year. Total principal and interest payments for the year were \$758,353 and \$54,245, respectively. Debt service payments were made in accordance with their payment schedules.

The capital projects fund had an ending fund balance of \$654,398 at September 30, 2025. The capital projects fund balance increased by \$212,325 due to current year revenues and other financing sources exceeding expenditures and other financing uses during the 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 positive variance of \$498,024 for budgeted general fund revenues. The positive variance was primarily due to actual sales taxes and other revenues exceeding the budget. There was a negative variance of \$2,469,170 for budgeted general fund expenditures. This was primarily due to capital outlay coming in over budget for the year. Other financing sources had a positive budget variance of \$1,405,463 primarily due to note and lease issuances not being budgeted for. The net of these variances resulted in the total negative budget variance of \$565,683 for the general fund.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$8,676,231 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$17,404,425 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

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

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

- Continued Veterans park water park improvements totaling \$81,062.
- Continued Red Downtown improvements totaling \$675,274.
- Began US 290 south side walk project totaling \$147,559.
- Purchased AC for streets building and golf course totaling \$27,137.
- Golf course irrigation project totaling \$1,145,222.
- Purchased new 580SN backhoe for \$123,500.
- Purchased drone for \$8,413.
- Purchased 2019 Ferrara Inferno ladder fire truck for \$800,000.
- Purchased 2011 Ferrara fire apparatus for \$260,000.
- Purchased two mowers for park department totaling \$24,994.
- Purchased three new police vehicles through lease financings totaling for \$152,295.
- Purchased a vehicle for animal control through lease financings for \$15,531.
- Purchased a vehicle for administration through lease financing for \$56,730.
- Purchased a vehicle for parks through lease financing for \$28,522.
- Completed infrastructure improvements for well #10 totaling \$42,298.
- Continued EDA Hwy 290 water and parking improvements amounting to \$24,403.
- Continued infrastructure improvements for well #12 totaling \$221,150.
- Completed Beacon meter installment project totaling \$65,182.
- Purchased two utility vehicles through lease financings totaling \$70,454.
- Purchase a track loader for utility department through a note payable for \$87,256.

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

LONG-TERM DEBT

The City's total outstanding long-term debt (including premiums) increased by \$4,731,473 during the fiscal year. The City entered into new bond debt (including premiums) totaling \$5,563,580, new notes payable agreements totaling \$1,087,756, and new lease financing agreements totaling \$323,532. The total bonds, notes, and lease liabilities (including premiums) at the close of the fiscal year was \$14,579,341.

The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

City of Giddings, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 118 East Richmond Street, Giddings Texas, 78942.

FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Giddings EDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 2,124,200	\$ 6,406,510	\$ 8,530,710	\$ 2,559,499
Receivables, net	596,131	1,567,575	2,163,706	168,132
Receivable from Airport JV	353,622	-	353,622	-
Inventory	6,340	284,349	290,689	-
Prepaid items	7,899	10,327	18,226	-
Restricted investments	142,866	-	142,866	-
Due from component unit	197,427	428,940	626,367	-
Internal balances	948,338	(948,338)	-	-
Total Current Assets	4,376,823	7,749,363	12,126,186	2,727,631
Investment in joint venture	1,903,261	-	1,903,261	-
Capital assets:				
Non-depreciable	2,980,387	4,351,905	7,332,292	2,976,118
Net depreciable capital assets	5,695,844	13,052,520	18,748,364	791,878
Total Noncurrent Assets	10,579,492	17,404,425	27,983,917	3,767,996
Total Assets	14,956,315	25,153,788	40,110,103	6,495,627
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	28,285	66,553	94,838	-
Pension outflows	729,234	219,569	948,803	-
OPEB outflows	11,539	3,474	15,013	-
Total Deferred Outflows of Resources	\$ 769,058	\$ 289,596	\$ 1,058,654	\$ -

See Notes to Financial Statements.

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Giddings EDC
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 394,305	\$ 735,542	\$ 1,129,847	\$ 59,952
Customer deposits	-	169,931	169,931	-
Unearned revenue	112,500	-	112,500	-
Accrued interest payable	126,962	21,111	148,073	-
Due to primary government	-	-	-	626,367
Compensated absences, current	209,007	57,895	266,902	-
Debt due within one year	751,088	1,215,290	1,966,378	155,510
Total Current Liabilities	1,593,862	2,199,769	3,793,631	841,829
Noncurrent liabilities:				
Net pension liability	2,504,226	754,009	3,258,235	-
OPEB liability	199,492	60,066	259,558	-
Compensated absences, noncurrent	23,223	6,433	29,656	-
Debt due in more than one year	6,741,075	5,871,888	12,612,963	508,318
Total Liabilities	11,061,878	8,892,165	19,954,043	1,350,147
<u>Deferred Inflows of Resources</u>				
Pension inflows	181,634	54,689	236,323	-
OPEB inflows	26,927	8,107	35,034	-
Total Deferred Inflows of Resources	208,561	62,796	271,357	-
<u>Net Position</u>				
Net investment in capital assets	1,071,177	15,466,385	16,537,562	3,104,195
Restricted				
Economic development	-	-	-	2,041,285
Capital projects	142,084	-	142,084	-
Debt service	617,508	-	617,508	-
Contingency	142,866	-	142,866	-
Special revenue funds	456,026	-	456,026	-
Unrestricted	2,025,273	1,022,038	3,047,311	-
Total Net Position	\$ 4,454,934	\$ 16,488,423	\$ 20,943,357	\$ 5,145,480

See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,941,732	\$ 86,659	\$ 173,449	\$ -
Public safety	3,589,219	224,705	-	60,000
Public works	618,742	82,249	-	-
Culture and recreation	2,076,548	481,755	196,899	-
Interest and fiscal charges	448,806	-	-	-
Total Governmental Activities	8,675,047	875,368	370,348	60,000
Business-Type Activities				
Electric	5,426,614	6,755,781	-	-
Water	1,500,741	1,656,263	-	199,464
Sewer	845,853	967,802	-	-
Refuse	1,192,991	1,223,769	-	-
Total Business-Type Activities	8,966,199	10,603,615	-	199,464
Total Primary Government	\$ 17,641,246	\$ 11,478,983	\$ 370,348	\$ 259,464
Component Unit				
Giddings EDC	\$ 652,899	\$ -	\$ -	\$ -

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position, as previously reported

New acct. standard- GASB 101

Error corrections

Beginning net position, as restated

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Giddings EDC
\$ (1,681,624)	\$ -	\$ (1,681,624)	-
(3,304,514)	-	(3,304,514)	-
(536,493)	-	(536,493)	-
(1,397,894)	-	(1,397,894)	-
(448,806)	-	(448,806)	-
<u>(7,369,331)</u>	<u>-</u>	<u>(7,369,331)</u>	<u>-</u>
-	1,329,167	1,329,167	-
-	354,986	354,986	-
-	121,949	121,949	-
-	30,778	30,778	-
-	1,836,880	1,836,880	-
<u>(7,369,331)</u>	<u>1,836,880</u>	<u>(5,532,451)</u>	<u>-</u>
			\$ (652,899)
3,315,652	-	3,315,652	-
2,051,328	-	2,051,328	1,025,664
381,509	-	381,509	-
112,509	197,768	310,277	95,315
54,437	250,388	304,825	4,126
<u>(2,235,635)</u>	<u>2,235,635</u>	<u>-</u>	<u>-</u>
<u>3,679,800</u>	<u>2,683,791</u>	<u>6,363,591</u>	<u>1,125,105</u>
<u>(3,689,531)</u>	<u>4,520,671</u>	<u>831,140</u>	<u>472,206</u>
8,270,366	11,952,539	20,222,905	4,673,274
(110,229)	-	(110,229)	-
<u>(15,672)</u>	<u>15,213</u>	<u>(459)</u>	<u>-</u>
<u>8,144,465</u>	<u>11,967,752</u>	<u>20,112,217</u>	<u>4,673,274</u>
<u>\$ 4,454,934</u>	<u>\$ 16,488,423</u>	<u>\$ 20,943,357</u>	<u>\$ 5,145,480</u>

City of Giddings, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 570,123	\$ 236,895	\$ 624,814	\$ 692,368
Receivables, net	508,566	41,623	-	45,942
Receivable from Airport JV	353,622	-	-	-
Inventory	6,340	-	-	-
Prepaid items	7,899	-	-	-
Due from other funds	496,709	408,050	142,084	-
Due from component unit	197,427	-	-	-
Restricted investments	142,866	-	-	-
Total Assets	\$ 2,283,552	\$ 686,568	\$ 766,898	\$ 738,310
Liabilities				
Accounts payable and accrued liabilities	\$ 363,381	\$ 5,923	\$ -	\$ 25,001
Unearned revenue	-	-	112,500	-
Due to other funds	-	21,514	-	76,991
Total Liabilities	363,381	27,437	112,500	101,992
Deferred Inflows of Resources				
Unavailable revenue - property taxes	137,572	41,623	-	-
Unavailable revenue - franchise taxes	24,517	-	-	-
Total Deferred Inflows of Resources	162,089	41,623	-	-
Fund Balances				
Nonspendable:				
Inventory	6,340	-	-	-
Prepaid items	7,899	-	-	-
Restricted for:				
Capital projects	-	-	142,084	-
Debt service	-	617,508	-	-
Contingency	142,866	-	-	-
Municipal court	-	-	-	78,496
Tourism	-	-	-	347,396
Law enforcement	-	-	-	30,134
Committed for:				
Capital projects	-	-	512,314	-
Special revenue	-	-	-	257,283
Unassigned reported in:				
General fund	1,600,977	-	-	-
Special revenue	-	-	-	(76,991)
Total Fund Balances	1,758,082	617,508	654,398	636,318
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,283,552	\$ 686,568	\$ 766,898	\$ 738,310

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,124,200
596,131
353,622
6,340
7,899
1,046,843
197,427
142,866

\$ 4,475,328

\$ 394,305
112,500
98,505

605,310

179,195
24,517

203,712

6,340
7,899

142,084
617,508
142,866
78,496
347,396
30,134

512,314
257,283

1,600,977
(76,991)

3,666,306

\$ 4,475,328

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City of Giddings, Texas

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

September 30, 2025

Fund Balances - Total Governmental Funds	\$ 3,666,306
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	2,980,387
Capital assets - net depreciable	5,695,844
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	179,195
Franchise tax receivable	24,517
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time	
Pension inflows	(181,634)
OPEB inflows	(26,927)
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.	
Deferred charge on refunding	28,285
Pension outflows	729,234
OPEB outflows	11,539
Joint venture reporting of investment in airport	1,903,261
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(126,962)
Premium on debt	(352,731)
Compensated absences	(232,230)
Net pension liability	(2,504,226)
OPEB liability	(199,492)
Non-current liabilities due in one year	(751,088)
Non-current liabilities due in more than one year	(6,388,344)
Net Position of Governmental Activities	<u><u>\$ 4,454,934</u></u>

See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General	Debt Service	Capital Projects
<u>Revenues</u>			
Property tax	\$ 2,487,591	\$ 792,143	\$ -
Sales tax	2,051,328	-	-
Franchise and local taxes	173,940	-	-
Intergovernmental revenue	-	-	196,899
License and permits	82,249	-	-
Fines and forfeitures	198,196	-	-
Investment income	78,982	-	18,322
Other revenue	772,518	12,232	-
Total Revenues	5,844,804	804,375	215,221
<u>Expenditures</u>			
Current:			
General government	1,532,464	-	-
Public safety	3,261,133	-	-
Public works	483,829	-	-
Culture and recreation	1,881,244	-	-
Capital outlay	2,249,445	-	1,081,063
Debt Service:			
Principal	295,545	758,353	-
Bond issuance costs	-	-	176,330
Interest and fiscal charges	86,150	54,245	-
Total Expenditures	9,789,810	812,598	1,257,393
Excess of Revenues Over (Under) Expenditures	(3,945,006)	(8,223)	(1,042,172)
<u>Other Financing Sources (Uses)</u>			
Transfers in	2,111,553	-	318,105
Transfers (out)	(38,105)	-	(4,627,188)
Note issuance	1,000,500	-	-
Lease issuance	253,078	-	-
Bond premium	-	-	308,580
Bond issuance	-	-	5,255,000
Sale of capital assets	54,437	-	-
Total Other Financing Sources (Uses)	3,381,463	-	1,254,497
Net Change in Fund Balances	(563,543)	(8,223)	212,325
Beginning fund balances, as previously reported	2,321,625	625,731	-
Change in financial reporting (nonmajor to major)	-	-	442,073
Beginning fund balances, as restated	2,321,625	625,731	442,073
Ending Fund Balances	\$ 1,758,082	\$ 617,508	\$ 654,398

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,279,734
-	2,051,328
215,346	389,286
-	196,899
-	82,249
26,509	224,705
15,205	112,509
7,398	792,148
<u>264,458</u>	<u>7,128,858</u>
363,974	1,896,438
8,643	3,269,776
-	483,829
-	1,881,244
-	3,330,508
-	1,053,898
-	176,330
-	140,395
<u>372,617</u>	<u>12,232,418</u>
(108,159)	(5,103,560)
-	2,429,658
-	(4,665,293)
-	1,000,500
-	253,078
-	308,580
-	5,255,000
-	54,437
-	<u>4,635,960</u>
(108,159)	(467,600)
1,186,550	4,133,906
(442,073)	-
744,477	4,133,906
<u>\$ 636,318</u>	<u>\$ 3,666,306</u>

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City of Giddings, 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	\$ (467,600)
---	--------------

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	3,546,239
Depreciation expense	(770,640)

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

Property taxes	35,918
Franchise taxes	(7,777)

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	24,187
Accrued interest	(122,361)
Pension expense	(113,322)
OPEB expense	9,090

Change in investment in joint venture	(50,285)
---------------------------------------	----------

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.

Lease issuance	(253,078)
Note issuance	(1,000,500)
Bond issuance	(5,255,000)
Bond premium	(308,580)
Amortization of premium	7,358
Amortization of deferred charge for refunding	(17,078)
Principal payments	1,053,898

Change in Net Position of Governmental Activities	\$ (3,689,531)
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See Notes to Financial Statements.

City of Giddings, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2025

	Electric	Water	Sewer	Refuse
<u>Assets</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 746,034	\$ 5,466,294	\$ 171,622	\$ 22,560
Receivables, net	946,914	348,303	115,513	156,845
Inventory	220,942	47,555	15,852	-
Prepays	-	10,327	-	-
Due from component unit	-	428,940	-	-
Due from other funds	-	772,990	-	-
Total Current Assets	1,913,890	7,074,409	302,987	179,405
<u>Noncurrent Assets</u>				
Capital assets:				
Non-depreciable	499,693	3,012,728	839,484	-
Net depreciable capital assets	632,058	10,395,702	2,024,760	-
Total Noncurrent Assets	1,131,751	13,408,430	2,864,244	-
Total Assets	3,045,641	20,482,839	3,167,231	179,405
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	875	64,348	1,330	-
Pension outflows	110,049	69,461	40,059	-
OPEB outflows	1,741	1,099	634	-
Total Deferred Outflows of Resources	112,665	134,908	42,023	-
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable				
and accrued liabilities	63,129	553,268	22,426	96,719
Customer deposits	138,447	31,484	-	-
Accrued interest	247	17,212	3,652	-
Compensated absences, noncurrent	33,231	14,370	10,294	-
Long-term debt due in one year	143,215	838,333	233,742	-
Due to other funds	535,664	22,650	1,163,014	-
Total Current Liabilities	\$ 913,933	\$ 1,477,317	\$ 1,433,128	\$ 96,719

See Notes to Financial Statements.

Total

\$ 6,406,510
1,567,575
284,349
10,327
428,940
772,990

9,470,691

4,351,905
13,052,520

17,404,425

26,875,116

66,553
219,569
3,474

289,596

735,542
169,931
21,111
57,895
1,215,290
1,721,328

\$ 3,921,097

City of Giddings, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUNDS

September 30, 2025

	Electric	Water	Sewer	Refuse
<u>Noncurrent Liabilities</u>				
Compensated absences, noncurrent	\$ 3,692	\$ 1,597	\$ 1,144	\$ -
Net pension liability	377,912	238,533	137,564	-
OPEB liability	30,105	19,002	10,959	-
Long-term debt due in more than one year	73,242	4,747,925	1,050,721	-
Total Liabilities	\$ 1,398,884	\$ 6,484,374	\$ 2,633,516	\$ 96,719
 <u>Deferred Inflows of Resources</u>				
Pension inflows	27,410	17,301	9,978	-
OPEB inflows	4,063	2,565	1,479	-
Total Deferred Inflows of Resources	31,473	19,866	11,457	-
 <u>Net Position</u>				
Net investment in capital assets	916,169	12,969,105	1,581,111	-
Unrestricted	811,780	1,144,402	(1,016,830)	82,686
Total Net Position	\$ 1,727,949	\$ 14,113,507	\$ 564,281	\$ 82,686

See Notes to Financial Statements.

Total

\$ 6,433
 754,009
 60,066
 5,871,888

\$ 10,613,493

54,689
8,107

62,796

15,466,385
1,022,038

\$ 16,488,423

City of Giddings, Texas

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

For the Year Ended September 30, 2025

	Electric	Water	Sewer	Refuse
<u>Operating Revenues</u>				
Charges for services	\$ 6,755,781	\$ 1,656,263	\$ 967,802	\$ 1,223,769
Other revenue	230,853	3,509	16,026	-
Total Operating Revenues	6,986,634	1,659,772	983,828	1,223,769
<u>Operating Expenses</u>				
Cost of sales	4,006,871	94,525	131,914	1,162,049
Personnel	774,867	455,996	295,158	-
Repairs and maintenance	316,310	137,617	132,209	-
Administration	59,727	207,831	143,520	8,792
Other	35,940	2,033	2,976	22,150
Depreciation	217,900	406,457	95,226	-
Total Operating Expenses	5,411,615	1,304,459	801,003	1,192,991
Operating Income (Loss)	1,575,019	355,313	182,825	30,778
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	19,961	176,768	-	1,039
Interest expense	(14,999)	(196,282)	(44,850)	-
Total Nonoperating Revenues (Expenses)	4,962	(19,514)	(44,850)	1,039
Income (Loss) Before Transfers & Capital Contributions	1,579,981	335,799	137,975	31,817
Capital grants & contributions	-	199,464	-	-
Transfers in	77,148	5,203,629	-	-
Transfers (out)	(1,847,083)	(613,059)	(537,500)	(47,500)
Total Transfers & Capital Contributions	(1,769,935)	4,790,034	(537,500)	(47,500)
Change in Net Position	(189,954)	5,125,833	(399,525)	(15,683)
Beginning net position, as previously reported	1,917,903	8,972,461	963,806	98,369
Error correction	-	15,213	-	-
Beginning net position, as restated	1,917,903	8,987,674	963,806	98,369
Ending Net Position	\$ 1,727,949	\$ 14,113,507	\$ 564,281	\$ 82,686

See Notes to Financial Statements.

Total

\$ 10,603,615
250,388

10,854,003

5,395,359
1,526,021
586,136
419,870
63,099
719,583

8,710,068

2,143,935

197,768
(256,131)

(58,363)

2,085,572

199,464
5,280,777
(3,045,142)

2,435,099

4,520,671

11,952,539

15,213

11,967,752

\$ 16,488,423

City of Giddings, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2025

	Electric	Water	Sewer
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 6,906,070	\$ 1,526,181	\$ 983,669
Interfund receipts/(payments)	70,349	(1,093,867)	721,526
Payments to suppliers	(4,360,569)	(1,574)	(274,023)
Payments to employees	(761,995)	(696,847)	(428,552)
Net Cash Provided (Used) by Operating Activities	1,853,855	(266,107)	1,002,620
<u>Cash Flows from Noncapital</u>			
<u>Financing Activities</u>			
Operating transfers in	77,148	5,203,629	-
Operating transfers (out)	(1,847,083)	(613,059)	(537,500)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,769,935)	4,590,570	(537,500)
<u>Cash Flows from Capital and Related</u>			
<u>Financing Activities</u>			
State funds received	-	199,464	-
Capital purchases	-	(353,033)	-
Principal paid on debt	(158,203)	(721,907)	(270,382)
Interest paid on debt	(14,124)	(206,991)	(52,654)
Net Cash Provided (Used) by Capital and Related Financing Activities	(172,327)	(1,082,467)	(323,036)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	19,961	176,768	-
Net Cash Provided by Investing Activities	19,961	176,768	-
Net Increase (Decrease) in Cash and Cash Equivalents	(68,446)	3,418,764	142,084
Beginning cash and cash equivalents	814,480	2,047,530	29,538
Ending Cash and Cash Equivalents	\$ 746,034	\$ 5,466,294	\$ 171,622

See Notes to Financial Statements.

<u>Refuse</u>	<u>Total</u>
\$ 1,219,572	\$ 10,635,492
-	(301,992)
(1,180,906)	(5,817,072)
(8,792)	(1,896,186)
<u>29,874</u>	<u>2,620,242</u>
-	5,280,777
<u>(47,500)</u>	<u>(3,045,142)</u>
<u>(47,500)</u>	<u>2,235,635</u>
-	199,464
-	(353,033)
-	(1,150,492)
-	(273,769)
<u>-</u>	<u>(1,577,830)</u>
<u>1,039</u>	<u>197,768</u>
<u>1,039</u>	<u>197,768</u>
(16,587)	3,475,815
<u>39,147</u>	<u>2,930,695</u>
<u>\$ 22,560</u>	<u>\$ 6,406,510</u>

City of Giddings, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2025

	Electric	Water	Sewer
<u>Reconciliation of Operating Income</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ 1,575,019	\$ 355,313	\$ 182,825
Adjustments to reconcile operating income to net cash provided:			
Depreciation	217,900	406,457	95,226
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(78,514)	(139,739)	(1,675)
Inventory	-	4,548	1,516
Due from component unit	-	(59,954)	-
Due to (from) other funds	70,349	(1,033,913)	721,526
Deferred outflows - pension	24,817	33,722	10,237
Deferred outflows - OPEB	(519)	(164)	(178)
Deferred inflows - pension	16,825	9,203	6,031
Deferred inflows - OPEB	(279)	(757)	(140)
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(1,448)	232,601	(6,924)
Customer deposits	(2,050)	1,600	-
Compensated absences	17,017	(31,669)	(7,681)
OPEB liability	3,743	(1,167)	1,128
Net pension liability	10,995	(42,188)	729
Net Cash Provided (Used) by Operating Activities	\$ 1,853,855	\$ (266,107)	\$ 1,002,620
<u>Schedule of Non-Cash Capital and Financing Activities</u>			
Capital assets acquired through leases/notes	\$ 126,785	\$ -	\$ 30,925

See Notes to Financial Statements.

<u>Refuse</u>	<u>Total</u>
\$ 30,778	\$ 2,143,935
-	719,583
(4,197)	(224,125)
-	6,064
-	(59,954)
-	(242,038)
-	68,776
-	(861)
-	32,059
-	(1,176)
3,293	227,522
-	(450)
-	(22,333)
-	3,704
-	(30,464)
\$ 29,874	\$ 2,620,242
\$ -	157,710

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Giddings, Texas (the "City") was incorporated under the laws of the State of Texas in 1913. The City, a home rule municipality, operates as a Council-Manager government. With few exceptions, all powers of the City are vested in an elected council, which enacts local legislation, adopts budgets, determines policies, and appoints the City attorney and the municipal court judge. The Council also appoints the City manager who executes the laws and administers the operations of the City.

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

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

Discretely Presented Component Unit

Giddings Economic Development Corporation

Giddings Economic Development Corporation ("GEDC"), is a separate organization that is considered a component unit of the primary government. It has a separate board of directors and does not meet any of the criteria for blending and therefore is discretely presented. GEDC financial statements are presented on the full accrual basis of accounting. Copies of the GEDC's financial statements may be obtained by contacting the City of Giddings, 118 E.

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

Richmond, Giddings, Texas 78942. The GEDC is authorized to act on behalf of the City in order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area.

B. 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 discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

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

Governmental Funds

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

The government 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, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

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

Capital Projects Fund

The capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Electric Fund

The electric fund is used to account for the operations that provide electric services to the public.

Water Fund

The water fund is used to account for the operations that provide water to the citizens of the City and surrounding area.

Sewer Fund

The sewer fund is used to account for the operations that provide wastewater collection and wastewater treatment operations.

Refuse Fund

The refuse fund is used to account for the operations that provide refuse operations to the citizens of the City.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in special revenue funds. These funds consist of the hotel occupancy, cemetery improvement, library, municipal court, police drug and swat, ROW maintenance, TDEM-COVID, and special revenues funds.

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.

C. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. 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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements
- Commercial paper with a maximum maturity of 365 days; rated not less than A-1 or P-1
- Statewide investment pools
- Money market mutual funds

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.”

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

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

6. Restricted Assets

The City co-owned a certificate of deposit with Windsor Energy at Citizens National Bank. Windsor Energy is now bankrupt and the City is the sole active owner. The bank will not release the money out of the certificate of deposit because Windsor Energy is still listed as co-owner. The City attorney is aware of the matter. The City reports the entire amount of the certificate of deposit, \$142,866, as a restricted asset on its financial statements.

7. Capital Assets

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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

Asset Description	Estimated Useful Life
Vehicles and equipment	2 to 15 years
Furniture and fixtures	5 to 10 years
Infrastructure	20 to 40 years
Utility systems	20 to 40 years
Buildings and improvements	10 to 30 years
Right-to-use vehicles & equipment	2 to 5 years

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that 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 one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9. 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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

10. 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.

11. 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 finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

12. Compensated Absences

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

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.

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.

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.

13. 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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

Assets acquired under the terms of capital 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.

14. 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.

15. 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.

16. 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 (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

17. Leases

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

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

Key estimates and judgments related to leases include how the 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 generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of 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 (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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A. Expenditures in Excess of Appropriations

For the year ended, expenditures exceeded budget as follows:

General Fund:		
City council	\$	43,612
Fire		30,611
Code enforcement		40,616
Parks and recreation		17,572
Golf course		255,049
Capital outlay		2,100,945
Principal		295,545
Interest		86,150
Transfers (out)		38,105

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type	Value	Average Maturity (Years)
Certificates of deposit	\$ 142,866	0.80

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

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits

City of Giddings, Texas
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in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

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

B. Receivables

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

Governmental Funds

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Property taxes	\$ 141,371	\$ 41,623	\$ -	\$ 182,994
Sales tax	336,265	-	-	336,265
Franchise and local taxes	32,985	-	45,942	78,927
Airport JV	353,622	-	-	353,622
Other	1,789	-	-	1,789
Allowance	(3,844)	-	-	(3,844)
Total	<u>\$ 862,188</u>	<u>\$ 41,623</u>	<u>\$ 45,942</u>	<u>\$ 949,753</u>

Enterprise Funds

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Accounts	\$ 965,731	\$ 212,920	\$ 117,796	\$ 159,931	\$ 1,456,378
Grants	-	139,510	-	-	139,510
Allowance	(18,817)	(4,127)	(2,283)	(3,086)	(28,313)
Total	<u>\$ 946,914</u>	<u>\$ 348,303</u>	<u>\$ 115,513</u>	<u>\$ 156,845</u>	<u>\$ 1,567,575</u>

The component unit accounts receivable as of September 30, 2025 amounting to \$168,132 was related to sales tax.

City of Giddings, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,615,098	\$ -	\$ -	\$ 1,615,098
Construction in progress	461,394	903,895	-	1,365,289
Total capital assets not being depreciated	<u>2,076,492</u>	<u>903,895</u>	<u>-</u>	<u>2,980,387</u>
Capital assets, being depreciated:				
Buildings and improvements	6,096,187	27,137	-	6,123,324
Infrastructure	4,420,233	1,145,222	-	5,565,455
Machinery and equipment	3,670,561	1,216,907	(247,307)	4,640,161
Right-to-use assets-vehicles/equip.	1,211,815	253,078	-	1,464,893
Total capital assets being depreciated	<u>15,398,796</u>	<u>2,642,344</u>	<u>(247,307)</u>	<u>17,793,833</u>
Less accumulated depreciation				
Buildings and improvements	(3,766,454)	(193,592)	-	(3,960,046)
Infrastructure	(3,994,636)	(104,811)	-	(4,099,447)
Machinery and equipment	(3,321,284)	(156,861)	247,307	(3,230,838)
Right-to-use assets-vehicles/equip.	(492,282)	(315,376)	-	(807,658)
Total accumulated depreciation	<u>(11,574,656)</u>	<u>(770,640)</u>	<u>247,307</u>	<u>(12,097,989)</u>
Net capital assets being depreciated	<u>3,824,140</u>	<u>1,871,704</u>	<u>-</u>	<u>5,695,844</u>
Total Capital Assets	<u><u>\$ 5,900,632</u></u>	<u><u>\$ 2,775,599</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,676,231</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 22,447
Public safety	408,175
Public works	128,697
Culture and recreation	211,321
Total Governmental Activities Depreciation Expense	<u><u>\$ 770,640</u></u>

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

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,019,090	\$ -	\$ -	\$ 2,019,090
Construction in progress	5,309,551	353,033	(3,329,769)	2,332,815
Total capital assets not being depreciated	<u>7,328,641</u>	<u>353,033</u>	<u>(3,329,769)</u>	<u>4,351,905</u>
Capital assets, being depreciated:				
Machinery and equipment	2,417,296	87,256	802,468	3,307,020
Plant distribution/collection system	25,693,020	-	2,662,351	28,355,371
Right-to-use assets-vehicles/equip.	498,641	70,454	(135,050)	434,045
Total capital assets being depreciated	<u>28,608,957</u>	<u>157,710</u>	<u>3,329,769</u>	<u>32,096,436</u>
Less accumulated depreciation				
Machinery and equipment	(1,943,486)	(237,515)	(67,525)	(2,248,526)
Plant distribution/collection system	(16,178,040)	(392,977)	-	(16,571,017)
Right-to-use assets-vehicles/equip.	(202,807)	(89,091)	67,525	(224,373)
Total accumulated depreciation	<u>(18,324,333)</u>	<u>(719,583)</u>	<u>-</u>	<u>(19,043,916)</u>
Net capital assets being depreciated	<u>10,284,624</u>	<u>(561,873)</u>	<u>3,329,769</u>	<u>13,052,520</u>
Total Capital Assets	<u>\$ 17,613,265</u>	<u>\$ (208,840)</u>	<u>\$ -</u>	<u>\$ 17,404,425</u>

Depreciation was charged to business-type activities as follows:

Electric	\$ 217,900
Water	406,457
Sewer	95,226
Total Business-Type Activities Depreciation Expense	<u>\$ 719,583</u>

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

A summary of changes in component unit capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,256,366	\$ 111,856	\$ -	\$ 2,368,222
Construction in progress	607,896	-	-	607,896
Total capital assets not being depreciated	<u>2,864,262</u>	<u>111,856</u>	<u>-</u>	<u>2,976,118</u>
Capital assets, being depreciated:				
Buildings and improvements	1,350,808	-	-	1,350,808
Machinery and equipment	12,801	-	-	12,801
Total capital assets being depreciated	<u>1,363,609</u>	<u>-</u>	<u>-</u>	<u>1,363,609</u>
Less accumulated depreciation				
Buildings and improvements	(517,124)	(43,561)	-	(560,685)
Machinery and equipment	(10,057)	(989)	-	(11,046)
Total accumulated depreciation	<u>(527,181)</u>	<u>(44,550)</u>	<u>-</u>	<u>(571,731)</u>
Net capital assets being depreciated	<u>836,428</u>	<u>(44,550)</u>	<u>-</u>	<u>791,878</u>
Total Capital Assets	<u>\$ 3,700,690</u>	<u>\$ 67,306</u>	<u>\$ -</u>	<u>\$ 3,767,996</u>

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

D. Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 927,626	\$ -	\$ (348,353)	\$ 579,273	\$ 363,015
Certificate of Obligation Bonds	-	4,845,000	-	4,845,000	55,000
Tax Notes	-	410,000	(410,000)	-	-
Notes Payable	-	1,000,500	-	1,000,500	15,654
Lease liabilities	757,126	253,078	(295,545)	714,659	317,419
Deferred amounts:					
Premium	51,509	308,580	(7,358)	352,731	-
Total Governmental Activities	\$ 1,736,261	\$ 6,817,158	\$ (1,061,256)	\$ 7,492,163	\$ 751,088
Long-term liabilities due in more than one year				\$ 6,741,075	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 2,331,873	\$ -	\$ (536,648)	\$ 1,795,225	\$ 551,985
Certificates of Obligation	2,235,000	-	(245,000)	1,990,000	255,000
Tax Notes	3,005,000	-	(215,000)	2,790,000	225,000
Notes Payable	56,119	87,256	(69,945)	73,430	73,430
Lease liabilities	244,355	70,454	(83,899)	230,910	109,875
Deferred amounts:					
Premium	239,260	-	(31,647)	207,613	-
Total Business-Type Activities	\$ 8,111,607	\$ 157,710	\$ (1,182,139)	\$ 7,087,178	\$ 1,215,290
Long-term liabilities due in more than one year				\$ 5,871,888	
Component Unit Activities:					
Bonds, notes and other payables:					
Revenue Bonds	\$ 812,848	\$ -	\$ (149,020)	\$ 663,828	\$ 155,510
Total Component Unit Activities	\$ 812,848	\$ -	\$ (149,020)	\$ 663,828	\$ 155,510
Long-term liabilities due in more than one year				\$ 508,318	

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.

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

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

Description	Interest Rate	Original Balance	Current Balance
Governmental Activities:			
General Obligation Bonds:			
2015 General obligation refunding bonds	2.23%	\$ 1,281,066	\$ 135,858
2017 General obligation refunding bonds	2-4%	1,677,615	443,415
Total General Obligation Bonds		<u>2,958,681</u>	<u>579,273</u>
Certificates of Obligation:			
2025 Certificate of obligations	4.00%	4,845,000	4,845,000
Note payable:			
Golf course irrigation	6.25%	1,000,500	1,000,500
Lease Liabilities:			
Radio equipment/vehicles	3.00%	881,872	714,659
Premium		411,602	352,731
	Total Governmental Activities	<u>\$ 9,686,053</u>	<u>\$ 7,492,163</u>
Business-type Activities:			
General Obligation Bonds:			
2015 General obligation refunding bonds	2.23%	\$ 2,613,935	\$ 279,140
2017 General obligation refunding bonds	2-4%	3,172,385	1,516,085
Total General Obligation Bonds		<u>5,786,320</u>	<u>1,795,225</u>
Certificates of Obligation:			
2017 Certificates of obligation	2-4%	3,640,000	1,990,000
Tax Notes:			
2023 Limited Tax Notes	4.10%	3,200,000	2,790,000
Note payable:			
2022 F550 Truck	3.00%	135,050	28,480
2025 Track Loader	6.25%	87,256	44,950
Total Notes Payable		<u>222,306</u>	<u>73,430</u>
Lease Liabilities - vehicles	3.00%	363,591	230,910
Premium		460,787	207,613
	Total Business-Type Activities	<u>\$ 13,673,004</u>	<u>\$ 7,087,178</u>
Total Combined Long-Term Debt:			
General obligation refunding bonds		\$ 8,745,001	\$ 2,374,498
Certificates of Obligation		8,485,000	6,835,000
Tax Notes		3,200,000	2,790,000
Notes payable		1,222,806	1,073,930
Lease liabilities		1,245,463	945,569
Premium		872,389	560,344
	Total	<u>\$ 23,770,659</u>	<u>\$ 14,579,341</u>
Discretely Presented Component Unit:			
Revenue Bonds:			
2014 Sales tax revenue bonds	4.25%	\$ 2,000,000	\$ 663,828

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

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

General Obligation Bonds:

<u>Year ending September 30,</u>	<u>G.O. Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 363,015	\$ 29,345
2027	216,258	21,187
Total	<u>\$ 579,273</u>	<u>\$ 50,532</u>

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.

Certificate of Obligation Bonds:

<u>Year ending September 30,</u>	<u>C.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 55,000	\$ 324,026
2027	100,000	221,800
2028	105,000	215,650
2029	170,000	207,400
2030	185,000	196,750
2031-2035	1,100,000	798,800
2036-2040	1,410,000	489,600
2041-2045	1,720,000	177,600
Total	<u>\$ 4,845,000</u>	<u>\$ 2,631,626</u>

Notes Payable:

<u>Year ending September 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 15,654	\$ 65,310
2027	18,556	62,408
2028	19,564	61,400
2029	20,972	59,992
2030	22,301	58,663
2031-2035	134,396	270,424
2036-2040	182,632	222,188
2041-2045	248,508	156,313
2046-2050	337,917	66,904
Total	<u>\$ 1,000,500</u>	<u>\$ 1,023,602</u>

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

Lease Liabilities:

Year ending September 30,	Lease Liabilities	
	Principal	Interest
2026	\$ 317,419	\$ 64,194
2027	187,083	34,072
2028	111,764	18,159
2029	64,824	11,668
2030	33,569	6,076
Total	\$ 714,659	\$ 134,169

The net book value of the vehicles/equipment (right-to-use assets) as of yearend was \$657,235.

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

General Obligation Bonds:

Year ending September 30,	G.O. Refunding Bonds	
	Principal	Interest
2026	\$ 551,985	\$ 36,432
2027	258,240	25,338
2028	490,000	29,600
2029	155,000	16,700
2030	165,000	10,300
2031	175,000	3,500
Total	\$ 1,795,225	\$ 121,870

Certificates of Obligation and Revenue Bonds:

Year ending September 30,	Certificates of Obligation	
	Principal	Interest
2026	\$ 255,000	\$ 70,625
2027	260,000	62,900
2028	270,000	53,600
2029	280,000	42,600
2030	295,000	31,100
2031	305,000	19,100
2032	325,000	6,500
Total	\$ 1,990,000	\$ 286,425

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

Tax Notes:

Year ending September 30,	Tax Notes	
	Principal	Interest
2026	\$ 225,000	\$ 109,778
2027	545,000	93,993
2028	565,000	71,238
2029	715,000	44,998
2030	740,000	15,170
	\$ 2,790,000	\$ 335,177

Notes Payable:

Year ending September 30,	Notes Payable	
	Principal	Interest
2026	\$ 73,430	\$ 3,714
Total	\$ 73,430	\$ 3,714

Lease Liabilities:

Year ending September 30,	Lease Liabilities	
	Principal	Interest
2026	\$ 109,875	\$ 19,777
2027	70,868	12,756
2028	29,213	5,258
2029	15,133	2,724
2030	5,821	1,048
Total	\$ 230,910	\$ 41,563

The net book value of the utility vehicles/equipment (right-to-use assets) as of yearend was \$209,672.

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

The annual requirements to amortize component unit debt issues outstanding at year ending were as follows:

Year ending September 30,	Revenue Bonds	
	Principal	Interest
2026	\$ 155,510	\$ 41,260
2027	162,283	31,135
2028	169,310	20,449
2029	176,725	8,973
	\$ 663,828	\$ 101,817

E. Deferred Charge on Refunding

Deferred charges resulting from the issuance of the 2015 and 2017 general obligation refunding bonds have been recorded as a deferred outflow of resources and are being amortized to interest expense over the terms of the respective refunded debts. Current year balances for governmental and business-type activities totaled \$28,285 and \$66,553, respectively. Current year amortization expense for governmental and business-type activities totaled \$17,078 and \$14,009, respectively.

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 and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 256,417	\$ 206,588	(230,775)	\$ 232,230	\$ 209,007
Total Governmental Activities	\$ 256,417	\$ 206,588	\$ (230,775)	\$ 232,230	\$ 209,007
Long-term Liabilities Due in More than One Year				\$ 23,223	
Business-Type Activities:					
Compensated Absences	\$ 86,661	\$ 77,204	\$ (99,537)	\$ 64,328	\$ 57,895
Total Business-Type Activities	\$ 86,661	\$ 77,204	\$ (99,537)	\$ 64,328	\$ 57,895
Long-term Liabilities Due in More than One Year				\$ 6,433	

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

G. Interfund Transactions

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

Transfer (Out):	Transfer In:				
	General	Capital Projects			Water
General	\$ -	\$ 38,105	\$ -	\$ -	\$ 38,105
Capital Projects	148,494	-	77,148	4,401,546	4,627,188
Electric	1,195,000	125,000	-	527,083	1,847,083
Water	488,059	125,000	-	-	613,059
Sewer	232,500	30,000	-	275,000	537,500
Refuse	47,500	-	-	-	47,500
	\$ 2,111,553	\$ 318,105	\$ 77,148	\$ 5,203,629	\$ 7,710,435

Amounts transferred between funds relate to amounts collected, various capital expenditures, annual funding, and debt payments.

The composition of interfund balances as of year-end were as follows:

Due to:	Due from:				
	General	Debt Service	Water	Capital Projects	Total
Debt service	\$ 3,043	\$ -	\$ 18,471	\$ -	\$ 21,514
Electric	9,812	385,400	140,452	-	535,664
Water	-	22,650	-	-	22,650
Sewer	483,180	-	537,750	142,084	1,163,014
Nonmajor govt.	674	-	76,317	-	76,991
	\$ 496,709	\$ 408,050	\$ 772,990	\$ 142,084	\$ 1,819,833

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

As of September 30, 2025, the EDC owed the primary government \$626,367. This was split \$197,427 to the general fund and \$428,940 to the water fund.

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.

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

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

	Restricted	Committed
Debt service	\$ 617,508	\$ -
Contingency	142,866	-
Enabling legislation	78,496	-
Tourism	347,396	-
Law enforcement	30,134	-
Capital projects	142,084	512,314
Special revenue	-	257,583
	\$ 1,358,484	\$ 769,897

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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is currently being sued in cause no. 18-566; Amber Taylor v. City of Giddings in the 21st Judicial District Court, in Lee County, Texas. The plaintiff is alleging damages related to a two car motor vehicle accident involving an on-duty City police officer. A release and indemnity agreement has been signed and filed, along with agreed motion to dismiss. A settlement was reached for \$100,000 and will be paid by the City’s insurance carrier.

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

The City is currently being sued in cause no. 1:25-CV-0371-ADA-SH Dexter Wilson v. City of Giddings in the United States District Court – Western District of Texas – Austin Division. The plaintiff is alleging a variety of civil rights violations including due process, retaliation, official oppression, and monell liability. The case is still in the discovery stages. The City intends to contest the case vigorously and the likelihood of an unfavorable outcome is highly unlikely. Plaintiff is asking for \$1.2 to \$1.6 million in damages.

The City is currently being sued in cause no. 18-633 Kenneth Barber and John Barber v. City of Giddings in the 335th District Court of Lee County, Texas. The plaintiff is alleging damages related to an automobile accident involving a city employee. The original defendant is deceased, and the heir and representative of estate has filed amended petition. The City's insurance carrier has denied the claim entirely. The City intends to contest the case vigorously and the likelihood of an unfavorable outcome is highly unlikely. Plaintiff is asking for \$250,000 or less in damages.

The City is currently being sued in cause no. 18-896 Dexter Wilson v. City of Giddings in the 21st District Court of Lee County, Texas. The plaintiff is alleging PIA violations. The City has filed a response and the case is set for March 24, 2026. The City intends to contest the case vigorously and the likelihood of an unfavorable outcome is highly unlikely. Plaintiff is seeking mandamus relief.

C. Arbitrage

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

D. Pension Plans

1. Plan Description

The City of Giddings, 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

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

(the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of 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:

	<u>Plan Year 2023</u>	<u>Plan Year 2024</u>
Employee deposit rate	7%	7%
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, AnyAge/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Retroactive Repeating
Supplemental Death Benefit to Active Members	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

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

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	64
Inactive employees entitled to but not yet receiving benefits	63
Active employees	<u>69</u>
Total	196

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 Giddings were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Giddings were 20.44% and 18.93% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$787,546, and were equal to the required contributions.

4. Net Pension Liability

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

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

City of Giddings, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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).

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

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.

Sensitivity of the net pension liability to changes in the discount rate

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

1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
\$ 6,116,512	\$ 3,258,235	\$ 893,306

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

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	\$ 21,374,821	\$ 17,802,883	\$ 3,571,938
Changes for the year:			
Service Cost	641,177	-	641,177
Interest (on the Total Pension Liab.)	1,424,285	-	1,424,285
Change in assumptions	-	-	-
Difference between expected and actual experience	421,842	-	421,842
Contributions – employer	-	705,256	(705,256)
Contributions – employee	-	260,792	(260,792)
Net investment income (loss)	-	1,847,099	(1,847,099)
Benefit payments, including refunds of emp. contributions	(1,189,791)	(1,189,791)	-
Administrative expense	-	(11,863)	11,863
Other changes	-	(277)	277
Net changes	1,297,513	1,611,216	(313,703)
Balance at 12/31/24	\$ 22,672,334	\$ 19,414,099	\$ 3,258,235

Pension Plan Fiduciary Net Position:

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

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

Pension expense for the year ended September 30, 2025 was \$971,233.

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 investment earnings	\$ 359,766	\$ -
Changes in actuarial assumptions	-	(39,437)
Differences between expected and actual economic experience	-	(196,886)
Contributions subsequent to the	589,037	-
Total	\$ 948,803	\$ (236,323)

The City reported \$589,037 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts

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

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

Year ended December 31:	
2025	\$ 229,364
2026	307,847
2027	(284,680)
2028	(129,088)
Thereafter	-
	\$ 123,443

Other Postemployment Benefits

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

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

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

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	50
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>69</u>
Total	127

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

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
2023	0.26%	0.26%	100.0%
2024	0.27%	0.27%	100.0%
2025	0.23%	0.23%	100.0%

The City's contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were \$9,459, \$9,776, and \$8,378, respectively, which equaled the required contributions each year.

Total OPEB Liability

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

Actuarial assumptions:

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

Inflation	2.50% 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.

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

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Bond Buyer “20-Bond GO Index” rate closest to, but not later than 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 Discount Rate 4.08%	1% Increase 5.08%
\$ 303,630	\$ 259,558	\$ 224,482

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 256,631
Changes for the year:	
Service Cost	10,059
Interest	9,675
Difference between expected and actual experience	5,895
Changes of assumptions	(12,643)
Benefit payments	(10,059)
Net changes	2,927
Balance at 12/31/24	\$ 259,558

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,037.

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

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 actual experience	\$ 8,385	\$ -
Changes in assumptions	-	(35,034)
Contributions subsequent to measurement date	6,628	-
Total	\$ 15,013	\$ (35,034)

The City reported \$6,628 as deferred outflows and inflows 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:		
2024	\$	(20,517)
2025		(4,713)
2026		(1,337)
2027		(82)
Thereafter		-
Total	\$	(26,649)

E. Related Organizations and Joint Ventures

The City of Giddings and Lee County co-own and co-operate an airport. Each entity has a 50 percent ownership interest in the airport. The City's share is reported as "investment in joint venture" on the statement of net position.

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

The following is the condensed balance sheet and income statement for the airport as of September 30, 2025:

Balance Sheet	
<u>Assets</u>	
Current assets	\$ 674,854
Fixed assets, net	3,589,436
Total Assets	4,264,290
<u>Liabilities and Retained Earnings</u>	
Accounts payable and accrued liability	336
Due to primary government	353,622
Notes payable	103,810
Total Liabilities	457,768
Retained earnings	3,806,522
Total Liabilities and Retained Earnings	\$ 4,264,290
City of Giddings Investment in Airport (50%)	\$ 1,903,261
Income Statement	
<u>Operating Revenue</u>	
Charges for services	\$ 140,915
Other revenue	39,333
Total Operating Revenue	180,248
<u>Operating Expenses</u>	
Cost of sales	115,463
Depreciation	175,172
Total Operating Expenses	290,635
<u>Other Income (Expense)</u>	
Interest income	14,140
Interest expense	(4,323)
Total Other Income (Expense)	9,817
<u>Net Loss</u>	\$ (100,570)
Net Loss attributable to the City of Giddings (50%)	\$ (50,285)

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

F. Related Party Activity

Mayor Joel Lopez owns Lopez Auto Clinic, and the City incurred \$9,361 for services performed during the year.

Council member Alan Casey owns Computer Network Technologies, and the City incurred \$48,613 for services performed during the year.

G. Restatements

The City restated the beginning net position of governmental activities, business-type activities, and the water fund due to prior year accounting errors and implementation of new accounting standard – GASB 101.

The restatement of beginning net position was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water Fund</u>
Prior year ending net position, as reported	\$ 8,270,306	\$ 11,952,539	\$ 8,972,461
Reallocation of capital assets	(15,213)	15,213	15,213
Correction to ROU lease assets	116,083	-	-
Correction to ROU lease liabilities	(116,542)	-	-
New acct. standard - GASB 101	(110,229)	-	-
Restated beginning net position/fund	<u>\$ 8,144,405</u>	<u>\$ 11,967,752</u>	<u>\$ 8,987,674</u>

H. 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).

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

This standard was applied retroactively and resulted in a sick leave liability of \$110,229 as of September 30, 2024.

I. Subsequent Events

There were no material subsequent events through May 18, 2026, the date the financial statements were available to be issued.

APPENDIX D

Form of Bond Counsel's Opinion

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

**CITY OF GIDDINGS, TEXAS, COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF GIDDINGS, TEXAS (the "City") of the certificates of obligation described above (the "Certificates"), we have examined in to the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Certificates and in the Ordinance of the City adopted on _____ 2026 authorizing the issuance of the Certificates (the "Ordinance").

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 R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Certificates have been authorized, issued and delivered in accordance with law; and that said Certificates, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general 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, on all taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenues of the City's water and sewer system all as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners thereof 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 by the City 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 upon a failure by the City 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 an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. 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 the City and the assessed valuation of taxable property within the City and the sufficiency of the revenues pledged by 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,