PRELIMINARY OFFICIAL STATEMENT

Dated August 28, 2026

Rating:
Moody's: "Aa1"
(see "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the City (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Certificates Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

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

$19,260,000*
CITY OF BOERNE, TEXAS
(Kendall County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: October 1, 2026 **Due: March 1, as shown on page 2**
Interest accrues from Date of Delivery (defined herein)

PAYMENT TERMS. . .Interest on the $19,260,000* City of Boerne, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the Date of Delivery, and will be payable March 1 and September 1 of each year commencing March 1, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the City's Home Rule Charter, and constitute direct obligations of the City of Boerne, Texas (the "City") payable from a combination of (i) the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and (ii) from a lien on and pledge of the net revenues of the City's utility system, as defined and provided in the ordinance authorizing the Certificates to be adopted by the City Council of the City on September 8, 2026 (the "Certificates Ordinance") (see "THE CERTIFICATES – Security and Source of Payment for the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's public safety facilities, including a new fire station; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

CUSIP PREFIX: 097041
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel (see Appendix C, "Forms of Bond Counsel's Opinions"). Norton Rose Fulbright US LLP, Austin, Texas will also act as disclosure counsel to the City.

DELIVERY. . . It is expected that the Certificates will be available for delivery through the services of DTC on October 8, 2026 (the "Date of Delivery").

BIDS DUE TUESDAY, SEPTEMBER 8, 2026 AT 10:30 AM, CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 097041 (1)

Amount	Maturity 1-Mar	Initial Rate	Initial Yield	CUSIP Suffix(1)
$780,000	2027			
415,000	2028			
370,000	2029			
320,000	2030			
265,000	2031			
300,000	2032			
330,000	2033			
695,000	2034			
645,000	2035			
580,000	2036			
505,000	2037			
425,000	2038			
330,000	2039			
260,000	2040			
555,000	2041			
440,000	2042			
2,750,000	2043			
2,890,000	2044			
3,040,000	2045			
3,365,000	2046			

(Interest to accrue from the date of delivery.)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data set forth 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 CUSIP services. Neither the City, the Municipal Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or 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 the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

* Preliminary, subject to change.

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

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

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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 JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, THE INITIAL PURCHASER, OR THE MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Preliminary Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE PRELIMINARY OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Boerne, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Kendall County, Texas. The City covers approximately 11.92 square miles and is the county seat of Kendall County. (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The City's $19,260,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued as serial bonds maturing March 1 in each of the years 2027 through 2046, inclusive, unless the initial purchaser of the Certificates (the "Initial Purchaser") designates two or more consecutive maturities as one or more Term Certificates (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES – Optional Redemption of the Certificates").

PAYMENT OF INTEREST ON THE CERTIFICATES................ Interest on the Certificates accrues from the date of delivery (anticipated to be October 8, 2026), and is payable March 1 and September 1 of each year, commencing March 1, 2027, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates", "THE CERTIFICATES - Optional Redemption of the Certificates").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's home rule charter and an ordinance expected to be adopted by the City Council of the City on September 8, 2026 (the "Certificates Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

SECURITY FOR THE CERTIFICATES .... The Certificates are payable from a combination of (i) the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and (ii) from a lien on and pledge of the net revenues of the City's utility system, as defined and provided in the Certificates Ordinance (see "THE CERTIFICATES – Security and Source of Payment for the Certificates").

REDEMPTION FOR THE CERTIFICATES..................... The City reserves the right, at its option, to redeem the Certificates having stated maturities on or 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 the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").

TAX STATUS................................ In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS".

QUALIFIED TAX-EXEMPT CERTIFICATES .... The City will not designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS").

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's public safety facilities, including a new fire station; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

RATING FOR THE CERTIFICATES .... The Certificates are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement (see "OTHER INFORMATION – Rating").

BOOK-ENTRY-ONLY SYSTEM....................................... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples

* Preliminary, subject to change.

thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

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

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Total G.O. Debt Outstanding at End of Year[3]		Ratio of G.O. Debt to Taxable Assessed Valuation		Total G.O. Debt Per Capita
2022	21,062	$ 2,373,115,708	$ 112,673	$ 61,715,000		2.60%		$ 2,930
2023	22,075	3,010,426,472	136,373	75,935,000		2.52%		3,440
2024	22,327	3,549,548,096	158,980	70,810,000		1.99%		3,171
2025	22,712	3,667,777,383	161,491	69,825,000		1.90%		3,074
2026	22,712	3,912,632,175	172,272	83,220,000	(4)	2.13%	(4)	3,664

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(1) Source: City Staff and City's Annual Comprehensive Financial Reports.
(2) As reported by the Kendall County Appraisal District to the State Property Tax Board; subject to change during ensuing year.
(3) Includes self-supporting debt.
(4) Includes the Certificates. Preliminary; subject to change.

For additional information regarding the City, please contact:

Kristy Stark
City of Boerne
447 N. Main Street
Boerne, TX 78006
(830) 249-9511
kstark@boerne-tx.gov

Sarah Buckelew
City of Boerne
447 N. Main Street
Boerne, TX 78006
(830) 249-9511
sbuckelew@boerne-tx.gov

Andre Ayala
Hilltop Securities Inc.
717 N. Harwood Street, Suite 3400
Dallas, Texas 75201
(214) 953 4000
Andre.ayala@hilltopsecurities.com

Jorge Delgado
Hilltop Securities Inc.
717 N. Harwood Street, Suite 3400
Dallas, Texas 75201
(214) 953 4000
jorge.delgado@hilltopsecurities.com

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires May
Frank Ritchie	Mayor	2023	2028
Ty Wolosin	Mayor Pro Tem Council District 1	2018	2029
Joe Bateman	Council District 2	2025	2028
Kyle Mickelsen	Council District 3	2025	2029
Bret Bunker	Council District 4	2023	2027
Joseph Macaluso	Council District 5	2019	2027

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years with the City	Years in Government
Ben Thatcher	City Manager	6	24
Kristy Stark	Assistant City Manager	5	16
Danny Zincke	Assistant City Manager	15	25
Sarah Buckelew	Director of Finance	5	10
Lori Carroll	City Secretary	24	24
Mick McKamie	City Attorney	4	47

CONSULTANTS AND ADVISORS

Auditors .... ABIP, PC
San Antonio, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Austin, Texas

Disclosure Counsel .... Norton Rose Fulbright US LLP
Austin, Texas

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$19,260,000*
CITY OF BOERNE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $19,260,000* City of Boerne, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance expected to be adopted on the date of the sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1909. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Council members elected for staggered three year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety, highway maintenance, recreational activities, cultural events, electric, water, wastewater, reclaimed water, stormwater control, natural gas, solid waste and recycling collection services. The 2020 Census population for the City was 17,850, while the estimated 2026 population is 22,712. The City covers approximately 11.92 square miles.

PLAN OF FINANCING

PURPOSE. . . Proceeds from the sale of the Certificates will be used for (1) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's public safety facilities, including a new fire station; (2) acquiring fire-fighting and other public safety equipment and vehicles, including a fire truck; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects.

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

SOURCES OF PROCEEDS:	
Par Amount	
[Net] Premium	
TOTAL SOURCES:	
USES OF PROCEEDS:	
Deposit to Project Fund	
Cost of Issuance	
Underwriter's Discount	
TOTAL USES:	

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated October 1, 2026 (the "Dated Date") and mature on March 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of delivery of the Certificates (anticipated to be October 8, 2026), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year commencing March 1, 2027, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (defined herein) to Cede & Co.,

* Preliminary, subject to change.

which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the City's home rule charter and the Certificates Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES. . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and (ii) from a lien on and pledge of the net revenues of the City's utility system, as provided in the Certificates Ordinance. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on a pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System") not to exceed $1,000 during the entire period of the Certificates.

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

OPTIONAL REDEMPTION OF THE CERTIFICATES . . .The City reserves the right, at its option, to redeem Certificates having stated maturities on or 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 the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such 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 Certificates (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE 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.

Certificates of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Certificates of a particular stated maturity, the Paying Agent/Registrar is required to select the Certificates of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Certificates of a denomination larger than $5,000.

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 relating to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemptions 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 the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the 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" herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities which shall mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with monies deposited therewith, if any, to make such payment. In the event of a defeasance of the Certificates, the City shall deliver a bond from its municipal advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates. The Ordinance provides that "Government Securities" means (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 of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations under the then applicable laws of the State of Texas. City officials may restrict the use of such Government Securities as deemed appropriate. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government 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 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 may 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 Government Securities or for any other Government Securities will be maintained at any particular rating category.

Upon making such deposit as described above, such Certificates shall no longer be deemed outstanding obligations secured by the Ordinance but will be payable only from the funds and Government Securities deposited in escrow, if any, and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call for redemption, at an earlier date, those Certificates which have been defeased to maturity or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call the Certificates which have been defeased to maturity for redemption at an earlier date is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the 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.

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 Preliminary Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 Preliminary Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities bonds.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Direct and Indirect 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 such purchases 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 or 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 interest 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 bonds representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein 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 nominee effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices relating to the Certificates 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 such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Certificates is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

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

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

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

CERTIFICATEHOLDERS' REMEDIES. . . The Ordinance does not establish specific events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates 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 issuance of a writ 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 ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then, the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.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 Certificates or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the 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 creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS … The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, formal defect, or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of the payment of the principal of, premium, if any, or interest on the Certificates; (2) give any preference to any Obligation over any other Obligation, or (3) reduce the aggregate principal amount of the Certificates required to be held by the registered owners for consent to any such amendment, addition, or rescission.

AD VALOREM TAX INFORMATION

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

STATE LEGISLATION . . . The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City.
The Regular Session of the 90th Texas Legislature will convene on January 12, 2027 and is scheduled to conclude on May 31, 2027. The City cannot predict what legislation may be introduced during the 90th Texas Legislature or any upcoming legislative sessions and, if passed, the impact that any future legislation will or may have on the security for the Certificates.

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 Kendall County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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 $5.32 million (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding State fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

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

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Pursuant to a voter approval at a Statewide election held on November 4, 2025, legislation passed by the State legislature and signed by the Governor during the 89th Regular Session (as defined herein) provides a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of 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 (or, if the person leases such property, 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 taxation.

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 of Texas (the "Governor") to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage."

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

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

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

CHAPTER 380 AGREEMENTS . . . The City is 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 such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into twenty Chapter 380 Agreements, fourteen of which are still active. For fiscal year 2025, the City rebated $775,216 in taxes and other economic incentives.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of 1.2 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 $62,833,169 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. 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. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS . . .

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

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

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

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

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

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

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the three tax years prior to the current tax year divided by the current total.

“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. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary 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.

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 their “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.

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

CITY APPLICATION OF PROPERTY TAX CODE . . . The City offers a freeze for persons 65 years of age or older and the disabled.

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

The City does not grant an additional exemption of up to 20% for residence homesteads.

The City taxes business personal property. Effective January 1, 2026, a person is entitled to an exemption 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.

The Kendall County Tax Collector collects property taxes for the City.

The City does not permit discounts or split payments, except in the case of persons over 65 or disabled who are permitted to pay taxes on homesteads in four installments. The first installment is due on February 1 of each year and the final installment is due on August 1.

The City is exempt from Article VIII, Section 1-j property ("freeport property") exemption.

The City currently does not have any active abatement agreements.

The City currently does not have any tax increment reinvestment zones.

The City currently does not have any public improvement districts with an assessment levy.

The City has entered into 20 Chapter 380 agreements regarding developments in the City. Of those, fourteen are still active. For the fiscal year 2024, the City rebated $408,201 in taxes and other economic incentives (see "AD VALOREM TAX INFORMATION – CHAPTER 380 AGREEMENTS" on page 15).

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TABLE 1 - ASSESSED VALUATION AND EXEMPTION

2026/27 Market Valuation Established by Kendall County Appraisal District		$ 5,189,725,595
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans	187,974,486	
Homestead Cap Adjustment	58,859,034	
Circuit Breaker Cap	29,809,965	
Freeport	17,334,799	
Totally Exempt	841,648,889	
Productivity Loss	27,688,549	
Other	8,904,070	$ 1,172,219,792
2026/27 Taxable Assessed Valuation		$ 4,017,505,803
General Obligation Debt Payable from Ad Valorem Taxes as of 8/15/2026	$ 63,960,000	
The Certificates(1)	19,260,000	
Total Adjusted General Obligation Debt Payable from Ad Valorem Taxes		$ 83,220,000
Less: Self-Supporting Debt as of 8/15/2026(2)		$ 23,690,000
Net General Purpose Funded Debt Payable from Ad Valorem Taxes		$ 59,530,000
Interest and Sinking Fund as of 8/1/2026		$ 459,975
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		1.48%

2026 Estimated Population - 22,712
Per Capita Taxable Assessed Valuation - $176,889
Per Capita Net General Purpose Funded Debt - $2,621

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(1) Preliminary; subject to change.
(2) It is the City's current policy to pay such self-supporting debt from the respective revenue sources, and this policy is subject to change in the future; however, the City has no current plans to change its policy. In the event the City changes its policy, or if 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 (see Table 10, herein, for more detailed information regarding the City's self-supported debt).

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2027		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,985,445,049	57.53%	$ 2,904,572,314	57.65%	$ 2,808,173,331	57.34%
Real, Residential, Multi-Family	167,298,803	3.22%	129,912,174	2.58%	123,302,498	2.52%
Real, Vacant Lots/Tracts	120,665,805	2.33%	134,866,754	2.68%	115,193,233	2.35%
Real, Acreage (Land Only)	27,876,779	0.54%	34,082,235	0.68%	34,794,680	0.71%
Real, Farm and Ranch Improvements	16,095,225	0.31%	10,057,239	0.20%	14,356,210	0.29%
Real, Commercial	775,618,402	14.95%	764,666,281	15.18%	706,826,607	14.43%
Real, Industrial	18,714,860	0.36%	16,607,390	0.33%	16,537,330	0.34%
Real and Tangible Personal, Utilities	12,168,620	0.23%	11,352,140	0.23%	10,938,390	0.22%
Tangible Personal, Commercial	117,971,482	2.27%	113,125,250	2.25%	108,534,430	2.22%
Tangible Personal, Industrial	71,257,540	1.37%	65,797,840	1.31%	59,449,530	1.21%
Tangible Personal, Mobile Homes	173,470	0.00%	196,680	0.00%	198,360	0.00%
Residential Inventory	14,773,850	0.28%	8,721,356	0.17%	20,834,896	0.43%
Special Inventory	64,396,170	1.24%	66,044,270	1.31%	66,266,950	1.35%
Totally Exempt Property	797,269,540	15.36%	778,190,850	15.45%	811,659,150	16.57%
Total Appraised Value Before Exemptions	$ 5,189,725,595	100.00%	$ 5,038,192,773	100.00%	$ 4,897,065,595	100.00%
Less: Total Exemptions/Reductions	1,172,219,792		1,125,560,598		1,229,288,212	
Taxable Assessed Value	$ 4,017,505,803		$ 3,912,632,175		$ 3,667,777,383	

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,719,429,877	55.89%	$ 2,208,528,799	55.38%	$ 1,660,673,620	56.29%
Real, Residential, Multi-Family	138,465,715	2.85%	138,784,172	3.48%	101,141,811	3.43%
Real, Vacant Lots/Tracts	108,965,381	2.24%	90,905,045	2.28%	57,081,550	1.93%
Real, Acreage (Land Only)	46,791,369	0.96%	42,029,950	1.05%	26,692,180	0.90%
Real, Farm and Ranch Improvements	11,138,161	0.23%	7,333,760	0.18%	6,431,910	0.22%
Real, Commercial	728,731,482	14.98%	598,894,848	15.02%	423,130,630	14.34%
Real, Industrial	13,913,370	0.29%	13,283,710	0.33%	10,330,440	0.35%
Real and Tangible Personal, Utilities	9,986,150	0.21%	9,237,760	0.23%	9,717,360	0.33%
Tangible Personal, Commercial	111,287,290	2.29%	104,278,630	2.62%	106,258,000	3.60%
Tangible Personal, Industrial	49,712,170	1.02%	52,366,110	1.31%	38,877,540	1.32%
Tangible Personal, Mobile Homes	193,180	0.00%	193,180	0.00%	174,960	0.01%
Real, Inventory	56,554,528	1.16%	31,455,960	0.79%	28,194,240	0.96%
Special Inventory	72,606,670	1.49%	59,486,520	1.49%	43,319,580	1.47%
Totally Exempt Property	797,748,900	16.40%	630,898,680	15.82%	438,188,470	14.85%
Total Appraised Value Before Exemptions	$ 4,865,524,243	100.00%	$ 3,987,677,124	100.00%	$ 2,950,212,291	100.00%
Less: Total Exemptions/Reductions	1,315,976,147		977,250,652		577,096,583	
Taxable Assessed Value	$ 3,549,548,096		$ 3,010,426,472		$ 2,373,115,708	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Total G.O. Debt Outstanding at End of Year[(3)]	Ratio of G.O. Debt to Taxable Assessed Valuation	Total G.O. Debt Per Capita
2022	21,062	$ 2,373,115,708	$ 112,673	$ 61,715,000	2.60%	$ 2,930
2023	22,075	3,010,426,472	136,373	75,935,000	2.52%	3,440
2024	22,327	3,549,548,096	158,980	70,810,000	1.99%	3,171
2025	22,712	3,667,777,383	161,491	69,825,000	1.90%	3,074
2026	22,712	3,912,632,175	172,272	83,220,000 (4)	2.13% (4)	3,664

(1) Source: City Staff and City's Annual Comprehensive Financial Reports.
(2) As reported by the Kendall County Appraisal District to the State Property Tax Board, subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Includes the Certificates. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy[(1)]	% Current Collections[(1)]	% Total Collections[(1)]
2022	$ 0.4720	$ 0.3936	$ 0.0784	$10,840,333	99.62%	100.00%
2023	0.4510	0.3906	0.0604	13,175,006	98.75%	99.18%
2024	0.4766	0.3582	0.1184	15,896,667	99.24%	99.40%
2025	0.4716	0.3532	0.1184	16,316,536	99.29%	99.56%
2026	0.4716	0.3532	0.1184	17,154,860 (2)	98.00% (3)	100.07% (3)

(1) Source: City's Annual Comprehensive Financial Reports.
(2) Source: City Staff.
(3) Collections through June 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Albany Engineered Composites	Industrial Manufacturing	$ 25,407,685	0.65%
VBM Acquisition LLC	Automobile Dealership	24,256,080	0.62%
Boerne Hotel LTD	Hotel/Motel	23,451,880	0.60%
Zylstra Holdings at Boerne LLC	Apartments	19,026,980	0.49%
LC Boerne Investco LLC	Apartments	16,739,840	0.43%
Jet Specialty Inc	Manufacturing	14,504,590	0.37%
FOB1, LLC	Automobile Dealership	12,699,940	0.32%
H.E.B. Grocery Co.	Grocery Store	12,350,000	0.32%
VBM Boerne Land LLC	Automobile Dealership	11,550,000	0.30%
Wal-Mart Stores Texas LP	Retail Store	11,200,000	0.29%
		$ 171,186,995	4.38%

(1) Source: City's Annual Comprehensive Financial Report for the Fiscal Year Ending September 30, 2025.

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

TABLE 6 - TAX ADEQUACY[1]

Net Principal and Interest Requirements (2026)…..	$	5,660,272
$0.1438 Tax Rate at 98% Collection Produces	$	5,661,630
Net Average Principal and Interest Requirements (2026-2046)…......................	$	4,314,168 [2]
$0.1096 Tax Rate at 98% Collection Produces	$	4,315,123
Net Maximum Annual Principal and Interest Requirements (2026)…...............	$	5,660,272 [2]
$0.1438 Tax Rate at 98% Collection Produces	$	5,661,630

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(1) Excludes self-supporting debt.
(2) Includes the Certificates. Preliminary; subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/2026 Taxable Assessed Valuation [1]	2025/2026 Tax Rate [1]	Total G.O. Debt as of 8/15/2026 [1]	Estimated % Applicable [1]	Overlapping G.O. Tax Debt as of 8/15/2026 [1]
City of Boerne	$ 3,912,632,175	$0.4716	$ 83,220,000 [2]	100.00%	$ 83,220,000 [2]
Kendall County	12,426,949,305	0.3770	24,260,000	34.14%	8,282,364
Boerne ISD	13,123,570,432	1.0109	356,554,896	26.68%	95,128,846
Total Direct and Overlapping G.O. Tax Debt					$ 186,631,210
Ratio of Direct and Overlapping G.O. Tax Debt to Taxable Assessed Valuation					4.77%
Per Capita Direct and Overlapping G.O. Tax Debt					$ 8,217
Total Overlapping Tax Rate					$ 1.8595

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(1) Source: Municipal Advisory Council of Texas. Based on tax year 2025 taxable assessed valuations.
(2) Includes the Certificates. Preliminary; subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service			The Certificates[1]			Less: Self-Supporting Debt Service	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S			
2026	$ 5,865,000	$ 2,658,447	$ 8,523,447	$ -	$ -	$ -	$ 2,863,175	$ 5,660,272	
2027	3,640,000	2,470,907	6,110,907	780,000	844,525	1,624,525	2,246,950	5,488,482	
2028	3,895,000	2,315,800	6,210,800	415,000	913,625	1,328,625	2,241,675	5,297,750	
2029	4,085,000	2,149,000	6,234,000	370,000	894,000	1,264,000	2,243,500	5,254,500	
2030	4,305,000	1,969,050	6,274,050	320,000	876,750	1,196,750	2,245,775	5,225,025	26.58%
2031	4,535,000	1,776,850	6,311,850	265,000	862,125	1,127,125	2,239,775	5,199,200	
2032	4,805,000	1,570,825	6,375,825	300,000	848,000	1,148,000	2,406,950	5,116,875	
2033	4,340,000	1,375,100	5,715,100	330,000	832,250	1,162,250	2,397,075	4,480,275	
2034	3,220,000	1,213,825	4,433,825	695,000	806,625	1,501,625	1,908,225	4,027,225	
2035	3,740,000	1,066,575	4,806,575	645,000	773,125	1,418,125	2,197,125	4,027,575	52.25%
2036	3,990,000	919,713	4,909,713	580,000	742,500	1,322,500	2,204,063	4,028,150	
2037	4,230,000	778,100	5,008,100	505,000	715,375	1,220,375	2,203,000	4,025,475	
2038	4,490,000	627,700	5,117,700	425,000	692,125	1,117,125	2,204,500	4,030,325	
2039	4,770,000	462,050	5,232,050	330,000	673,250	1,003,250	2,208,000	4,027,300	
2040	5,025,000	286,050	5,311,050	260,000	658,500	918,500	2,203,200	4,026,350	79.87%
2041	2,100,000	153,600	2,253,600	555,000	638,125	1,193,125	-	3,446,725	
2042	2,325,000	65,100	2,390,100	440,000	613,250	1,053,250	-	3,443,350	
2043	150,000	15,600	165,600	2,750,000	533,500	3,283,500	-	3,449,100	
2044	155,000	9,500	164,500	2,890,000	392,500	3,282,500	-	3,447,000	
2045	160,000	3,200	163,200	3,040,000	244,250	3,284,250	-	3,447,450	96.22%
2046	-	-	-	3,365,000	84,125	3,449,125	-	3,449,125	100.00%
	$ 69,825,000	$ 21,886,992	$ 91,711,992	$ 19,260,000	$ 13,638,525	$ 32,898,525	$ 34,012,988	$ 90,597,529	

(1) Preliminary; subject to change. Interest has been calculated at a market interest rate for purposes of illustration only.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026 [(1)]		$ 5,660,272
Interest and Sinking Fund, Fiscal Year Ending 9/30/2025	$1,862,389	
2025/26 Budgeted Interest and Sinking Fund Tax Collection	3,816,172	
2025/26 Budgeted Delinquent Taxes, Penalty and Interest	28,000	
2025/26 Budgeted Interest Earnings	72,750	
2025/26 Budgeted Transfer from other Funds	2,522,342	$ 8,301,653
Estimated Balance, Fiscal Year Ending 9/30/2026		$ 2,641,381

(1) Net of self-supporting debt service.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Water and Wastewater Systems, Fiscal Year Ended 9/30/2025	$ 7,851,986
Less: Revenue Bond Debt Service for Fiscal Year Ended 9/30/2025	-
Balance Available for Other Purposes	7,851,986
Less: General Obligation Revenue Debt Service for Fiscal Year Ended 9/30/2026	2,863,175
Total Excess Cash after Debt Service Payment	$ 4,988,811
Percentage of System General Obligation Bonds Self-Supporting	100%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

Authorized Purpose	Date Authorized	Amount Authorized	Heretofore Issued	Amount Being Issued	Unissued Balance
Mobility Projects	11/8/2022	$ 23,000,000	$ 9,000,000	$ -	$14,000,000
Parks & Recreation	11/8/2022	13,000,000	13,000,000	-	-
		$ 36,000,000	$ 22,000,000	$ -	$14,000,000

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TABLE 12 - OTHER OBLIGATIONS

Lease Purchase Agreements

The City has entered into multiple lease purchase agreements (direct borrowing) to purchase equipment for the police department, parks department, streets department, water department, and gas department. As these agreements transfer ownership of the underlying assets to the City at the end of the lease, they are reported as financed purchases. The commitments for each lease are expected to be funded by the City's general fund, park fund, water fund and gas fund. The historical purchase price of the assets under the lease purchase agreements is approximately $0.8 million for the governmental activities and $2.1 million for the business-type activities

The annual requirements to amortize lease purchase agreements outstanding at September 30, 2025, are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2026	$ 247,850	$ 33,679	$ 281,529
2027	210,445	20,293	230,738
2028	178,320	9,249	187,569
2029	-	-	-
2030	-	-	
Total	$ 636,615	$ 63,221	$ 699,836

	Business-Type Activities		
Year Ending September 30,	Principal	Interest	Total
2026	$ 382,955	$105,338	$ 488,293
2027	402,026	86,267	488,293
2028	422,047	66,246	488,293
2029	443,065	45,228	488,293
2030	465,128	23,163	488,291
Total	$ 2,115,221	$326,242	$2,441,463

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Lease Liabilities

As of September 30, 2025, the City had 102 active leases. The leases have payments that range from $3,621 to $76,863 and interest rates that range from 0.0404% to 7.2838%. As of September 30, 2025, the total value of the lease liability is $3,145,960 and the combined value of the right-to-use assets was $5,618,205 with accumulated amortization of $2,341,657. The leases had no variable payments or other payments included in the lease liability within the fiscal year. All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 997,265	$ 70,331	$ 1,067,596
2027	891,913	40,152	932,065
2028	532,076	14,465	546,541
2029	127,717	1,622	129,339
Total	$ 2,548,971	$ 126,570	$ 2,675,541

Year Ending	Business-Type Activities		
September 30,	Principal	Interest	Total
2026	$ 235,036	$ 16,337	$ 251,373
2027	192,331	9,229	201,560
2028	133,276	3,513	136,789
2029	36,346	343	36,689
Total	$ 596,989	$ 29,422	$ 626,411

Subscription-Based Information Technology Arrangements (SBITA)

The City is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of September 30, 2025, are as follows:

As of September 30, 2025, the City had 19 active subscriptions. The subscriptions have payments that range from $170 to $45,000 and interest rates that range from 2.3120% to 3.3050%. As of September 30, 2025, the total combined value of the subscription liability is $443,598 and the combined value of the right to use assets was $863,110 with an accumulated amortization of $396,263. The subscriptions had no variable or other payments included in the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of an SBITA term and there were no impairment losses related to SBITA assets.

The future principal and interest SBITA payments as of September 30, 2025, were as follows:

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 190,901	$ 11,413	$ 202,314
2027	153,727	6,048	159,775
2028	54,985	2,390	57,375
2029	43,985	1,017	45,002
Total	$ 443,598	$ 20,868	$ 464,466

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT. . . Within the next 12 months, the City anticipates issuing combination tax and revenue certificates of obligation in a projected amount of approximately $13 million to fund water and sewer utility improvements and, although ad valorem taxes will be pledged, the City expects such certificates to be self-supported from water and sewer revenues.

PENSION FUND. . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. As of the December 31, 2024 actuarial valuation, the plan's total pension liability exceeded the City's fiduciary net position, leaving the City with a net pension liability of $19,572,593. As of the December 31, 2024, actuarial valuation, the City had a net pension liability of $4,018,076. For more detailed information concerning the retirement plan and the City's net pension liability as of the December 31, 2024, actuarial valuation date, including the City's schedule of employee and employer contributions and actuarial methods and assumptions, see "APPENDIX B - Excerpts from the City's Annual Comprehensive Financial Report - Note 9."

OTHER POST-EMPLOYMENT BENEFITS . . . The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefit 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. As of the December 31, 2024, actuarial valuation, the City's OPEB liability was $716,403. For more detailed information regarding the City's OPEB obligations, including actuarial methods and assumptions, see "APPENDIX B – Excerpts from the City's Annual Comprehensive Financial Report - Note 9".

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FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes & Franchise Fees	$ 23,761,233	$ 23,410,478	$ 22,330,324	$ 19,034,715	$ 17,501,133
Licenses and Permits	2,229,168	2,816,594	1,773,034	1,776,284	1,606,570
Fines and Forfeiture	336,527	322,846	243,158	245,383	194,532
Grants	-	87,584	16,555	4,908	19,613
Contribution & Donation	2,773,389	4,117,172	3,548,979	2,917,801	2,605,181
Investment Earnings	1,788,043	1,885,019	1,416,395	81,774	73,845
Miscellaneous	2,323,537	4,206,552	3,150,931	827,775	846,972
Total Revenues	$ 33,211,897	$ 36,846,245	$ 32,479,376	$ 24,888,640	$ 22,847,846
Expenditures:					
General Government	$ 4,919,933	$ 8,670,442	$ 8,412,713	$ 6,110,561	$ 7,783,620
Public Safety	15,720,933	14,133,622	12,429,797	11,416,642	8,829,995
Highway and Streets	2,752,218	3,280,217	2,816,843	1,832,161	1,732,168
Culture & Recreation	522,647	529,946	509,156	-	-
Debt Service - Principal	1,410,085	1,263,886	694,275	189,407	-
Debt Service - Interest & Fees	96,829	74,807	40,188	2,417	-
Capital Outlay	2,757,460	3,132,834	1,585,567	1,121,073	656,364
Total Expenditures	$ 28,180,105	$ 31,085,754	$ 26,488,539	$ 20,672,261	$ 19,002,147
Excess (Deficiency)	$ 5,031,792	$ 5,760,491	$ 5,990,837	$ 4,216,379	$ 3,845,699
Other Sources (Uses):					
Transfers in	$ 127,645	$ 2,775,655	$ 260,963	$ 5,535,292	$ 30,000
Transfers out	(7,673,287)	(6,740,165)	(7,253,928)	(12,605,275)	(2,557,995)
Sale of Capital Assets	121,302	2,442,403	1,919,658	83,287	1,680
Lease/Subscription Proceeds	1,790,518	2,263,994	1,067,590	511,459	375,520
Total Other Financing Sources	$ (5,633,822)	$ 741,887	$ (4,005,717)	$ (6,475,237)	$ (2,150,795)
Net Increase (Decrease)	$ (602,030)	$ 6,502,378	$ 1,985,120	$ (2,258,858)	$ 1,694,904
Beginning Fund Balance	22,321,816	15,819,438	13,834,318	16,093,176	14,398,272
Ending Fund Balance	$ 21,719,786	$ 22,321,816	$ 15,819,438	$ 13,834,318	$ 16,093,176

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City imposes and levies a 1% Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for property tax reduction.

Fiscal Year Ended 9/30	Total 1.5% Collected[(1)(2)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita[(3)]
2022	$ 9,814,833	90.54%	0.4136	$ 466.00
2023	11,136,809	84.53%	0.3699	504.50
2024	12,050,266	75.80%	0.3395	539.72
2025	12,590,003	77.16%	0.3218	554.33
2026	11,546,045 (4)	67.30%	0.2874	508.37

(1) Includes ½ cent collections for property tax reduction.
(2) Source: Texas Comptroller of Public Accounts.
(3) Based on City's population estimates.
(4) Collections as of August, 2026.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized bonds of deposit and share bonds; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 15 - CURRENT INVESTMENTS

As of July 31, 2026, the City's investable funds were invested in the following categories:

Type of Investment	% of Portfolio	Market Value
Investment Pools	80.67%	$ 122,993,475
Treasury Coupon Securities	18.19%	27,741,505
Federal Agency Coupon Securities	0.97%	1,486,298
Cash & Accrued Interest	0.16%	250,344
	100.00%	$ 152,471,622

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP ("Bond Counsel") to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. Form of Bond Counsel's opinion are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of such Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to Certificates holders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

ANCILLARY TAX CONSEQUENCES . . . Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS - Qualified Tax Exempt Certificates" herein), property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium 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 for so long as 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"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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

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

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

For these purposes, (a) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in clauses (15) and (16) of the preceding paragraph to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years the City believes it has complied in all material respects with its previous continuing disclosure undertakings entered into pursuant to the Rule.

OTHER INFORMATION

RATING

The Certificates are rated "Aa1" 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 the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the 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 jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" 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 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.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

LEGAL OPINIONS AND NO LITIGATION BOND

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates including the unqualified approving legal opinion of the Attorney General of Texas approving each respective Initial Bond and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings the approving legal opinion of Norton Rose Fulbright US LLP, 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 customary closing papers, including a bond of the City as described under "OTHER INFORMATION - Certification of the Official Statement" will also be furnished to the Initial Purchaser. Though it represents the Municipal Advisor and investment banking firms such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Additionally, certain legal matters will be passed upon for the City by Norton Rose Fulbright US LLP, Austin, Texas, as Disclosure Counsel for the City. The legal fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

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

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

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of ______________(the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of $_________. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the

Initial Purchaser. The initial yields shown on page 6 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish the Initial Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2025, the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Preliminary 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 Preliminary Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

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 reoffering of the Certificates by the Initial Purchaser.

____

Mayor

City of Boerne, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION . . . The City of Boerne (the "City") is the principal commercial center of Kendall County (the "County") and is located 30 miles north of San Antonio on Interstate Highway 10. The 2020 Census population for the City was 17,850. The estimated 2026 population is 22,712. The County was organized in 1862 and contains 662.9 square miles, and is located in south central Texas.

ECONOMY . . . The area economy is diversified by light manufacturing, agribusiness, recreation, tourism, and outdoor recreation. Principal manufacturing industries include aerospace, oil field hydraulic motors, medical devices and pharmaceuticals, hunting equipment, food processing and aquatic filtration systems. Approximately 10% of the area workforce support these manufacturing businesses. Agricultural and ranching businesses in the area include cattle, sheep, goats, hay and other grains. Tourism is a primary economic generator in the City due to the close proximity to San Antonio, the 7th largest city in the United States, and the availability of hunting, fishing, shopping, sports and recreation activities.

Boerne is one of the fastest growing Texas cities, having experienced a growth of 24% from 2021 to 2026. Kendall County is also expected to be the 6th fastest growing county in Texas through 2050. Significant developments over the next five years include a new Bucee's gas station and other major commercial developments along the I-10 corridor

PRINCIPAL EMPLOYERS

Name	Type of Business	Number of Employees
Boerne Independent School District	School District	1,700
H.E.B. Grocery Store	Retail Grocery	517
Kendall County	Government	361
City of Boerne	Government	314
Toyota of Boerne	Automobile Dealership	290
WalMart Stores	Retail Stores	265
Albany Engineered Composites	Aerospace and Defense	227
Mission Pharmacal	Pharmaceutical Manufacturer	198
The Home Depot	Retail Sales/Hardware	150
Mercedes Benz of Boerne	Automobile Dealership	110

Source: City's Annual Comprehensive Financial Reports.

LABOR FORCE

Kendall County employment figures, as reflected by the Texas Workforce Commission, are as follows:

	June	Average Annual			
	2026	2025	2024	2023	2022
Civilian Labor Force	24,617	24,701	24,381	23,739	22,696
Total Employed	23,609	23,844	23,568	22,923	21,955
Total Unemployed	1,008	857	813	816	741
Unemployment Rate	4.1%	3.5%	3.3%	3.4%	3.3%

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

TRANSPORTATION

Interstate Highway 10 runs through Boerne, carrying heavy traffic from San Antonio to points east to Houston, and points west to El Paso. State Highway 46 runs east to west connecting Boerne with Bandera and New Braunfels. Other adequate state and county roads give access to the City and the surrounding area. San Antonio International Airport is about 35 miles from Boerne on interstate routes. In addition, an airport with a 3400-foot hard surface strip, hangars, fuel, maintenance, storage, instruction and rental facilities is located five miles southwest of Boerne.

EDUCATIONAL FACILITIES

In addition to public schools afforded within the County, higher educational facilities located nearby include The University of Texas at San Antonio, located just off Interstate Highway 10 on Loop 1604 approximately 17 miles from Boerne with an enrollment of almost 35,700 students making it the third largest university in the University of Texas system. Other colleges located nearby are San Antonio College, St. Philip's College, Northwest Vista College, University of Incarnate Word, Trinity University, Palo Alto College, all in San Antonio, and Schreiner University in Kerrville, 20 miles northwest of Boerne.

RECREATION

Boerne has 10 public parks, and a public swimming pool. Other facilities include softball and soccer fields, 8 lighted tennis courts, and general recreation areas in the Boerne City Park. Boerne Lake supports fishing, sail boating and lakeside parks. Guadalupe River State Park, located 12 miles east of Boerne, provides for canoeing, tube floating and other whitewater sports. Cascade Caverns, 5 miles southeast of Boerne, offers camp sites and cave visits. Six Flags Fiesta Texas Theme Park opened in March 1992. The 200-acre park, located in San Antonio off Loop 1604 and Interstate Highway 10 approximately 17 miles south of Boerne, highlights Texas culture and music.

ANNEXATION

The citizens of the City voted on and approved the City of Boerne Home Rule Charter in late 1995 thus becoming a Home Rule City under Texas law. In the late 1990's, the City unilaterally annexed properties that were receiving water service from the City that had been encapsulated. The City also made several strategic annexations to secure areas that the City anticipated would be developed for commercial purposes in the future. Since those original annexations, most annexations have been at the request of property owners whose land was contiguous to the City limits. The City has a policy of not providing water and wastewater treatment service to those areas that are not in the City limits. The Electric System service area is determined by a Certificate of Convenience and Necessity issued by the Public Utility Commission of Texas. This service area is not likely to change.

Total acreage annexed by the City:

Year	Acres
2020	8.869
2021	17.090
2022	48.561
2023	43.100
2024	0
2025	0
2026	0

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APPENDIX B

EXCERPTS FROM THE

CITY OF BOERNE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Boerne, Texas, Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2025 and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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CITY OF Boerne

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ending September 30, 2025

City of Boerne, Texas

An Exemplary Hill Country Community

2025

CITY OF BOERNE, TEXAS

Annual Comprehensive Financial Report

For the Fiscal Year-Ended September 30, 2025

Prepared by:

DEPARTMENT OF FINANCE

Sarah Buckelew, CPA
Director of Finance

Karen Kochheiser
Assistant Director of Finance

Danielle Montes, CPA
Financial Reporting and Compliance Manager

CITY OF BOERNE, TEXAS
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INTRODUCTORY SECTION

CITY OF
Boerne

March 10, 2026

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Boerne, Texas (the City) for the fiscal year ended September 30, 2025. This report is published in accordance with local ordinance and state law requirements and is prepared in conformity with generally accepted accounting principles (GAAP). The financial statements have been audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report is intended to provide our citizens, our bondholders, the City Council, City staff, and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The financial statements and supporting schedules contained in this report are management's representations concerning the finances of the City of Boerne. To provide a reasonable basis for these representations, City management has established a comprehensive internal control framework designed to safeguard the City's assets and ensure the reliability of financial reporting. Because the cost of internal controls should not outweigh their benefits, the City's internal control system is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. Management asserts that, to the best of its knowledge and belief, this report is complete and reliable in all material respects.

Whitley Penn, a firm of licensed certified public accountants, has audited the City's financial statements. The objective of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2025, are free of material misstatement. The independent auditor rendered an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Boerne, Texas, incorporated in 1909, is located in south-central Texas approximately 31 miles northwest of the San Antonio metropolitan area. Boerne serves as the Kendall County seat and functions as a regional service center, providing retail, recreation, and dining opportunities for residents and visitors. The City currently encompasses approximately 12 square miles and has an estimated population of 22,712.

The City of Boerne is a home-rule municipality operating under a Council-Manager form of government since 1995. The Mayor and City Council establish policy and allocate resources, while the City Manager oversees the day-to-day administration of City operations. Council members are elected from five districts, and the Mayor is elected at-large. All positions are non-partisan, with staggered two-year terms.

The City provides a full range of municipal services including public safety, street maintenance, parks and recreation, and cultural programming. In addition, the City operates electric, water, wastewater, reclaimed water, stormwater, natural gas, and solid waste and recycling utilities. The City is financially accountable for the Boerne Public Facility Corporation (BPFC), which is reported as a component unit in the City's financial statements. Additional information is provided in Note 1 to the financial statements.

The annual budget is the foundation of the City's financial planning and control. In accordance with the City Charter and state law, the City Manager submits a proposed budget to the City Council each fiscal year. Following public hearings, the City Council adopts the final budget by ordinance prior to the close of the fiscal year. Budgetary control is maintained at the individual fund level, and budget-to-actual comparisons are included in this report.

Economic Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy – Overview

Boerne is a community that offers exceptional housing, top ranked schools, and a budding business culture, all of which are strong factors in the success of the City's economy. The City enjoys a favorable economic environment due partially to its close proximity to the city of San Antonio, the nation's seventh largest city and a top tourist destination in Texas. In recent years, Boerne's economy has benefitted from an influx of tourists to the area and the migration of population to the state of Texas as a whole. Although Boerne does not have any major large manufacturers or industries within City boundaries, it does have the benefit of being strategically located between San Antonio and the very popular and beautiful Texas Hill Country along Interstate Highway 10 (IH-10). As a result, Boerne is a favorite destination for visiting tourists from all parts of Texas and all over the country.

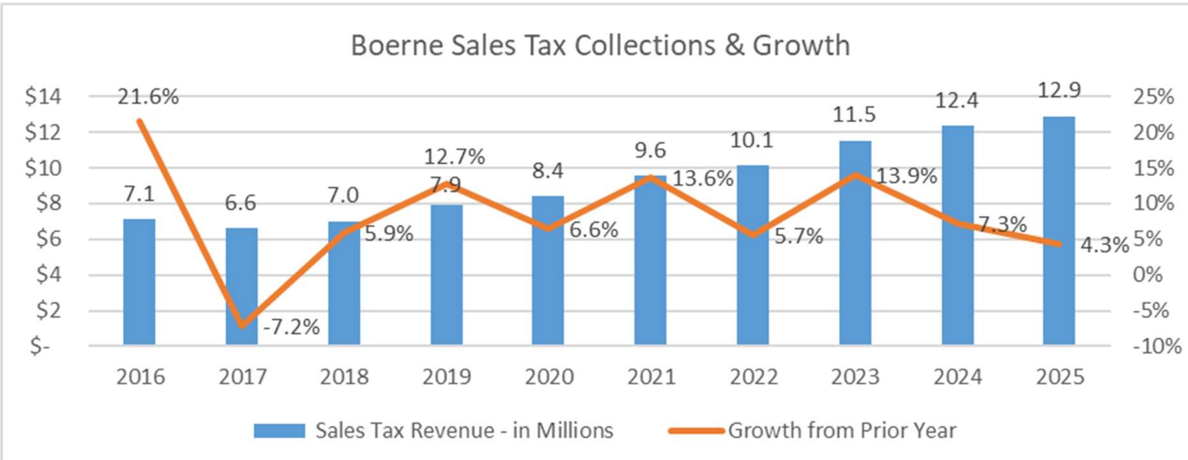
Data from the U.S. Census Bureau's most recent American Community Survey (2023) shows Boerne's median household income is $86,838 which is moderately higher than the $79,721 median income for the state of Texas. According to the same survey, Boerne's residents are well-educated with 47% of adults aged 25 and older having a bachelor's degree or higher level of education, compared to 35% for Texas.

Federal and State investment in local infrastructure also plays a key role in the projected growth and economic vibrancy in the area. The City of Boerne and the Texas Department of Transportation (TxDOT) have worked proactively to address mobility along IH-10. The recent IH-10 Kendall extension represents the largest investment by TxDOT in Boerne and southern Kendall County mobility since the Interstate was constructed in the 1960s. TxDOT has also invested in the area with an expansion of Highway 46 in Boerne, which was completed in the summer of 2020. Increased mobility in the region acts as a catalyst that increases business expansion, grows tourism, and attracts commuters who adore Boerne's Hill Country charm as a place of choice to work, live, and play.

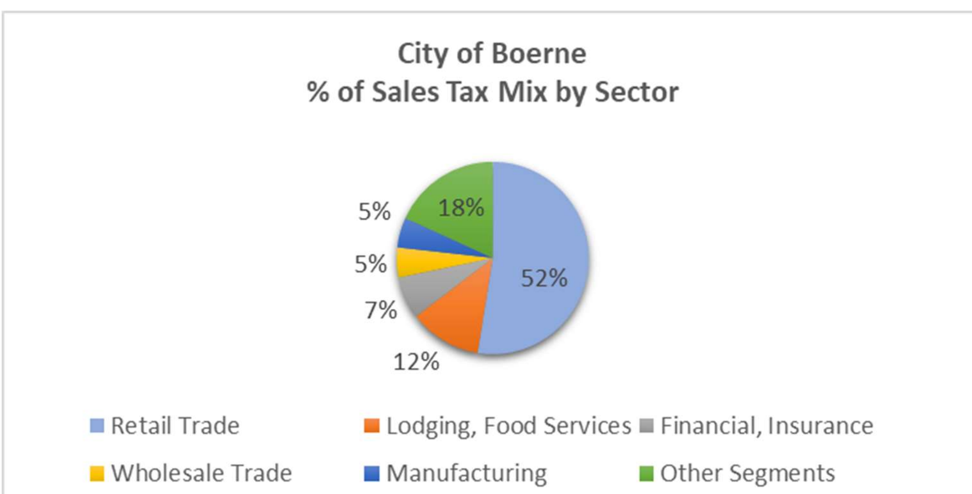
The City's economic outlook remains positive due to the overall improvement in the economy and continued residential and commercial growth. This is evidenced by local economic indicators such as an increase in tax appraisal values, the increase in residential building permits, and continued sales tax growth. Additionally, the City's population has seen sustained growth over the last ten years in conjunction with the new residential developments within the City. Anticipated growth is expected to continue within the Boerne-Kendall County region for years to come.

Local Economy – Sales Tax Activity

Sales tax is the City's largest General Fund revenue source. As illustrated by the chart that follows, the City's sales tax collections have experienced varying levels of growth over the last ten years. With the exception of fiscal year 2017, sales tax revenues have risen each year. Like many cities in Texas, the City has seen increasing sales tax collections over the last five fiscal years due to a vibrant local economy.

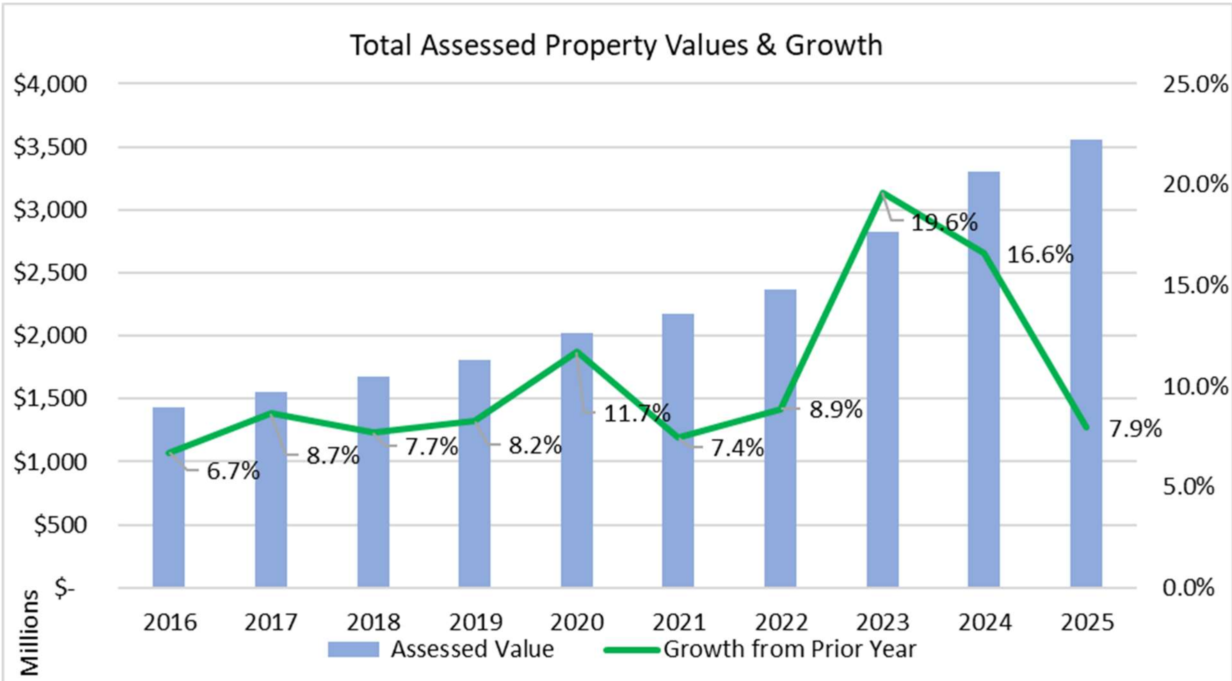


The City of Boerne continues to experience growth rates across all its major sectors of sales tax that exceed or meet the overall growth rate percentage as compared to statewide averages for the 12 months ended September 30, 2025. Specifically strong for the City of Boerne were growth rates in the largest sectors of the City's local economy including construction and manufacturing, brick and mortar retail (general retail and grocery stores), internet retail, and professional and financial services. The City of Boerne hosts several insurance companies, financial services companies, and banks that experienced strong economic performance during the fiscal year. Restaurants and entertainment also enjoyed a healthy 5% annual growth rate due to strong tourism, and a proud Boerne tradition to "Eat and Shop Local". Despite a statewide decline in certain online retail segments, the City experienced continued strength in brick-and-mortar retail activity.

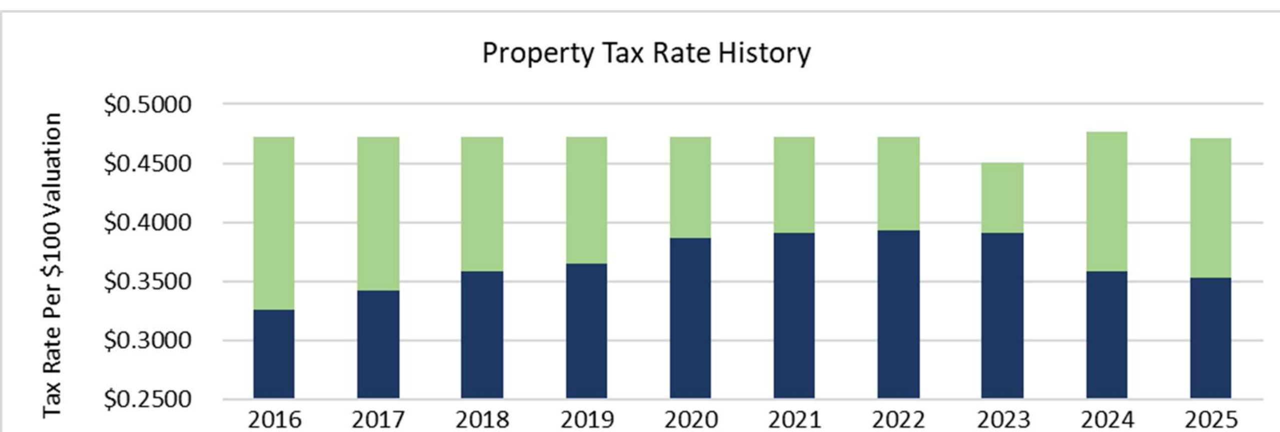


Local Economy – Property Tax Values and Rates

The second major revenue source for the City is property taxes (ad valorem taxes). The City's sustained population growth combined with consumer demand for real estate over the last ten years has impacted total commercial, industrial, and residential property values. Located in the "Texas Triangle of Growth" and nestled in the highly desirable Texas Hill Country with excellent schools and notorious community charm, Boerne continues to be a sought-after destination for all demographic categories.



Property tax rates have remained stable over the past decade, with a concerted effort in the past two years to decrease the City's overall maintenance and operations (M&0) tax rate in order to minimize the tax rate impact of the favorably voted 2022 bond election. The first debt issuance occurred in 2023 with a subsequent debt issuance in 2025. Due to diligent efforts to reduce the maintenance and operations rate, the City was able to maintain a stable rate level despite increasing the I&S rate for debt service on the issuance.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
I & S Rate	$0.145	$0.129	$0.113	$0.106	$0.085	$0.081	$0.078	$0.060	$0.118	$0.118
O & M Rate	$0.326	$0.342	$0.358	$0.365	$0.386	$0.390	$0.393	$0.390	$0.358	$0.353

Long-Term Financial Planning

The City develops a Rolling Ten-Year Plan as part of its long-term financial planning process. The Rolling Ten Year Plan ("the Plan") is an organizational document that brings together and highlights key components, recommendations, and implementation priorities of all the major planning documents for the City of Boerne. The Plan summarizes each of the individual documents and provides one source for elected officials and the community to access key highlights and recommendations from each plan. Additionally, the Plan serves as a historical reminder of all the projects that have been completed to document the City's progress in achieving its financial and organizational goals. A copy of the Rolling Ten Year Plan can be obtained on the City's website.

Financial Policies

Fiscal policies establish the framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards, and best practices. Maintaining healthy reserves in the General Fund, as well as other City funds, is a critical component of the City's sound financial management practices.

This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies. The City's fund balance reserve policy requires maintaining a minimum of six (6) months of operating expenditures within the fund balance of the General Fund and a minimum of three (3) months of operating expenditures in reserve for each of the City's Special Revenue funds. For the Utility funds, the City's policy requires a minimum of six (6) months of operating expenditures to be held in reserve. As of September 30, 2025, the required reserves were fully funded per the City's policy.

The City's conservative financial management practices have enabled it to increase its credit ratings with Moody's Investor Services in the current year to Aa1, and Fitch Ratings to AA+ in the prior year. This credit rating upgrade further reflects the City's deep commitment to strategic, responsible, and conservative financial management.

Major Initiatives

Quality of Life Bond Projects
Acknowledging the need for continuous reinvestment in City infrastructure as well as to address important community needs, the City Council called a $36 million quality of life bond program which was approved by the voters in November 2022. The program includes $23 million to fund improvements to the City's existing roadways, turn lanes, intersections, and traffic signals and an additional $13 million for funding the development and improvement of the City's parks, trails, and open spaces. The bond program began with an initial issuance of $18 million during the fiscal year ended 2023 and subsequent issuance in fiscal year ended 2025 of $4 million. Bond project initiatives during the fiscal year included roadway mobility enhancements and improvements to Northside Community Park.

Master Plan Implementations and Capital Infrastructure
Concentration during the year was placed on advancing master plan recommendations and investment in capital infrastructure, including the following key projects:

- *Design Work on Fire Station #2* – The City of Boerne is actively planning and budgeting for a second Fire Station for the Boerne Fire Department. The project will be funded through cost shares with developers and the City's general fund. Design work commenced on the fire station during fiscal year 2025 in the amount of $643 thousand.

- *Sidewalk Mobility Enhancements*–Several sidewalk initiatives are in the design phase in fiscal year 2025. The City of Boerne was awarded $2.6 million in Federal Transportation Alternatives grant funding from the Alamo Area Metropolitan Planning Organization for fiscal years 2027 through 2030. The funded sidewalk improvements will be constructed at locations identified through a prior MPO mobility study, as well as through ongoing citizen comments and requests. The areas will focus on East Hosack, West Hosack, West Theissen, and Schweppe streets; Herff and City Park roads; and a small extension of the Old No. 9 Trail. Thus, we anticipate expenditures to increase during fiscal years 2027 through 2030.

- *Roadway Mobility Enhancements* - Consistent with one of the top goals in the City's Rolling Ten-Year Plan, the City of Boerne spent $240 thousand on design or construction for several portions of roadways throughout the City including portions of Adler road and Old San Antonio road.

- *Street Maintenance and Improvements* – The City relies on a comprehensive street maintenance plan based on a pavement condition index (PCI) analysis. The PCI analysis involves a visual survey of the number and types of distresses in a selected area of pavement, resulting in a pavement health classification ranging from Good (best) to Serious (worst). The City also completed street maintenance activities (i.e., patching) covering approximately 8.7 total lane miles of streets. The street maintenance plan includes annual funding requirements to maintain and preserve the City's streets over the next ten years to minimize the number of street failures and increase the City-wide PCI rating from Satisfactory to Good.

- *Community Facilities - Parks* – The City of Boerne commenced work on the Boerne Parks, Recreation and Open Space Master Plan goal for improvements to Northside Community Park, Kinderpark, Northrup Park and River Road Park spending a total of approximately $2.1 million in costs to cover design work and related construction.

- *Utility System Improvements* – Boerne Utilities is upgrading thousands of gas and water meters across the city and our utility boundary to enhance service reliability and accuracy for our customers. The City of Boerne spent $2.6 million for water and gas meter equipment and installation during fiscal year 2025. Additionally, design work and/or construction continued on the following projects: Water and Wastewater Treatment Plants Expansion, Ammann Road Water Tank and Pump Station improvements, Eastern Distribution Gas Loop Expansion and Ammann Main Improvements at a cost of approximately $3.5 million.

Other key operational initiatives during the fiscal year ended September 30, 2025 included:

- *Management of inflationary pressures*
  The economic and inflationary challenges facing the nation impacted the way the City was able to conduct its business. Managing cost increases while maintaining or improving service levels was a key initiative during the year.

- *Upholding a competitive compensation and benefits program*
  Difficulty filling positions following the "great resignation" coupled with inflationary pressures resulted in the need for investment in "Employer of Choice" initiatives including benefits enhancements, a cost-of-living adjustment in accordance with City Policy, and an optional, performance-based merit.

- *Increasing Investment in Public Safety Services*
  The City of Boerne added nine new public safety positions including six new grant-funded firefighter positions, an additional Police Officer and two dispatchers in fiscal year 2025.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Boerne for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2024. This was the thirty-eighth consecutive year that the City of Boerne has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

GFOA Distinguished Budget Presentation Award
Additionally, the City received the GFOA Distinguished Budget Presentation Award for the fiscal year 2024, highlighting the City's foundational commitment to budget transparency. In order for a budget document to be recognized with this achievement, it must reflect the highest possible standards of transparency and excellence, while serving as a policy document, financial plan, and operational guide.

Popular Annual Financial Report Award
In recognition of its commitment to transparency and excellence in financial reporting, the City received the Popular Annual Financial Report (PAFR) Award for fiscal year 2022 and is currently awaiting the results for fiscal year 2024. This achievement reflects the City's ongoing dedication to providing financial information that is clear, accessible, and understandable to a broad range of users.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department with oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would also like to express our appreciation to the Mayor and City Council for their leadership and support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Ben Thatcher
City Manager

Kristy Stark
Assistant City Manager

Danny Zincke
Assistant City Manager

Sarah Buckelew, CPA
Finance Director

Karen Kochheiser
Assistant Finance Director

Danielle Montes, CPA
Reporting and Compliance Manager

LEGISLATIVE OFFICIALS

Frank Ritchie	Mayor*
Ty Wolosin	Member of City Council – District 1, Mayor Pro Tem*
Joe Bateman	Member of City Council – District 2*
Kyle Mickelson	Member of City Council – District 3*
Bret Bunker	Member of City Council – District 4*
Joseph Macaluso	Member of City Council – District 5*

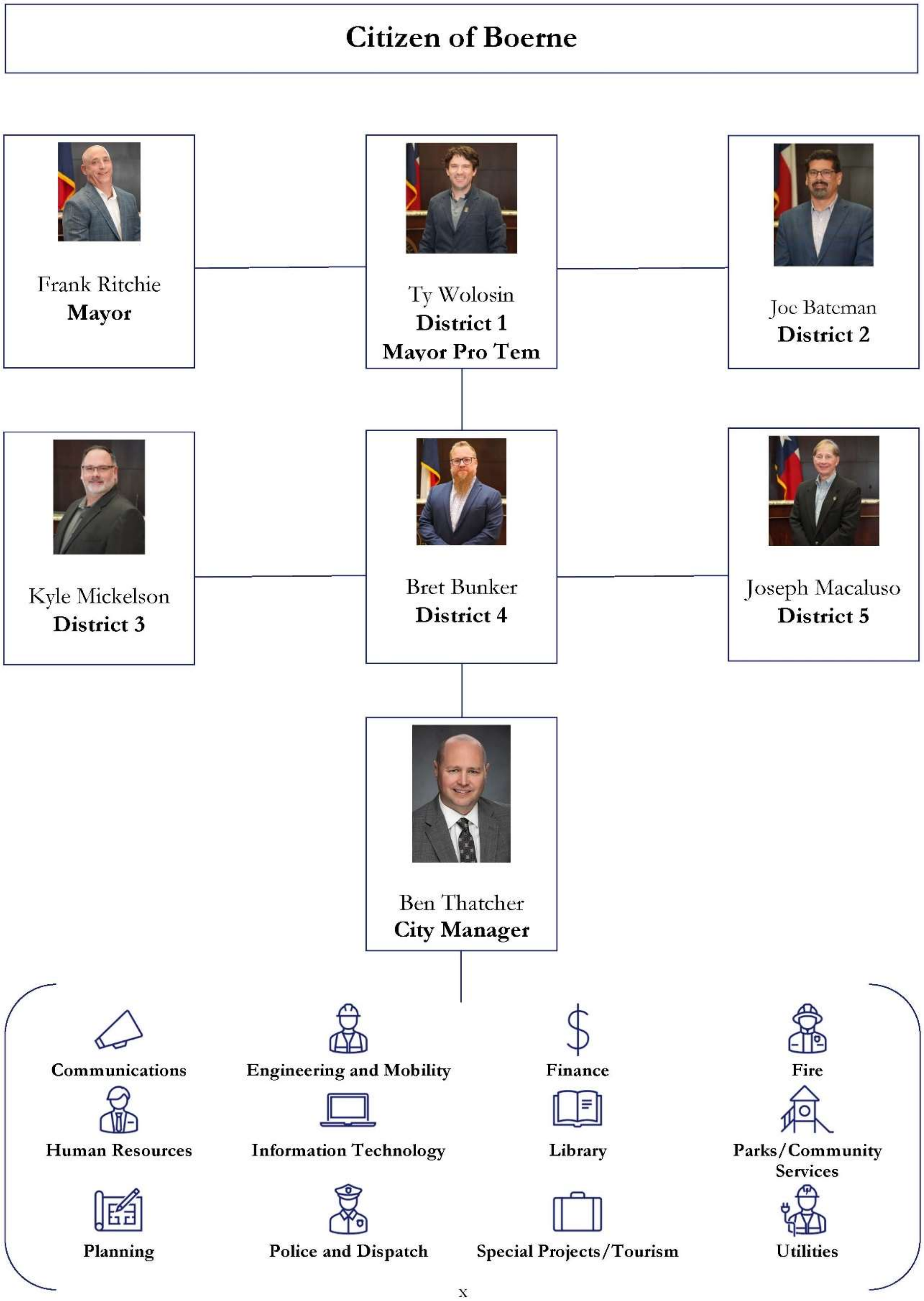
ADMINISTRATIVE OFFICERS

Ben Thatcher	City Manager
Kristy Stark	Assistant City Manager
Danny Zincke	Assistant City Manager

DEPARTMENT HEADS

William “Mick” McKamie	City Attorney
Lori Carroll	City Secretary
Chris Shadrock	Communications Director
Jeff Carroll	Engineering and Mobility Director
Sarah Buckelew, CPA	Finance Director
Manual Casarez	Fire Chief
Susan Finch	Human Resources Director
Mike Raute	Information Technology Director
Natalie Shults	Library Director
Nicholas Montagno	Operations Director
Lissette Jimenez	Parks and Recreation Director
Nathan Crane	Planning Director
Steve Perez	Police Chief
Paul Barwick	Special Projects Director
Michael Mann, PE	Utilities Director
Larry Woods	Visit Boerne Director

*Elected Official


Citizen of Boerne
Frank Ritchie
Mayor
Ty Wolosin
District 1
Mayor Pro Tem
Joe Bateman
District 2
Kyle Mickelson
District 3
Bret Bunker
District 4
Joseph Macaluso
District 5
Ben Thatcher
City Manager
Communications
Engineering and Mobility
Finance
Fire
Human Resources
Information Technology
Library
Parks/Community Services
Planning
Police and Dispatch
Special Projects/Tourism
Utilities

x

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Boerne
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Executive Director/CEO

FINANCIAL SECTION

CITY OF
Boerne

whitleypenn

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Boerne, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Boerne, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Honorable Mayor and Members of City Council
City of Boerne, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension information, other-post employment benefit information, and the General Fund budget to actual schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and certain budget to actual schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Honorable Mayor and Members of City Council
City of Boerne, Texas

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
March 10, 2026

As management of the City of Boerne ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the primary government of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2025, by $281.2 million (net position). Of this amount, $156.5 million is invested in capital assets, net of related capital debt, $28.3 million is restricted for specific purposes, and the remaining $96.4 million net position is unrestricted.
- The City's total net position increased by $33.0 million from the previous year. GASB Statement No. 101, *Compensated Absences*, was implemented in the current year, which decreased net position by $2.1 million.
- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of $79.2 million, an increase of $8.2 million in comparison to the prior year. Approximately $31.3 million of the $79.2 million is considered restricted or nonspendable fund balance.
- As of September 30, 2025, the fund balance of the General Fund was $21.7 million, of which $3.1 million is restricted for specific purposes, $148,221 is nonspendable for prepaid items, and the remaining $18.4 million is assigned.
- The City's total general obligation debt decreased in total by $0.6 million during the current fiscal year. Additional general obligation debt from the voter-approved 2022 bond was issued for $4.0 million. This issuance was offset by a $1.1 million defeasance along with regularly scheduled payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Boerne's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also one legally separate entity, the Boerne Public Facility Corporation (BPFC), for which the City is financially accountable. Although legally separate, the BPFC is included in the financial statements as a blended component unit because it has substantially the same governing body as the City and the City manages the BPFC in essentially the same manner as it manages its own activities. The government-wide financial statements immediately follow this discussion and analysis.

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

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

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

The City maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds 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. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements immediately follow the government-wide financial statements.

Proprietary Funds are generally used to account for services for which the City charges customers-either outside customers or internal units or departments of the City. *Proprietary funds* provide the same type of information as shown in the *government-wide financial statements*, only in more detail. The City maintains one type of *proprietar*y fund. *Enterprise funds*, which are used to report the same functions presented as *business-type activities* in the *government-wide financial statements*. The City's major *enterprise funds* include the electric fund, water fund, wastewater fund, and gas fund. The remaining funds are combined into a single, aggregated presentation. Individual fund data for these funds is provided in the form of *combining statements* elsewhere in the report.

The basic proprietary fund financial statements immediately follow the basic governmental fund financial statements.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements immediately follow the basic financial statements.

Other Information. In addition to the basic financial statements and the accompanying notes, this report also presents required supplementary information which includes a budgetary comparison statement for the general fund and all governmental funds with a legally adopted budget to demonstrate compliance with the annual budget as adopted (original) and amended (final), as well as information concerning the City's annual required contribution to the defined benefit pension plan and other postemployment benefit plans. Required supplementary information immediately follows the notes to the financial statements. The combining statements and schedules referred to earlier in connection with other governmental funds and enterprise funds for nonmajor special revenue funds, permanent funds, and enterprise funds immediately follow the required supplementary information.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. The following table presents a summarization of the City's assets, deferred outflows, liabilities, deferred inflows, and net position for its governmental and business-type activities, with comparative data from the previous year:

Comparative Statement of Net Position
September 30, 2025 and 2024

	Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Assets and Deferred Outflows						
Assets:						
Current	$ 82,345,585	$ 72,289,692	$ 94,062,679	$ 86,949,694	$ 176,408,264	$ 159,239,386
Capital assets	96,848,817	89,104,828	120,648,538	111,272,265	217,497,355	200,377,093
Total assets	179,194,402	161,394,520	214,711,217	198,221,959	393,905,619	359,616,479
Deferred outflows	5,843,725	6,815,499	3,320,580	3,020,940	9,164,305	9,836,439
Total Assets and Deferred Outflows	185,038,127	168,210,019	218,031,797	201,242,899	403,069,924	369,452,918
Liabilities and Deferred Inflows						
Liabilities:						
Current	3,046,046	1,100,284	5,213,750	4,786,995	8,259,796	5,887,279
Long-term	71,391,775	71,251,730	38,957,646	39,586,659	110,349,421	110,838,389
Total liabilities	74,437,821	72,352,014	44,171,396	44,373,654	118,609,217	116,725,668
Deferred inflows	2,311,682	1,861,874	982,100	594,545	3,293,782	2,456,419
Total Liabilities and Deferred Inflows	76,749,503	74,213,888	45,153,496	44,968,199	121,902,999	119,182,087
Net Position						
Net investment in capital assets	65,306,618	57,329,005	91,163,062	79,467,816	156,469,680	136,796,821
Restricted	11,652,431	10,339,905	16,648,115	17,735,464	28,300,546	28,075,369
Unrestricted	31,329,575	26,327,221	65,067,124	59,071,420	96,396,699	85,398,641
Total Net Position	$ 108,288,624	$ 93,996,131	$ 172,878,301	$ 156,274,700	$ 281,166,925	$ 250,270,831

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by $281.2 million at the close of the most recent fiscal year. By far the largest portion of the City's net position (56%) reflects its investment in capital assets, less any related 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 capital assets themselves cannot be used to liquidate these liabilities.

The City's overall net position increased by $33.0 million from the prior fiscal year as summarized in the following condensed statement of activities:

Comparative Statement of Activities
Year Ended September 30, 2025 and 2024

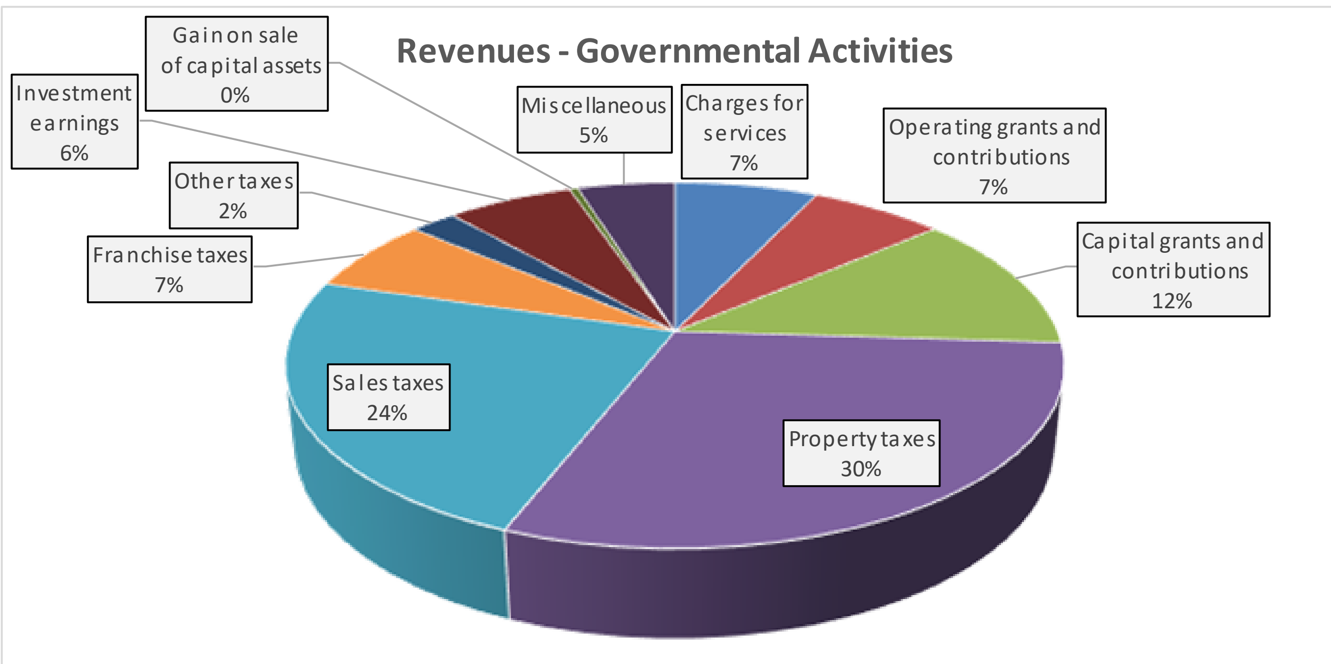
	Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for services	$ 3,882,710	$ 9,807,136	$ 49,675,122	$ 45,891,468	$ 53,557,832	$ 55,698,604
Operating grants and contributions	3,633,072	458,948	5,000	-	3,638,072	458,948
Capital grants and contributions	6,702,918	2,794,506	10,196,698	17,107,688	16,899,616	19,902,194
General Revenues:						
Property taxes	16,423,243	16,012,901	-	-	16,423,243	16,012,901
Sales taxes	12,898,795	12,369,640	-	-	12,898,795	12,369,640
Franchise taxes	3,636,189	3,351,029	-	-	3,636,189	3,351,029
Other taxes	1,244,811	1,249,393	-	-	1,244,811	1,249,393
Investment earnings	3,435,497	3,767,993	3,430,233	3,778,844	6,865,730	7,546,837
Gain on sale of capital assets	227,005	2,619,115	-	20,917	227,005	2,640,032
Miscellaneous	2,641,221	358,674	1,400,000	-	4,041,221	358,674
Total Revenues	54,725,461	52,789,335	64,707,053	66,798,917	119,432,514	119,588,252
Expenses						
General government	5,255,524	4,195,623	-	-	5,255,524	4,195,623
Public safety	16,612,288	15,577,327	-	-	16,612,288	15,577,327
Highway and streets	6,575,046	5,824,692	-	-	6,575,046	5,824,692
Economic development	1,675,916	2,523,471	-	-	1,675,916	2,523,471
Culture and recreation	8,299,750	7,212,610	-	-	8,299,750	7,212,610
Interest on long-term debt	1,609,261	1,648,850	-	-	1,609,261	1,648,850
Electric	-	-	16,924,421	16,898,460	16,924,421	16,898,460
Water	-	-	12,173,517	9,216,647	12,173,517	9,216,647
Wastewater	-	-	10,817,030	9,924,255	10,817,030	9,924,255
Gas	-	-	4,883,873	4,191,674	4,883,873	4,191,674
Solid waste	-	-	1,622,594	1,466,906	1,622,594	1,466,906
Stormwater	-	-	31,044	151,834	31,044	151,834
Total Expenses	40,027,785	36,982,573	46,452,479	41,849,776	86,480,264	78,832,349
Change in net position before transfers	14,697,676	15,806,762	18,254,574	24,949,141	32,952,250	40,755,903
Transfers	1,139,715	(170,929)	(1,139,715)	170,929	-	-
Change in Net Position	15,837,391	15,635,833	17,114,859	25,120,070	32,952,250	40,755,903
Net Position, Beginning (2025 restated)	92,451,233	78,360,298	155,763,442	131,154,630	248,214,675	209,514,928
Net Position - Ending	$ 108,288,624	$ 93,996,131	$ 172,878,301	$ 156,274,700	$ 281,166,925	$ 250,270,831

The major components of the changes in net position are explained in more detail on the following pages. Refer to Note 12 regarding implementation of GASB 101, *Compensated Absences*.

Governmental Activities. Governmental activities net position increased by $15.8 million, from a restated beginning net position of $92.5 million to an ending net position of $108.3 million.

Governmental Activities Revenues increased by $1.9 million from the prior year. Key elements of this change are as follows:

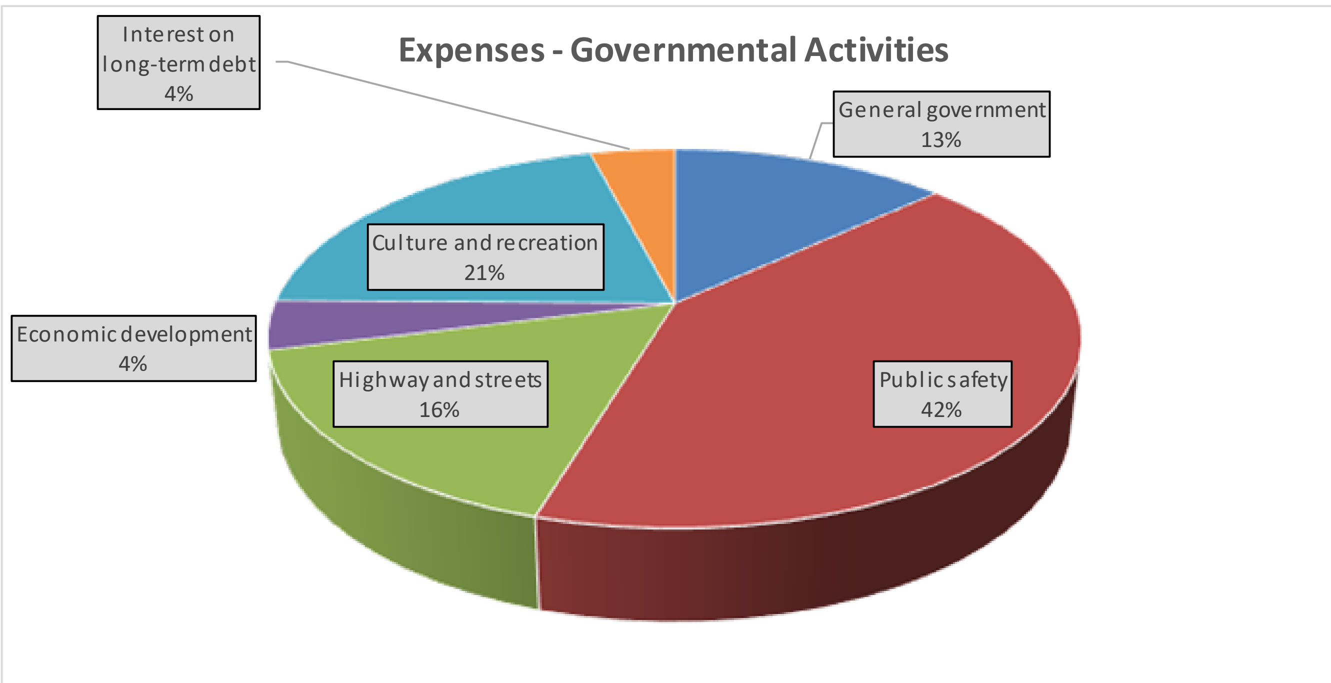
- Program revenues increased by $1.2 million due to an increase in contributions of capital assets when compared to the previous fiscal year.
- Property taxes increased by $0.4 million when compared to the previous year due to an increase in appraised values and new properties on the tax roll.
- Sales taxes increased by $0.5 million when compared to the previous year due primarily to an increase in retail sales, which increased year over year by 9%.
- Gain on sale of capital assets decreased by $2.4 million due to the sale of the former City Hall in fiscal year 2024 with no large capital asset sales occurring during fiscal year 2025.
- Investment earnings decreased by $0.3 million due to a decrease in investment holdings and decreases to the Fed Fund target rates.
- Miscellaneous revenue increased by $2.3 million primarily due to an increase of approximately $0.8 million in municipal facility fees and $0.5 million of fire department deployment reimbursements.



Governmental Activities Expenses increased by $3.0 million from the prior year. Key elements of this change are as follows:

- Highway and streets expenses increased by $0.8 million due to the increase in scope of the annual street maintenance as well as the purchase of dump truck and other heavy capital equipment.
- Public safety expenses increased by $1.0 million due to the addition of three firefighter positions, as well as the promotion of three police officers, coupled with the addition of a mental health officer. These additional positions and promotions resulted in higher salaries, overtime, payroll related taxes/insurance and retirement costs. In addition, the fire department assisted with more deployments resulting in higher backfill costs that were reimbursed in full. Lastly, the fire and police department assisted with the Kerrville flooding that took place on July 3rd of 2025. The overtime costs incurred were obligated and reimbursed through the Federal Emergency Management Agency (FEMA) in fiscal year 2026.

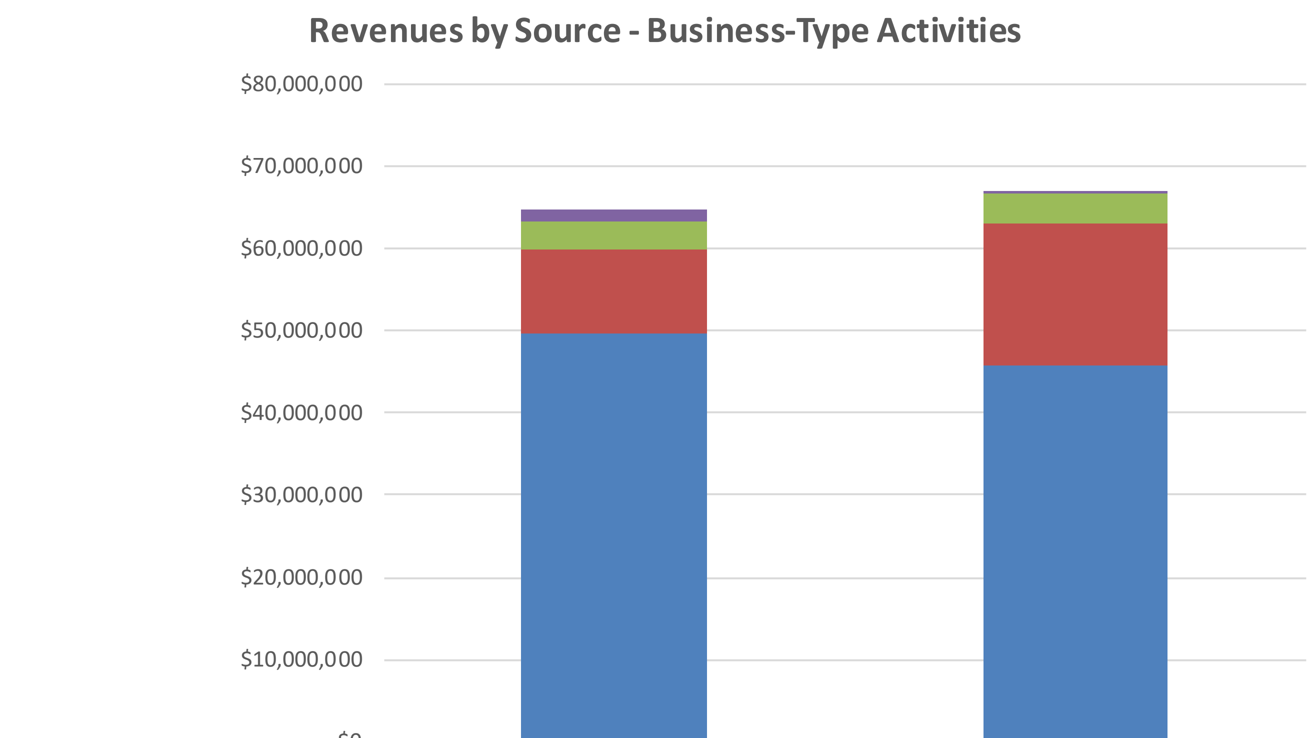
As shown in the chart below, revenues generated by the City's programs are not sufficient to cover the costs. The City relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.



Business-type Activities. Business-type activities net position increased by $17.1 million, from a restated beginning net position of $155.8 million to an ending net position of $172.9 million.

Business-Type Activities Revenues decreased by $2.1 million from the prior year. Key elements of this change are as follows:

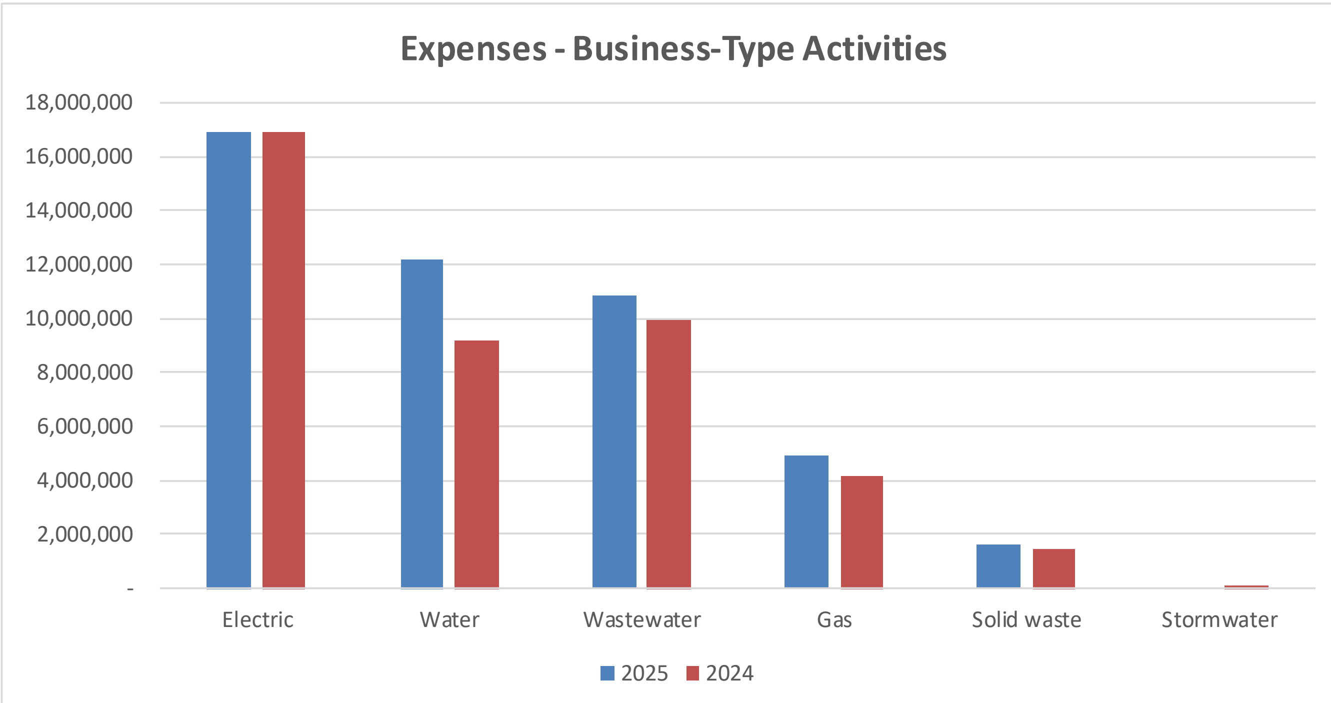
- Charges for services increased by $3.8 million due to an increase in service connections as well as $2.7 million in developer reimbursements for infrastructure improvements.
- Investment earnings decreased by $0.3 million due to the use of cash and investments for intended purposes such as capital outlay, thus decreasing the overall portfolio balance.
- Capital infrastructure contributions from developers for electric, water, sewer, and natural gas infrastructure in various residential subdivisions within the City expenses decreased by $6.9 million because contractual timing of the contributions varies year over year.
- Miscellaneous revenue increased by $1.4 million as the City entered into a cost-share with Kendall County of $1.4 million towards stormwater infrastructure.



	2025	2024
Other revenue	$1,405,000	$20,917
Investment earnings	$3,430,233	$3,778,844
Capital grants and contributions	$10,196,698	$17,107,688
Charges for services	$49,675,122	$45,891,468

Business-Type Activities Expenses increased by $4.6 million from the prior year. Key elements of this change are as follows:

- Personnel costs increased by $4.1 million resulting from the reallocation of four positions from government funds, overtime incurred, and budgeted annual COLA and merit increases.



Financial Analysis of Governmental Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements. 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, assigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of $79.2 million. Of this amount Approximately 60% of the City's governmental funds' fund balances, or $47.9 million, constitutes assigned fund balance, which is available for spending at the government's discretion. An additional $31.3 million is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws, or regulations of other governments or through enabling legislation.

General Fund. The general fund is the chief operating fund of the City. Total fund balance decreased by $0.6 million to an ending balance of $21.7 million due to the utilization of assigned fund balance from the sale of the old City Hall for debt payments, offset by increases in other restricted fund categories. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and assigned fund balance to total general fund expenditures. Unassigned and assigned fund balance represents 65% of total general fund expenditures.

General fund revenues for the fiscal year ended September 30, 2025, increased by $1.3 million, or 3.9%, over the prior year due to the following factors:

- Ad valorem decreased by $0.6 million, or 7.5%, from the prior year as the property tax rate maintenance and operations rate was reduced.
- Sales taxes increased by $0.5 million, or 4.3%, due to increased economic activity, particularly from an increase in retail sales, which increased 9% year over year.
- Franchise increased by $0.3 million, or 8.5%, due to an increase in business operating in Boerne territory.
- Miscellaneous revenue increased by $1.3 million, or 117.2%, comprised of an increase of approximately $0.8 million in municipal facility fees and $0.5 million of fire deployment reimbursements.
- Sale of capital assets decreased by $2.3 million, or 95.0%, as the sale of the old City Hall occurred in fiscal year 2024, and there were no large capital asset sales in fiscal year 2025.
- Proceeds from leases, financed purchases and technology subscriptions (SBITAs) decreased by $0.5 million, or 20.9%, due to less additions in those categories in the current year. For further details, see note 6 in the notes to the financial statements.

General fund expenditures for the fiscal year ended September 30, 2025, increased by $2.0 million, or 7.6%, over the prior year due to the following factors:

- General government expenditures increased by $1.1 million, or 30.0%, due primarily to scheduled cost of living and merit increases in the personnel category.
- Public safety expenditures increased by $1.6 million, or 11.2%, due to the addition of three grant-funded firefighter positions, as well as the promotion of three police officers, coupled with the addition of a mental health officer. These additional positions and promotions resulted in higher salaries, overtime, payroll related taxes/insurance and retirement costs. The Fire department assisted with more deployments resulting in more overtime. Lastly, the fire and police department assisted with the Kerrville flooding that took place on July 3rd, the overtime costs incurred were reimbursed through the Federal Emergency Management Agency (FEMA) in fiscal year 2026.
- Highways and streets expenditures decreased by $0.5 million, or 16.1%, due to the reassignment of two positions to the utility department as well as turnover that occurred during the year.

Debt Service Fund. The fund balance of the City's debt service fund increased by $0.6 million during the current fiscal year to an ending fund balance of $1.9 million. This activity in this fund varies based on the amount of debt outstanding each year.

Capital Projects Fund. The fund balance of the City's capital projects fund increased by $9.5 million during the current fiscal year to an ending fund balance of $45.6 million. This change was due to the issuance of $4 million of voter-approved general obligation bonds for the completion of Northside Community Park, less reductions for the continued spending on bond projects primarily for streets and park improvement projects. Additionally, programmed savings toward infrastructure of $6 million was transferred in for upcoming projects as well as transfer from the Parks capital fund balance to the capital projects fund of $2.4 million for use in the Northside Community Park project.

Financial Analysis of Enterprise Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's business-type activities primarily consist of services provided by the electric, water, wastewater and gas funds.

Electric Fund. The net position of the electric fund increased by $4.7 million during the current fiscal year to an ending net position of $40.4 million. The increase was due to steady operations year over year coupled with no major infrastructure projects occurring.

Water Fund. The net position of the water fund increased by $3.9 million during the current fiscal year to an ending net position of $65.6 million. The increase was due to an increase in connections and impact fees.

Wastewater Fund. The net position of the wastewater fund increased by $4.4 million during the current fiscal year to an ending net position of $38.9 million. The increase was due to an increase in connections and impact fees.

Gas Fund. The net position of the gas fund increased by $1.7 million during the current fiscal year to an ending net position of $15.6 million. The increase was due to placing gas infrastructure in service and consistent operations during the year.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was an increase of $0.1 million in appropriations between the adopted and amended budget which is only a 0.0% amendment to total adopted expenditures.

Final budget compared to actual results. Actual revenues of $33.2 million were more than final budgeted amounts by $3.0 million due to more than anticipated revenues generated from municipal facility fees, fire department deployment reimbursements, permits, franchise fees, and interest revenue. Actual expenditures of $28.2 million were less than final budgeted amounts by $1.1 million primarily due to regularly budgeted expenditures, plus $650 thousand in savings from staff vacancies, $730 thousand savings in maintenance, and $650 thousand in professional services. Other sources (uses) were less than final budgeted amounts by $4.4 million due to a programmed savings transfer to the capital projects fund for future infrastructure projects of $6.2 million.

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal year 2025, the City's governmental activities and business-type activities had $96.8 million and $120.6 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of $7.7 million over the end of last fiscal year for the governmental activities and an increase of $9.4 million over the end of last fiscal year for business-type activities.

	Capital Assets					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 13,343,941	$ 10,782,215	$ 6,780,525	$ 7,369,627	$ 20,124,466	$ 18,151,842
Construction in progress	6,452,307	3,729,556	6,525,330	5,279,263	12,977,637	9,008,819
Infrastructure	43,203,660	38,909,955	91,124,615	81,338,572	134,328,275	120,248,527
Buildings and plant	25,390,158	27,003,645	13,942,856	15,895,001	39,333,014	42,898,646
Improvements other than buildings	2,789,721	3,330,774	-	-	2,789,721	3,330,774
Machinery and equipment	2,524,119	2,429,169	1,676,728	903,109	4,200,847	3,332,278
Lease assets	2,678,064	2,420,718	598,484	486,694	3,276,548	2,907,412
Subscription assets	466,847	498,796	-	-	466,847	498,796
Total Capital Assets	$ 96,848,817	$ 89,104,828	$ 120,648,538	$ 111,272,266	$ 217,497,355	$ 200,377,094

Major capital asset transactions during the current fiscal year included the following:

- Developers contributed infrastructure totaling $15.6 million to the City's streets and enterprise funds.
- Construction in progress started or in process during the year included work on the wastewater treatment plant as well as multiple utility infrastructure and park improvement projects.
- The City capitalized nearly $5.6 million in completed infrastructure projects including completed sidewalk, street reconstruction, water and gas meters, and the East Loop natural gas main construction.
- The City acquired equipment with a total cost of $3.5 million during the fiscal year, which primarily consisted of gas and water meters.

Additional information on the City's capital assets can be found under note 5 in the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the City had total outstanding debt of $51.0 million in the governmental activities and $30.3 million in the business-type activities.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 43,770,000	$ 42,750,000	$ 25,495,000	$ 27,230,000	$ 69,265,000	$ 69,980,000
General obligation bonds (private)	560,000	830,000	-	-	560,000	830,000
Unamortized premium	3,081,854	3,229,217	2,122,188	2,357,627	5,204,042	5,586,844
Leases	2,548,971	2,260,352	2,115,221	2,673,441	4,664,192	4,933,793
Financed purchases	636,615	437,844	596,989	476,796	1,233,604	914,640
SBITAs	443,598	386,306	-	-	443,598	386,306
Total Outstanding Debt	$ 51,041,038	$ 49,893,719	$ 30,329,398	$ 32,737,864	$ 81,370,436	$ 82,631,583

The City's outstanding debt for governmental activities increased by $1.1 million due to scheduled principal payments, offset by issuance of $4.0 million in voter-approved bonds for the completion of Northside Community Park. The City's debt for business-type activities decreased by $2.4 million from the previous year due to scheduled principal payments.

The City's conservative financial management practices has enabled it to upgrade its credit rating for Moody's Investor Services from Aa2 to Aa1, which exceeds a median rating of AA3 for U.S. cities. The City also has a AA+ from Fitch Ratings, further reflecting a deep commitment to strategic, responsible, and conservative financial management. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Boerne is approximately $355.9 million, which is significantly more than the City of Boerne's outstanding $69.8 million in general obligation debt.

Additional information on the City's long-term liabilities can be found under note 6 in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget appropriation, tax rates, and fees that will be charged for the City's governmental and business-type activities. Among these factors were inflationary pressures faced by the City and nation as a whole, and ongoing investment in a strong culture to retain and attract new employees, as well as the City's focus on its strategic priorities.

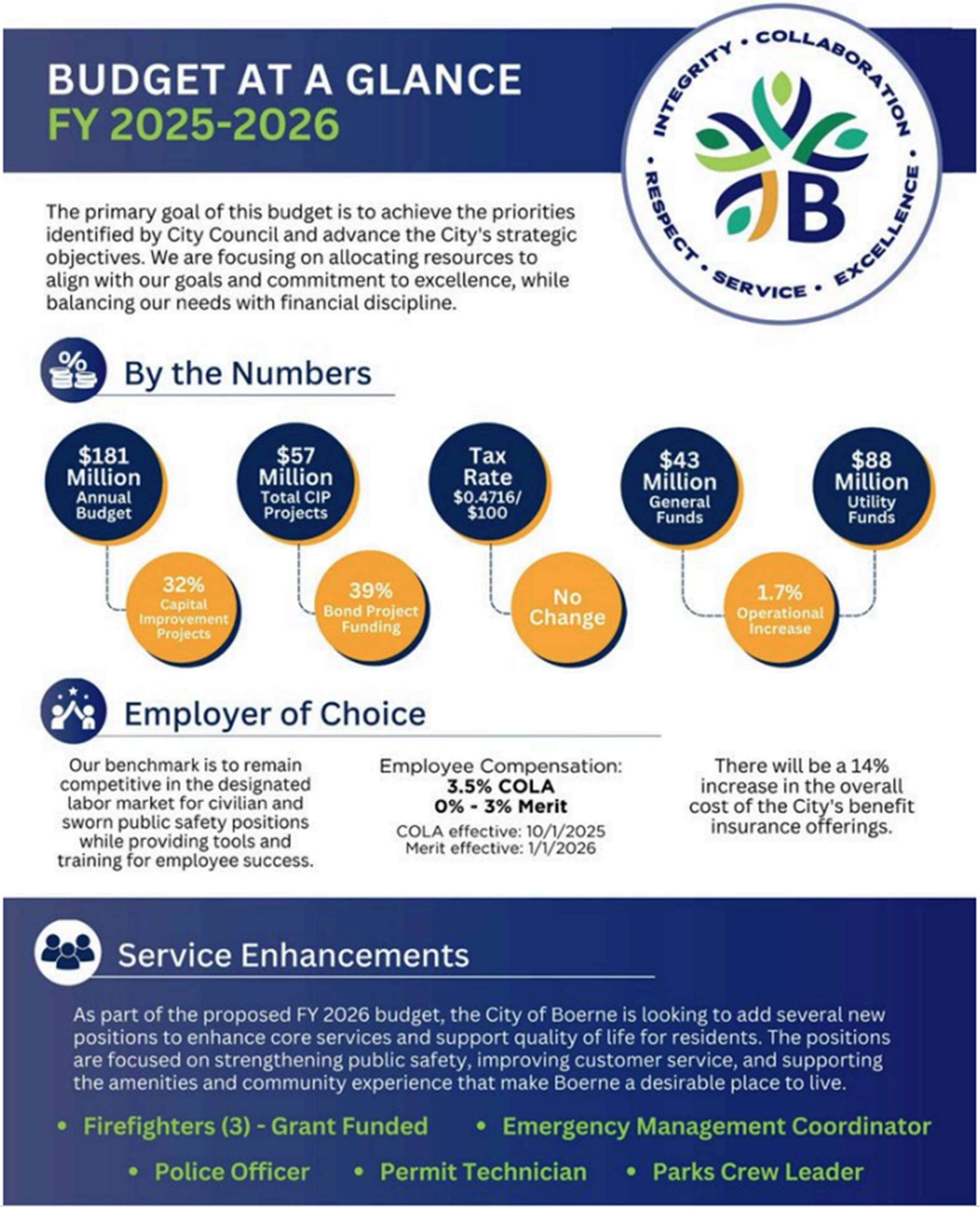
The fiscal year 2026, $181 million total City Budget is comprised of nineteen funds, of which eleven are governmental funds and eight are enterprise (utility) funds. The governmental funds account for $93 million of the budget, while the utility funds account for $88 million of the budget.

The Fiscal Year 2026 budget maintained the total property tax rate of $0.4716/$100 value. This was able to take place because City staff continue to maximize investment in infrastructure and other key initiatives while balancing cost pressures of the current economy and job market resulting in overall tax stability.

The fiscal year 2026 budget prioritizes key initiatives that align with our strategy map and our mission to provide high-quality services and build an exemplary Hill Country Community. Notable highlights include:

- Investing $57 million in strategic capital infrastructure projects.
- Upholding a competitive compensation and benefits program to maintain our employer of choice status.
- Containing no service level reductions but rather many service level enhancements, including adding seven new positions.
- Maintaining limited expenditure growth.
- Managing inflationary pressures.
- Implementing recommendations from the City's 10-Year Rolling Plan

Budget Infographic Depicting Budget Highlights for Fiscal Year 2025:



The primary objectives of the budget are to improve departmental efficiencies in resource allocation, continue investing in our organization to provide high-quality services to residents, businesses, and visitors, and further invest in infrastructure and the Capital Improvement Program (CIP). This budget aims to fulfill the commitments made during the November 2022 election when residents approved two bond propositions to fund street and parks infrastructure. Design work for 2022 bond projects is ongoing and utilizes the first $18 million of the $36 million authorized bond funds. An additional $4 million of the voter-approved debt was issued during fiscal year 2025 to support the completion of Northside Community Park.

This budget emphasizes strategic investments that boost community growth, resilience, and quality of life. A total of $57 million is allocated for infrastructure improvements, more than 31% of the total budget. These investments will address key needs in transportation, utilities, and public facilities, ensuring that Boerne's infrastructure keeps up with our growing community.

With the support and leadership of the Mayor and City Council, the FY 2026 budget was developed in line with the City's established financial principles and strategic framework. It advances key recommendations from the City's Ten-Year Rolling Plan, manages costs amid ongoing inflation, and focuses on providing high-quality service for our growing community. This plan also includes measures to ensure long-term financial sustainability through multi-year planning, responsible use of reserves, and strategic capital investments. Importantly, it reaffirms our commitment to being an employer of choice, supporting competitive compensation, benefits, and tools that enable our workforce to serve with excellence.

As always, our staff remains aware of the dynamic community we serve and deeply appreciates the trust placed in us. Together, we are building an exemplary Hill Country community characterized by fiscal discipline, strategic foresight, and a shared dedication to service.

Requests for Information

This financial report is designed to provide a general overview of the City of Boerne's finances for all those with an interest in the government's finances and to show the City's accountability for the financial resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information are available by Public Information Request on the City of Boerne's website.

BASIC FINANCIAL STATEMENTS

CITY OF BOERNE, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	$ 40,995,192	$ 50,794,984	$ 91,790,176
Investments	16,068,529	13,520,243	29,588,772
Receivables, net of allowance for uncollectibles	3,591,878	6,026,536	9,618,414
Internal balances	(12,020)	12,020	-
Inventories	-	2,532,983	2,532,983
Prepaid items	189,770	24,680	214,450
Restricted cash and cash equivalents	21,512,236	21,151,233	42,663,469
Capital Assets:			
Nondepreciable	19,796,248	13,305,855	33,102,103
Depreciable, net	77,052,569	107,342,683	184,395,252
Total Capital Assets	96,848,817	120,648,538	217,497,355
Total Assets	179,194,402	214,711,217	393,905,619
Deferred Outflows of Resources			
Deferred charge on refunding	224,072	843,922	1,067,994
Pension related	5,042,231	2,230,761	7,272,992
OPEB related	577,422	245,897	823,319
Total Deferred Outflows of Resources	5,843,725	3,320,580	9,164,305
Liabilities			
Accounts payable	1,201,180	2,427,833	3,629,013
Accrued liabilities	1,695,209	356,910	2,052,119
Accrued interest	149,657	149,801	299,458
Customer deposits	-	2,279,206	2,279,206
Long-term liabilities:			
Total OPEB liability	538,170	228,893	767,063
Due within one year: Bonds, leases, subscriptions, financed purchases, compensated absences	6,414,798	2,806,182	9,220,980
Due in more than one year:			
Net pension liability	13,732,131	5,840,462	19,572,593
Total OPEB liability	2,783,541	1,183,875	3,967,416
Bonds, leases, subscriptions, financed purchases, compensated absences	47,923,135	28,898,234	76,821,369
Total Liabilities	74,437,821	44,171,396	118,609,217
Deferred Inflows of Resources			
Lease related	2,564	-	2,564
Pension related	921,813	392,061	1,313,874
OPEB related	1,387,305	590,039	1,977,344
Total Deferred Inflows of Resources	2,311,682	982,100	3,293,782
Net Position			
Net investment in capital assets	65,306,618	91,163,062	156,469,680
Restricted for:			
Capital improvements	-	16,648,115	16,648,115
Cemetery - expendable	1,667,193	-	1,667,193
Cemetery - nonexpendable	969,081	-	969,081
Debt service	1,766,397	-	1,766,397
Law enforcement	326,123	-	326,123
Public Facility Corporation	3,543,073	-	3,543,073
Tree restoration	2,745,499	-	2,745,499
Tourism	635,065	-	635,065
Unrestricted	31,329,575	65,067,124	96,396,699
Total Net Position	$ 108,288,624	$ 172,878,301	$ 281,166,925

See notes to the financial statements.

CITY OF BOERNE, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

		Program Revenue			Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	$ 5,255,524	$ 2,607,528	$ 1,650,580	$ -	$ (997,416)	$ -	$ (997,416)
Public safety	16,612,288	336,527	1,670,304	1,292,660	(13,312,797)	-	(13,312,797)
Highway and streets	6,575,046	-	-	5,378,758	(1,196,288)	-	(1,196,288)
Economic development	1,675,916	-	-	-	(1,675,916)	-	(1,675,916)
Culture and recreation	8,299,750	938,655	312,188	31,500	(7,017,407)	-	(7,017,407)
Interest on long-term debt	1,609,261	-	-	-	(1,609,261)	-	(1,609,261)
Total Governmental Activities	40,027,785	3,882,710	3,633,072	6,702,918	(25,809,085)	-	(25,809,085)
Business-Type activities:							
Electric	16,924,421	21,444,662	-	-	-	4,520,241	4,520,241
Water	12,173,517	10,781,123	-	4,123,278	-	2,730,884	2,730,884
Wastewater	10,817,030	9,866,993	-	4,508,134	-	3,558,097	3,558,097
Gas	4,883,873	5,185,333	-	1,565,286	-	1,866,746	1,866,746
Solid waste	1,622,594	1,757,524	5,000	-	-	139,930	139,930
Stormwater	31,044	639,487	-	-	-	608,443	608,443
Total Business-Type Activities	46,452,479	49,675,122	5,000	10,196,698	-	13,424,341	13,424,341
Total Primary Government	$ 86,480,264	$ 53,557,832	$ 3,638,072	$ 16,899,616	(25,809,085)	13,424,341	(12,384,744)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property taxes	16,423,243	-	16,423,243
Sales taxes	12,898,795	-	12,898,795
Franchise taxes	3,636,189	-	3,636,189
Other taxes	1,244,811	-	1,244,811
Unrestricted investment earnings	3,435,497	3,430,233	6,865,730
Gain on sale of assets	227,005	-	227,005
Miscellaneous	2,641,221	1,400,000	4,041,221
Transfers	1,139,715	(1,139,715)	-
Total General Revenues and Transfers	41,646,476	3,690,518	45,336,994
Change in net position	15,837,391	17,114,859	32,952,250
Net Position - Beginning, as Previously Reported	93,996,131	156,274,700	250,270,831
Restatement	(1,544,898)	(511,258)	(2,056,156)
Net Position - Beginning, as Restated	92,451,233	155,763,442	248,214,675
Net Position - Ending	$ 108,288,624	$ 172,878,301	$ 281,166,925

CITY OF BOERNE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 6,439,250	$ -	$ 26,321,437	$ 8,234,505	$ 40,995,192
Investments	14,284,190	-	-	1,784,339	16,068,529
Receivables (net of allowance for uncollectibles)	3,325,456	53,801	-	212,621	3,591,878
Prepaids	148,221	-	-	41,549	189,770
Restricted cash and cash equivalents	125,393	1,862,253	19,455,508	69,082	21,512,236
Total Assets	$ 24,322,510	$ 1,916,054	$ 45,776,945	$ 10,342,096	$ 82,357,605
Liabilities					
Accounts payable	$ 866,062	$ -	$ 180,741	$ 154,377	$ 1,201,180
Accrued liabilities	1,621,358	-	-	73,851	1,695,209
Due to other funds	12,020	-	-	-	12,020
Total Liabilities	2,499,440	-	180,741	228,228	2,908,409
Deferred Inflows of Resources					
Unavailable revenue	103,284	53,665	-	72,903	229,852
Lease related	-	-	-	2,564	2,564
Total Deferred Inflows of Resources	103,284	53,665	-	75,467	232,416
Fund Balances					
Nonspendable	148,221	-	-	1,010,630	1,158,851
Restricted	3,133,210	1,862,389	19,304,105	5,845,331	30,145,035
Assigned	18,438,355	-	26,292,099	3,182,440	47,912,894
Total Fund Balances	21,719,786	1,862,389	45,596,204	10,038,401	79,216,780
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 24,322,510	$ 1,916,054	$ 45,776,945	$ 10,342,096	$ 82,357,605

CITY OF BOERNE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2025

Total Fund Balance, Governmental Funds	$ 79,216,780
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	173,288,024
Accumulated depreciation/amortization	(76,439,207)
	96,848,817
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	5,042,231
Deferred outflows - OPEB related	577,422
Deferred inflows - pension related	(921,813)
Deferred inflows - OPEB related	(1,387,305)
	3,310,535
Other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and, therefore, are either deferred or not reported in the funds.	
Property taxes receivable	224,398
Other receivable	5,454
	229,852
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Bonds payable	(43,770,000)
Bonds payable (private)	(560,000)
Financed purchases payable	(636,615)
Leases payable	(2,548,971)
SBITAs payable	(443,598)
Compensated absences	(3,296,895)
Net pension liability	(13,732,131)
Total OPEB liability	(3,321,711)
Accrued interest payable on long-term debt	(149,657)
	(68,459,578)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amount on refunding	224,072
Premium on bonds	(3,081,854)
	(2,857,782)
Net Position of Governmental Activities in the Statement of Net Position	$ 108,288,624

CITY OF BOERNE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 7,112,838	$ 4,123,215	$ -	$ 5,229,802	$ 16,465,855
Sales and use taxes	12,898,795	-	-	-	12,898,795
Franchise taxes	3,636,189	-	-	-	3,636,189
Hotel occupancy taxes	-	-	-	1,131,400	1,131,400
Other taxes	113,411	-	-	-	113,411
Licenses and fees	2,229,168	-	-	-	2,229,168
Fines	336,527	-	-	-	336,527
Charges for services	-	-	-	1,317,015	1,317,015
Investment earnings	1,788,043	84,868	1,068,532	494,054	3,435,497
Intergovernmental	2,773,389	-	-	859,683	3,633,072
Miscellaneous	2,323,537	-	-	320,693	2,644,230
Total Revenues	$ 33,211,897	$ 4,208,083	$ 1,068,532	$ 9,352,647	$ 47,841,159
Expenditures					
Current:					
General government	4,919,933	-	-	40,979	4,960,912
Public safety	15,720,933	-	-	-	15,720,933
Highways and streets	2,752,218	-	-	-	2,752,218
Economic development	-	-	-	1,655,892	1,655,892
Culture and recreation	522,647	-	-	5,908,638	6,431,285
Debt Service:					
Principal	1,410,085	3,245,000	-	197,894	4,852,979
Interest	96,829	1,597,836	-	19,778	1,714,443
Other debt service	-	4,900	109,108	-	114,008
Capital outlay	2,757,460	-	5,517,804	769,603	9,044,867
Total Expenditures	28,180,105	4,847,736	5,626,912	8,592,784	47,247,537
Excess (Deficiency) of Revenues Over Expenditures	5,031,792	(639,653)	(4,558,380)	759,863	593,622
Other Financing Sources (Uses)					
Transfers in	127,645	1,222,529	9,911,251	432,894	11,694,319
Transfers out	(7,673,287)	-	-	(2,881,317)	(10,554,604)
Issuance of debt:					
General obligation bonds	-	-	3,995,000	-	3,995,000
Premiums on bonds	-	-	117,032	-	117,032
Financed purchase	509,009	-	-	-	509,009
Lease	1,078,950	-	-	304,332	1,383,282
Subscription	202,559	-	-	-	202,559
Sale of general capital assets	121,302	-	27,360	78,343	227,005
Total Other Financing Sources (Uses)	(5,633,822)	1,222,529	14,050,643	(2,065,748)	7,573,602
Net Change in Fund Balances	(602,030)	582,876	9,492,263	(1,305,885)	8,167,224
Fund Balances - Beginning	22,321,816	1,279,513	36,103,941	11,344,286	71,049,556
Fund Balances - Ending	$ 21,719,786	$ 1,862,389	$ 45,596,204	$ 10,038,401	$ 79,216,780

CITY OF BOERNE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

Net Change in Fund Balances - Total Governmental Funds:	$ 8,167,224
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	9,044,867
Depreciation/amortization expense	(7,877,601)
	1,167,266
The net effect of various miscellaneous transactions involving capital assets:	
Contributions of capital assets	6,702,918
Gain (loss) on disposal of capital assets	(180,997)
Gain (loss) on lease and SBITA modifications	(3,009)
	6,518,912
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	
Issuance of debt - bonds	(3,995,000)
Issuance of debt - financing arrangement, leases, subscriptions	(2,094,850)
Issuance of debt - premium on bonds	(117,032)
Principal paid - bonds	3,245,000
Principal paid - financing agreement	310,238
Principal paid - leases	1,064,014
Principal paid - subscriptions	233,727
	(1,353,903)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes receivable	(42,612)
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:	
Accrued interest on long-term debt	(11,352)
Amortization of bond premiums	264,395
Amortization of deferred amounts of refunding	(33,853)
Compensated absences	(428,510)
Changes in pension liabilities and related deferred outflows and inflows of resources	1,364,458
Changes in OPEB liabilities and related deferred outflows and inflows of resources	225,366
	1,380,504
Change in Net Position of Governmental Activities	$ 15,837,391

CITY OF BOERNE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets						
Current assets:						
Cash and cash equivalents	$ 15,905,295	$ 6,538,979	$ 14,322,894	$ 3,257,993	$ 10,769,823	$ 50,794,984
Investments	9,266,740	2,144,353	2,109,150	-	-	13,520,243
Receivables, net	2,967,115	1,264,910	979,397	470,201	344,913	6,026,536
Due from other funds	3,098,925	-	-	-	-	3,098,925
Prepaids	6,419	16,575	1,686	-	-	24,680
Inventories	1,802,195	350,860	18,940	360,988	-	2,532,983
Restricted cash and cash equivalents	1,422,392	16,868,017	2,596,208	264,616	-	21,151,233
Total current assets	34,469,081	27,183,694	20,028,275	4,353,798	11,114,736	97,149,584
Noncurrent assets:						
Capital assets:						
Land	2,542,917	2,313,449	1,828,390	95,769	-	6,780,525
Construction in progress	75,285	2,544,114	1,678,070	647,596	1,580,265	6,525,330
Infrastructure	19,115,546	66,435,422	51,083,022	22,563,822	-	159,197,812
Buildings and plant	822,074	2,626,938	38,642,854	199,398	-	42,291,264
Machinery and equipment	2,581,595	1,318,463	1,962,228	592,754	1,410	6,456,450
Lease assets - Machinery and equipment	445,947	93,609	380,633	141,791	757	1,062,737
Less accumulated depreciation/amortization	(14,451,278)	(31,260,827)	(47,853,325)	(8,099,613)	(537)	(101,665,580)
Total noncurrent assets	11,132,086	44,071,168	47,721,872	16,141,517	1,581,895	120,648,538
Total Assets	45,601,167	71,254,862	67,750,147	20,495,315	12,696,631	217,798,122
Deferred Outflows of Resources						
Deferred charge on refunding	-	-	843,922	-	-	843,922
Pension related	725,895	697,486	502,370	305,010	-	2,230,761
OPEB related	80,015	76,884	55,377	33,621	-	245,897
Total Deferred Outflows of Resources	$ 805,910	$ 774,370	$ 1,401,669	$ 338,631	$ -	$ 3,320,580

CITY OF BOERNE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Liabilities						
Current liabilities:						
Accounts payable	$ 864,391	$ 808,086	$ 266,011	$ 156,131	$ 333,214	$ 2,427,833
Accrued liabilities	289,878	-	-	41,485	25,547	356,910
Accrued interest	1,884	55,215	85,388	7,314	-	149,801
Customer deposits	1,422,392	593,565	-	263,249	-	2,279,206
Due to other funds	-	-	-	3,086,905	-	3,086,905
Current portion of noncurrent liabilities:						
Total OPEB liability	74,482	71,567	51,547	31,297	-	228,893
Compensated absences	124,607	115,552	90,734	52,298	-	383,191
Financed purchase	-	348,645	-	34,310	-	382,955
Leases payable	109,982	18,084	75,552	31,265	153	235,036
Bonds payable	32,715	-	1,686,706	85,579	-	1,805,000
Total current liabilities:	2,920,331	2,010,714	2,255,938	3,789,833	358,914	11,335,730
Noncurrent liabilities:						
Net pension liability	1,900,499	1,826,123	1,315,278	798,562	-	5,840,462
Total OPEB liability	385,236	370,159	266,610	161,870	-	1,183,875
Compensated absences	322,523	299,089	234,851	135,364	-	991,827
Financed purchase	-	1,572,779	-	159,487	-	1,732,266
Leases payable	146,520	21,825	138,127	55,443	38	361,953
Bonds payable	2,546	-	25,802,743	6,899	-	25,812,188
Total noncurrent liabilities:	2,757,324	4,089,975	27,757,609	1,317,625	38	35,922,571
Total Liabilities	5,677,655	6,100,689	30,013,547	5,107,458	358,952	47,258,301
Deferred Inflows of Resources						
Pension related	127,578	122,585	88,292	53,606	-	392,061
OPEB related	192,001	184,486	132,876	80,676	-	590,039
Total Deferred Inflows of Resources	319,579	307,071	221,168	134,282	-	982,100
Net Position						
Net investment in capital assets	10,840,323	42,109,835	20,862,666	15,768,534	1,581,704	91,163,062
Restricted:						
Capital improvements	3,621,271	2,741,224	10,285,620	-	-	16,648,115
Unrestricted	25,948,249	20,770,413	7,768,815	(176,328)	10,755,975	65,067,124
Total Net Position	$ 40,409,843	$ 65,621,472	$ 38,917,101	$ 15,592,206	$ 12,337,679	172,878,301

CITY OF BOERNE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2025

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating Revenues						
Charges for services:						
Charges for sales and services	$ 20,912,882	$ 8,001,655	$ 7,076,479	$ 4,386,161	$ 2,385,315	$ 42,762,492
Connection fees	-	-	17,363	688,875	-	706,238
Primary extensions	103,348	163,324	-	-	-	266,672
Penalties	149,497	85,564	59,345	78,251	11,696	384,353
Other charges	278,935	2,530,580	2,713,806	32,046	-	5,555,367
Other operating revenues	-	-	-	-	1,400,000	1,400,000
Total Operating Revenues	21,444,662	10,781,123	9,866,993	5,185,333	3,797,011	51,075,122
Operating Expenses						
Personnel services	3,731,098	3,966,945	2,737,560	1,409,271	-	11,844,874
Cost of fuel and water reservation	8,217,723	2,771,803	153,490	1,133,638	1,570,662	13,847,316
City franchise tax	1,795,263	403,439	354,699	219,916	-	2,773,317
Administration	2,264,674	1,923,408	2,499,336	933,539	82,823	7,703,780
Depreciation and amortization	918,747	2,344,838	4,162,594	1,009,699	151	8,436,029
Total Operating Expenses	16,927,505	11,410,433	9,907,679	4,706,063	1,653,636	44,605,316
Operating Income (Loss)	4,517,157	(629,310)	(40,686)	479,270	2,143,375	6,469,806
Nonoperating Revenues (Expenses)						
Investment earnings	1,020,732	1,136,914	877,636	125,409	269,542	3,430,233
Intergovernmental	-	-	-	-	5,000	5,000
Gain (loss) on disposal of property	23,588	(667,499)	-	(46,733)	-	(690,644)
Interest expense	(20,504)	(95,585)	(909,351)	(131,077)	(2)	(1,156,519)
Total Nonoperating Revenues (Expenses)	1,023,816	373,830	(31,715)	(52,401)	274,540	1,588,070
Income (Loss) Before Capital Contributions and Transfers	5,540,973	(255,480)	(72,401)	426,869	2,417,915	8,057,876
Capital contributions	-	4,123,278	4,508,134	1,565,286	-	10,196,698
Transfers in	306,046	-	-	-	-	306,046
Transfers out	(1,139,715)	-	-	(306,046)	-	(1,445,761)
Change in Net Position	4,707,304	3,867,798	4,435,733	1,686,109	2,417,915	17,114,859
Net Position - Beginning, as Previously Presented	35,912,301	61,888,855	34,575,007	13,978,773	9,919,764	156,274,700
Restatement	(209,762)	(135,181)	(93,639)	(72,676)	-	(511,258)
Net Position - Beginning, as Restated	35,702,539	61,753,674	34,481,368	13,906,097	9,919,764	155,763,442
Net Position - Ending	$ 40,409,843	$ 65,621,472	$ 38,917,101	$ 15,592,206	$ 12,337,679	$ 172,878,301

CITY OF BOERNE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities						
Receipts from customers and users	$ 22,029,450	$ 10,716,416	$ 9,816,662	$ 5,262,634	$ 2,333,833	$ 50,158,995
Other receipts	-	-	-	-	1,400,000	1,400,000
Payments to employees for salaries and benefits	(3,432,559)	(3,291,301)	(2,392,839)	(1,448,655)	-	(10,565,354)
Payments to suppliers and service providers	(12,662,273)	(4,827,641)	(2,837,514)	(2,119,623)	(1,457,392)	(23,904,443)
Net Cash Provided (Used) by Operating Activities	5,934,618	2,597,474	4,586,309	1,694,356	2,276,441	17,089,198
Cash Flows from Noncapital Financing Activities						
Transfers from other funds	306,046	-	-	-	-	306,046
Transfers to other funds	(1,139,715)	-	-	(306,046)	-	(1,445,761)
Operating grants	-	-	-	-	5,000	5,000
Net Cash Provided (Used) by Noncapital Financing Activities	(833,669)	-	-	(306,046)	5,000	(1,134,715)
Cash Flows from Capital and Related Financing Activities						
Acquisition and construction of capital assets	(797,974)	(359,047)	(2,216,802)	(2,250,275)	(225,388)	(5,849,486)
Principal paid on bonds	(101,900)	-	(1,356,600)	(276,500)	-	(1,735,000)
Principal payments on financed purchases	-	(2,369,634)	-	(303,808)	-	(2,673,442)
Principal payments on leases	(94,088)	(23,043)	(73,872)	(30,191)	(152)	(221,346)
Interest paid on capital related debt	(22,398)	(63,085)	(1,069,447)	(133,067)	(2)	(1,287,999)
Net cash Provided (Used) by Capital and Related Financing Activities	(1,016,360)	(2,814,809)	(4,716,721)	(2,993,841)	(225,542)	(11,767,273)
Cash Flows from Investing Activities						
Maturity (purchase) of investments	(5,689,648)	(314,218)	(292,879)	-	-	(6,296,745)
Interest on investments	1,020,732	1,136,914	877,636	125,409	269,542	3,430,233
Net Cash Provided (Used) by Investing Activities	(4,668,916)	822,696	584,757	125,409	269,542	(2,866,512)
Net Increase (Decrease) in Cash and Cash Equivalent	(584,327)	605,361	454,345	(1,480,122)	2,325,441	1,320,698
Beginning Cash and Cash Equivalents	17,912,014	22,801,635	16,464,757	5,002,731	8,444,382	70,625,519
Ending Cash and Cash Equivalents	$ 17,327,687	$ 23,406,996	$ 16,919,102	$ 3,522,609	$ 10,769,823	$ 71,946,217
Reconciliation to the Statement of Net Position - Proprietary Funds						
Unrestricted cash and cash equivalents	$ 15,905,295	$ 6,538,979	$ 14,322,894	$ 3,257,993	$ 10,769,823	$ 50,794,984
Restricted cash and cash equivalents	1,422,392	16,868,017	2,596,208	264,616	-	21,151,233
	$ 17,327,687	$ 23,406,996	$ 16,919,102	$ 3,522,609	$ 10,769,823	$ 71,946,217

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	$ 4,517,157	$ (629,310)	$ (40,686)	$ 479,270	$ 2,143,375	$ 6,469,806
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization expense	918,747	2,344,838	4,162,594	1,009,699	151	8,436,029
(Increase) decrease in assets:						
Accounts receivable, net	1,195,758	(118,423)	(50,331)	61,277	(63,178)	1,025,103
Due from other funds	(84,520)	-	-	-	-	(84,520)
Prepaids	(2,023)	(14,294)	595	2,281	-	(13,441)
Inventories	(377,903)	(89,945)	2,361	(29,694)	-	(495,181)
Increase (decrease) in liabilities:						
Accounts payable	25,351	375,248	167,055	115,420	185,727	868,801
Accrued liabilities	54,482	-	-	6,963	10,366	71,811
Customer deposits	(610,970)	53,716	-	16,024	-	(541,230)
Due to other funds	-	-	-	72,500	-	72,500
Compensated absences	104,943	158,590	118,796	49,820	-	432,149
Net pension liability and related amounts	99,353	332,435	134,577	(80,341)	-	486,024
Total OPEB liability and related amounts	94,243	184,619	91,348	(8,863)	-	361,347
Net Cash Provided (Used) by Operating Activities	$ 5,934,618	$ 2,597,474	$ 4,586,309	$ 1,694,356	$ 2,276,441	$ 17,089,198
Non-cash Capital and Related Financing Activities						
Gain (loss) on disposition of capital assets	$ 23,588	$ (667,499)	$ -	$ (46,733)	$ -	$ (690,644)
Contributed capital assets	-	4,123,278	4,508,134	1,565,286	-	10,196,698
Issuance of debt - financed purchases	-	1,925,711	-	189,511	-	2,115,222
Issuance of debt - leases	158,362	-	183,177	-	-	341,539

CITY OF
Boerne

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Boerne, Texas (City) have been prepared in conformity with generally accepted accounting principles of the United States of America (U.S. GAAP) as applied to governmental agencies. The governmental accounting standards board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the City's accounting policies are described below.

A. Description of government-wide financial statements

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

B. Reporting Entity

The City of Boerne is a municipal corporation governed by an elected mayor and five-member council. The City operates under a council-manager form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, community and economic development (planning, building, and zoning), public utilities (electric, water, wastewater, gas, solid waste, and stormwater), and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is financially accountable, as defined in GAAP. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the City's blended component unit is appropriately presented as a fund of the primary government. The City has no discretely presented component units.

Blended Component Unit - Boerne Public Facility Corporation (BPFC). On August 22, 2017, the City Council authorized the creation of the Boerne Public Facility Corporation (BPFC). The BPFC is a nonprofit public corporation organized exclusively for the purpose of assisting the City in financing, refinancing, or providing public facilities within the City. Although legally separate from the City, the City Council holds the continuing authority to appoint the voting majority of the BPFC Board of Directors, which is comprised wholly of the Mayor and members of the City Council. Furthermore, the City Council possesses the ability to significantly influence the programs, projects, activities, or level of services performed by the BPFC. As the City and the BPFC have substantially the same governing body and the activities of the BPFC are managed in essentially the same manner as the primary government, the City is able to impose its will on the BPFC. Therefore, the BPFC is considered to be an integral part of the primary government and has been included in the financial statements as a blended component unit. There are no separate financial statements issued for the BPFC.

C. Basis of Presentation - Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, report information on all the nonfiduciary activities of the City and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu-of taxes, payments for use of rights-of-way, and other charges between the City's utility 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. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation - Fund Financial Statements

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

The City reports the following major governmental funds:

- The *General Fund* is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* is used to account for all financial resources that are restricted, committed, or assigned for the payment of principal and interest of long-term obligations of government funds.
- The *Capital Projects Fund* is used to account for the acquisition and construction of major governmental capital facilities, sidewalks, road improvements, and other infrastructure projects.

The City reports the following major enterprise funds:

- The *Electric Fund* accounts for the activities necessary to provide electric services to the residents of the City within the City's service territory. These activities include administration, billing and collections, distribution system operations and maintenance, transmission system operations and maintenance, new construction, and financing and related debt services.
- The *Water Fund* accounts for the activities necessary to provide water services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, water production and distribution system operation and maintenance, new construction, and financing and related debt services.
- The *Wastewater Fund* accounts for the activities necessary to provide wastewater services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, wastewater production and distribution system operation and maintenance, new construction, and financing and related debt services.
- The *Gas Fund* accounts for the activities necessary to provide gas services to the residents of the City within the City's service territory. These activities include administrative services, billing and collections, distribution system operation and maintenance, new construction, and financing and related debt services.

Note 1 – Summary of Significant Accounting Policies (continued)

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. 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 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. 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.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events. The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

1. Cash, Cash Equivalents, and Investments

The City values its cash and investments in accordance with the provisions of governmental accounting standards board statement No. 72 (GASB 72), Fair Value Measurement and Application, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach.

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. Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year, and may result in negative investment income in the accompanying financial statements. Investment income is allocated to the various funds based on each fund's average month-end cash balance and includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

For purposes of the statement of cash flows, amounts reported as cash and cash equivalents, include amounts on deposit in the City pool and any short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Investments are made in accordance with the City's investment policy, which is approved by the City Council on an annual basis in accordance with state law. The policy is applicable to all City funds and permits investment in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, banker's acceptances, certificates of deposit, public funds investment pools, and money market mutual funds. The policy states that the Finance Director, as the City's chief financial officer, is responsible for overall management of the City's investment program and is designated as the City's investment officer with the ultimate responsibility and authority for investment transactions.

2. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Customer deposit accounts are used to report deposits paid by customers on utility accounts that could be refunded to the customer. The revenue bond covenant account has a current and a non-current portion. The current portion is used to segregate resources accumulated for debt service payments over the next twelve months. The noncurrent portion is used to report resources set aside to make up potential future deficiencies in the current portion. Currently the enterprise funds have no outstanding revenue bonds, and therefore there are no bond covenant requirements. Capital contribution accounts are used to account for impact fees paid that will be used for either debt service on bonds or future capital projects.

Certain resources in the governmental funds are classified as restricted. The cemetery has an endowment fund that is restricted in use for care of the cemetery. The hotel/motel fund is restricted to the promotion of tourism within the City. The public facility corporation fund is restricted for the financing, refinancing, or provision of public facilities within the City.

Note 1 – Summary of Significant Accounting Policies (continued)

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory balances represent expendable supplies held for consumption. Inventory is reported under the consumption method whereby expenditures are reported at the time inventory is used. Any inventories in governmental funds are reported at cost and are offset with nonspendable fund balance to show that inventories do not constitute available spendable resources.

Certain payments to vendors for costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements using the consumption method. Prepaid items in governmental funds are reported as a nonspendable component of fund balance to indicate that they are not spendable for appropriation and are not expendable financial resources.

4. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. An allowance for doubtful accounts has been established to estimate losses that are likely to exist. Losses are charged against the allowance when management believes the collectability of a receivable is in question. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

5. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, vehicles, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable activity columns in the government-wide statement of net position and the proprietary funds statement of net position. Capital assets are defined by the government as land, buildings and improvements, machinery, vehicles, or equipment assets with an initial, individual cost of more than $5,000 and a useful life of at least three years. Capital assets are recorded where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets, donated works of art, and similar items are recorded at their acquisition value at the date of contribution. Infrastructure that was acquired prior to the implementation of GASB Statement No. 34 is included and reported in the government-wide financial statements in this report. The City used back-trending (estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year) for the purpose of estimating historical cost for the initial reporting of these assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital outlays are recorded as expenditures in the governmental funds and as capital assets in the government-wide financial statements to the extent the City's capitalization thresholds are met. Major outlays for capital assets and improvements are capitalized as construction in progress projects are constructed.

Land and construction in progress are not depreciated. The other tangible and intangible capital assets used in operations are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Useful Lives (Years)
Infrastructure	20 - 40
Buildings and plant	20 - 30
Improvements other than buildings	20 - 25
Machinery and equipment	3 - 10

Right-to-use lease equipment and subscription assets are amortized over the life of the associated contract.

Note 1 – Summary of Significant Accounting Policies (continued)

6. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Customer deposit accounts are used to report deposits paid by customers on utility accounts that could be refunded to the customer. The revenue bond covenant account has a current and a non-current portion. The current portion is used to segregate resources accumulated for debt service payments over the next twelve months. The noncurrent portion is used to report resources set aside to make up potential future deficiencies in the current portion. Currently the enterprise funds have no outstanding revenue bonds, and therefore there are no bond covenant requirements. Capital contribution accounts are used to account for impact fees paid that will be used for either debt service on bonds or future capital projects.

Certain resources in the governmental funds are classified as restricted. The cemetery has an endowment fund that is restricted in use for care of the cemetery. The hotel/motel fund is restricted to the promotion of tourism within the City. The public facility corporation fund is restricted for the financing, refinancing, or provision of public facilities within the City.

7. Deferred Outflows/Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time. Conversely, deferred inflows of resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time.

8. Unearned Revenue

Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

9. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Note 1 – Summary of Significant Accounting Policies (continued)

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

10. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed* – Amounts than can be used only for specific purposes determined by ordinances passed by City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by City Council.
- *Assigned* – Amounts that are intended to be used for a specific purpose, but do not meet the definition of restricted or committed fund balance. The City's fiscal and budget policy authorizes the City Manager as the City official responsible for the assignment of fund balance to a specific purpose. The City's fund balance reserve policy requires maintaining a minimum of six (6) months of operating expenditures within the fund balance of the general fund and a minimum of three (3) months of operating expenditures in reserve for each of the City's special revenue funds. For the utility funds, the City's policy requires a minimum of six (6) months of operating expenditures to be held in reserve. This policy allows the City to better weather economic downturns and strategically handle contingencies and unforeseen emergencies.
- *Unassigned* – Amounts that are available for any purpose.

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

11. Long-term Debt

For the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1 – Summary of Significant Accounting Policies (continued)

12. Leases and Subscription-Based Information Technology Arrangements (SBITAs)

Lease and Subscription Liabilities. The City is a lessee for a noncancellable right to use lease assets and subscription-based software. The City recognizes a lease and subscription liabilities and intangible right-to-use lease and subscription assets in the government-wide financial statements. The City recognizes liabilities for machinery and equipment leases and subscriptions with an initial, individual value of $5,000 or more. The City recognizes liabilities for property, plant, and infrastructure leases with an initial, individual value of $25,000 or more.

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

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

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the lease or subscription term. Payments included in the measurement of the 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 leases/subscriptions and will remeasure the assets and liabilities if certain changes occur that are expected to significantly affect the amount of the liabilities.

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

Lease Receivable. The City is a lessor in one noncancelable lease for the use of the facilities at one of the City's parks. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Note 1 – Summary of Significant Accounting Policies (continued)

13. Compensated Absences

A liability is recognized for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is recognized as incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability is recorded only when the obligation has matured due to employee resignations or retirements. Salary-related benefits are included in the liability, where applicable.

The City estimates the amount of leave expected to be used or paid based on historical usage patterns, payout experience, eligibility rules, and employee group trends. Based on these criteria, the City recognizes liabilities for vacation leave, compensatory time, and the portion of sick leave determined to be more likely than not to be used or paid.

Sick Leave. Sick leave not used during the year accrues and is available for use in succeeding years, up to a maximum of 960 hours for regular full-time employees and shift firefighters. Accruals cease once the maximum is reached. Sick leave is not paid upon termination of employment; however, it is paid upon retirement for employees who meet Texas Municipal Retirement System eligibility requirements and who have at least ten years of service with the City. The amount paid at retirement ranges from 160 to 480 hours, depending on years of service. Sick leave is attributable to services already rendered and accumulates because it carries over at year-end. The City recognizes as a liability only the portion of accumulated sick leave expected to be used as paid leave or paid upon retirement.

Vacation Leave. Vacation leave is available to all regular full-time and regular part-time employees who work at least 20 hours per week. Vacation is accrued each pay period but cannot be used during the first three months of employment. Vacation balances carry over at year-end; however, on an employee’s anniversary date, any hours in excess of the 240-hour maximum are reduced to the maximum without compensation. Vacation leave is paid upon termination of employment. Because accrual rates vary by employee and leave may be used across multiple fiscal years, the City estimates the portion of vacation leave that is more likely than not to be used as paid leave during the upcoming fiscal year and recognizes that amount as a liability.

Compensatory Time. Compensatory time (“comp time”) is earned when employees work overtime or on holidays or weekends and carries over at year-end. State law prohibits forfeiture of unused comp time and requires payout upon termination of employment. Comp time is attributable to services already rendered and accumulates because it carries over. Because there is no limit on accumulation and all unused comp time must be paid upon separation, the entire balance is considered more likely than not to be paid and is recognized as a liability for compensated absences.

Other Leave. Parental leave, military leave, and jury duty leave do not meet the compensated absences recognition criteria because they do not accumulate. These leave types are recognized as a liability when the leave begins, and the full amount expected to be taken is recorded at that time.

14. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City-specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71.*

Note 1 – Summary of Significant Accounting Policies (continued)

15. Other Postemployment Benefits (OPEB) – Retiree Health Care

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by HUB International, the City's third-party actuary, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

16. Other Postemployment Benefits (OPEB) – TMRS Supplemental Death Benefits

Additionally, the City participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

In accordance with Texas law, property taxes are levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Taxes are payable upon receipt of the tax bill and are due the following February 1 to avoid penalty and interest charges. The tax rate to finance general governmental services, including debt service, was 47.16 cents per $100 of assessed valuation for the year ended September 30, 2025.

The Kendall County Appraisal District ("Appraisal District") is responsible for the recording and appraisal of property for all taxing units in Kendall County, including the City. The Appraisal District is required to assess property at 100% of its appraised value. The Appraisal District also bills and collects the property taxes for the City.

3. Proprietary Funds Operating and Non-operating Revenues and Expenses

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

Note 1 – Summary of Significant Accounting Policies (continued)

G. Revenues and Expenditures/Expenses (continued)

4. Capital Contributions

The City is a recipient of capital contributions from developers for the construction and development of certain infrastructure assets. The City is also a recipient of capital recovery fees charged to customers to connect to the water or wastewater system, which may only be used for additional infrastructure capacity. Capital contributions related to enterprise funds are recorded by the City as capital contributions in the statement of revenues, expenses, and changes in net position; and as program revenues (capital grants and contributions) in the statement of activities at the government-wide level. Capital contributions related to governmental funds, are not recorded at the fund level, but are reported as program revenues (capital grants and contributions) in the statement of activities at the government-wide level. On the statement of net position, at both the government-wide level (governmental and business-type activities) and fund level (enterprise funds), capital contributions are recorded as a component of capital assets and depreciated accordingly over the estimated life of these assets.

H. New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences,* in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and the impact is reflected in the financial statements. See Note 12 for more information.

GASB issued Statement No. 102, *Certain Risk Disclosures,* in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not impact the financial statements.

GASB issued Statement No. 103, *Financial Reporting Model Improvements,* in April 2024. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The requirements of this statement will be implemented in fiscal year 2026.

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets,* in September 2024. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The requirements of this statement will be implemented in fiscal year 2026.

GASB issued Statement No. 105, *Subsequent Events*, in December 2025. The primary objective of this Statement is to improve financial reporting requirements for subsequent events by clarifying definitions, the evaluation period, and related disclosure requirements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The requirements of this statement will be implemented in fiscal year 2027.

Note 2 – Cash, Cash Equivalents, and Investments

State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2025. At year-end, the carrying amount of the City's demand deposits was a balance of $4,768,102 and the bank balance was $4,631,512. The collateral is held in the City's name by the City's agent. Cash and investments, as of September 30, 2025, consist of the following:

	Amount	Percent of Portfolio	WAM
Cash and Cash Equivalents:			
Cash on hand	$ 5,830	0.0%	1
Cash in bank	3,970,654	2.4%	1
Investment Pools:			
TexPool	82,231,098	50.1%	44
Texas Range	11,212,851	6.8%	1
Texas Class	37,001,887	22.6%	43
TexSTAR	31,325	0.0%	49
Total Investment Pools	130,477,161	79.5%	
Total Cash and Cash Equivalents	134,453,645	82.0%	
Investments:			
Federal agency securities	3,001,256	1.8%	272
U.S. treasury securities	26,587,516	16.2%	394
Total Investments	29,588,772	18.0%	
Total Cash and Investments	$ 164,042,417	100.0%	101

Investments Authorized by Texas Statutes and the City's Investment Policy. State statutes, city policies, and city resolutions authorize the City's investments. The Finance Director is authorized by the City Council to invest all available funds consistent with the City's investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any state having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service.

Note 2 – Cash, Cash Equivalents, and Investments (continued)

Local Government Investment Pools. The description of each local government investment pool in which the City holds funds is listed below.

- *TexPool.* The City maintains an account with the Texas Local Government Investment Pool (TexPool). Under the TexPool participation agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State of Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.
- *TexSTAR.* The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for this pool. JP Morgan Chase Bank or its subsidiary, JP Morgan Investor Services Co. provides the custodial, transfer, agency, fund accounting, and depository services for this pool.
- *Texas Range.* The City invests in Texas Daily, a portfolio of the Texas Range Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an advisory board of experienced local government finance directors and treasurers. The advisory board contracts for services with professional service providers who are industry leaders in their field.
- *Texas CLASS.* The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, NA as the custodian and is supervised by a Board of Trustees who are elected by the participants.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. One of the ways that the City manages its exposure to interest rate risk is by limiting the weighted average maturity of its invested operating funds and debt service funds to less than 12 months. Similarly, bond proceeds are limited to less than 24 months of weighted average maturity. In addition, investments of debt reserves, contingency reserves and other reserves may exceed 24 months of weighted average maturity but are limited to 60 months with approval of the City Manager or Assistant City Manager. When including cash investments, the weighted average maturity for the City was 101 days as of September 30, 2025.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In compliance with the City's investment policy and the Texas Public Investment Act, the City manages credit risk through portfolio diversification by limiting investments to avoid over concentration in securities from a specific issuer; limiting investments in securities with high credit risk; and investing in securities with varying maturities. Deposits with the investment pools are recorded at amortized cost or fair value per share of the pool's underlying investments, as applicable. The investment pools have as one of their objectives the maintenance of a stable net asset value of $1.00. The City's investment policy requires that the net asset value of the pools also be $1.00 and be rated no lower than "AAA" or "AAA-m" or no lower than investment grade with a weighted average maturity no greater than 90 days. As of September 30, 2025, the ratings of the various investment pools were all AAA-m.

Concentration of Credit Risk. The City is required to disclose investments in any one issuer that represent 5% or more of total investments. However, investment issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The City's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings. At September 30, 2025, the City had no investments that exceeded 5% of total investments.

Note 2 – Cash, Cash Equivalents, and Investments (continued)

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

The Public Funds Investments Act, Texas Government Code 105 (depository law), and the City's investment policy require that all securities purchased by delivered delivery versus payment to the custodian. Investments are then held in the City's name. Failure of the custodian would not affect ownership or access to the investments. These guarantees and requirements prevent any custodial credit risk for the City.

Fair Value of Investments. The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than those in Level 1
- Level 3: Unobservable inputs

U.S. treasury securities classified as Level 1 are valued using prices quoted in active markets for those securities. Federal agency securities classified in Level 2 are valued using price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors for similar securities in active markets.

At September 30, 2025, the City had the following recurring fair value measurements:

	Fair Value	Level 1	Level 2	Level 3
Federal agency securities	$ 3,001,256	$ -	$ 3,001,256	$ -
U.S. treasury securities	26,587,516	26,587,516	-	-
	$ 29,588,772	$ 26,587,516	$ 3,001,256	$ -

Investment pools are measured at amortized costs or net asset value (NAV) and are exempt from fair value reporting.

- *Amortized Cost.* TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.
- *Net Asset Value.* TexSTAR, Texas Range, and Texas CLASS investment pools are external investment pools measured at NAV. Their strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the pools. The pools all have a redemption notice period of one day and may redeem daily. Each investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity. The fair value of the investments in each pool have been determined using the NAV per share of investments.

Note 2 – Cash, Cash Equivalents, and Investments (continued)

Restricted Assets

The amount of cash and cash equivalents in the governmental activities is restricted for the following purposes:

	Governmental Activities				
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Unspent bond proceeds	$ -	$ -	$ 19,455,508	$ -	$ 19,455,508
Debt service	-	1,862,253	-	-	1,862,253
Seized Funds	125,393	-	-	-	125,393
Endowment Funds	-	-	-	69,082	69,082
Restricted Cash and Cash Equivalents	$ 125,393	$ 1,862,253	$ 19,455,508	$ 69,082	$ 21,512,236

The amount of cash and cash equivalents in the business-type activities is restricted for the following purposes:

	Business-type Activities				
	Electric	Water	Wastewater	Gas	Total
Customer deposits	$ 1,422,392	$ 593,565	$ -	$ 263,249	$ 2,279,206
Capital improvements (impact fees)	-	16,274,452	2,596,208	-	18,870,660
Debt service	-	-	-	1,367	1,367
Restricted Cash and Cash Equivalents	$ 1,422,392	$ 16,868,017	$ 2,596,208	$ 264,616	$ 21,151,233

Note 3 – Receivables

Receivable amounts are aggregated into a single accounts receivable (net of allowance for doubtful accounts, if applicable) line for certain funds and aggregated columns. Below is the detail of receivables for each major governmental fund and the nonmajor governmental funds in the aggregate:

	Governmental Activities			
	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Receivables				
Property taxes	$ 97,830	$ 53,665	$ 72,903	$ 224,398
Franchise taxes	80,247	-	-	80,247
Access line fees	4,944	-	-	4,944
Sales taxes	2,023,341	-	-	2,023,341
Accrued interest	112,919	-	10,036	122,955
Leases	-	-	3,279	3,279
Miscellaneous	1,006,175	136	126,403	1,132,714
	-	-	-	-
	-	-	-	-
Other	-	-	-	-
Gross Receivables	3,325,456	53,801	212,621	3,591,878
Allowance for uncollectibles	-	-	-	-
Total Receivables	$ 3,325,456	$ 53,801	$ 212,621	$ 3,591,878

Note 3 – Receivables (continued)

Receivables at September 30, 2025, for the City's major and nonmajor enterprise funds, including unbilled charges for services rendered through year end, including the applicable allowances for doubtful accounts, are as follows:

	Business-type Activities					
	Electric	Water	Wastewater	Gas	Nonmajor Enterprise Funds	Total Enterprise Funds
Receivables						
Customer accounts	$ 2,844,444	$ 1,282,724	$ 979,029	$ 495,378	$ 346,061	5,947,636
Accrued interest	61,064	3,919	9,239	-	-	74,222
Miscellaneous	98,175	4,505	-	-	-	102,680
Allowance for uncollectibles	(36,568)	(26,238)	(8,871)	(25,177)	(1,148)	(98,002)
Net Receivables	$ 2,967,115	$ 1,264,910	$ 979,397	$ 470,201	$ 344,913	$ 6,026,536

Lease Receivable

As of September 30, 2025, the City had 1 active lease. The lease has receipts that are $3,000 and an interest rate of 0.6320%. As of September 30, 2025, the total value of the lease receivable is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Nonmajor Governmental Funds:				
Lease receivable	$ 6,240	$ -	$ (2,961)	$ 3,279
Deferred inflows of resources	(5,694)	-	3,130	(2,564)
Total	$ (5,694)	$ -	$ 3,130	$ (2,564)

Future payments due to the City are as follows:

Fiscal	Governmental Activities		
Year	Principal	Interest	Total
2026	$ 3,279	$ 21	$ 3,300
	$ 3,279	$ 21	$ 3,300

Note 4 – Interfund Transactions

A summary of interfund transfers for the year ended September 30, 2025, is as follows:

	Transfers In	Transfers Out
General Fund	$ 127,645	$ (7,673,287)
Debt Service Fund	1,222,529	-
Capital Projects Fund	9,911,251	-
Non-major Governmental Funds	432,894	(2,881,317)
Electric utility	306,046	(1,139,715)
Gas utility	-	(306,046)
	$ 12,000,365	$ (12,000,365)

The City utilized transfers to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due; and 2) move unrestricted fund revenue to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

A summary of interfund balances as of September 30, 2025, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ -	$ 12,020
Electric utility	3,098,925	-
Gas utility	-	3,086,905
	$ 3,098,925	$ 3,098,925

Note 5 – Capital Assets

A summary of changes in the City's capital assets for the year ended September 30, 2025, is as follows:

Governmental Activities

	Beginning Balance	Increases	Disposals	Transfers to Depreciable Assets	Ending Balance
Governmental Activities					
Capital Assets, not being Depreciated:					
Land	$ 10,782,215	$ 2,561,726	$ -	$ -	$ 13,343,941
Construction in progress	3,729,556	4,476,453	(174,313)	(1,579,389)	6,452,307
Total Capital Assets, not being Depreciated	14,511,771	7,038,179	(174,313)	(1,579,389)	19,796,248
Capital Assets, being Depreciated:					
Infrastructure	68,987,030	5,884,750	-	1,379,215	76,250,995
Buildings and plant	45,594,599	337,527	(9,031)	200,174	46,123,269
Improvements other than buildings	14,516,407	31,500	-	-	14,547,907
Machinery and equipment	10,881,388	854,195	(584,556)	-	11,151,027
Intangible assets:					
Lease assets - equipment	3,504,675	1,399,075	(348,282)	-	4,555,468
Subscription assets	979,591	327,398	(443,879)	-	863,110
Total Other Capital Assets, being Depreciated	144,463,690	8,834,445	(1,385,748)	1,579,389	153,491,776
Less Accumulated Depreciation for:					
Infrastructure	(30,077,075)	(2,970,260)		-	(33,047,335)
Buildings and plant	(18,590,954)	(2,151,188)	9,031	-	(20,733,111)
Improvements other than buildings	(11,185,633)	(572,553)		-	(11,758,186)
Machinery and equipment	(8,452,219)	(752,561)	577,872	-	(8,626,908)
Intangible assets:					
Lease assets - equipment	(1,083,957)	(1,111,077)	317,630	-	(1,877,404)
Subscription assets	(480,795)	(319,962)	404,494	-	(396,263)
Total Accumulated Depreciation	(69,870,633)	(7,877,601)	1,309,027	-	(76,439,207)
Total Capital Assets being depreciated, net	74,593,057	956,844	(76,721)	1,579,389	77,052,569
Governmental Activities Capital Assets, Net	$ 89,104,828	$ 7,995,023	$ (251,034)	$ -	$ 96,848,817

Depreciation and amortization was charged to the functions/programs of the governmental activities as follows:

Governmental Activities	Depreciation/ Amortization Expense
General government	$ 476,413
Public safety	1,573,259
Highways and streets	3,722,518
Economic development	44,004
Culture and recreation	2,061,407
Total Governmental Activities	$ 7,877,601

Note 5 – Capital Assets (continued)

Business-type Activities

	Beginning Balance	Increases	Disposals	Transfers to Depreciable Assets	Ending Balance
Business-type Activities					
Capital Assets, not being Depreciated:					
Land	$ 7,369,627	$ -	$ (589,102)	$ -	$ 6,780,525
Construction in progress	5,279,263	5,677,407	-	(4,431,340)	6,525,330
Total Capital Assets, not being Depreciated	12,648,890	5,677,407	(589,102)	(4,431,340)	13,305,855
Capital Assets, being Depreciated:					
Infrastructure	143,442,393	11,492,019	-	4,263,400	159,197,812
Buildings and plant	42,279,535	11,729	-	-	42,291,264
Machinery and equipment	5,555,943	877,916	(145,349)	167,940	6,456,450
Intangible assets:					
Lease assets - equipment	720,405	342,332	-	-	1,062,737
Total Other Capital Assets, being Depreciated	191,998,276	12,723,996	(145,349)	4,431,340	209,008,263
Less Accumulated Depreciation for:					
Infrastructure	(62,103,821)	(5,969,376)	-	-	(68,073,197)
Buildings and plant	(26,384,534)	(1,963,874)	-	-	(28,348,408)
Machinery and equipment	(4,652,834)	(272,237)	145,349	-	(4,779,722)
Intangible assets:					
Lease assets - equipment	(233,711)	(230,542)	-	-	(464,253)
Total Accumulated Depreciation	(93,374,900)	(8,436,029)	145,349	-	(101,665,580)
Total Capital Assets being Depreciated, net	98,623,376	4,287,967	-	4,431,340	107,342,683
Totals	$ 111,272,266	$ 9,965,374	$ (589,102)	$ -	$ 120,648,538

Depreciation and amortization was charged to the functions/programs of the business-type activities as follows:

Business-type activities:	**Depreciation/ Amortization Expense**
Electric utility	$ 918,747
Water utility	2,344,838
Wastewater utility	4,162,594
Gas utility	1,009,699
Solid waste utility	151
Total Business-type Activities	$ 8,436,029

Construction Commitments

The City has active construction projects as of September 30, 2025. The projects include widening of streets, construction of public safety facilities, additions of parks, and projects related to utility fund infrastructure. The remaining commitments for each project are expected to be funded with current bond funds, assigned fund balance, and future revenue sources.

Note 6 – Long-term Liabilities

Changes in Long-term Liabilities

A summary of changes in the City's long-term liabilities for the year ended September 30, 2025, is as follows:

Governmental Activities	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds Payable:					
General obligation bonds	$ 42,750,000	$ 3,995,000	$ (2,975,000)	$ 43,770,000	$ 3,780,000
Private placement bonds	830,000	-	(270,000)	560,000	280,000
Premium	3,229,217	117,032	(264,395)	3,081,854	-
Total Bonds Payable	46,809,217	4,112,032	(3,509,395)	47,411,854	4,060,000
Other Long-Term Liabilities:					
Financed purchases	437,844	509,009	(310,238)	636,615	247,850
Leases	2,260,352	1,383,282	(1,094,663)	2,548,971	997,265
SBITAs	386,306	324,868	(267,576)	443,598	190,901
Compensated absences *	2,868,385	428,510	-	3,296,895	918,782
Net pension liability *	16,555,054	-	(2,822,923)	13,732,131	-
Total OPEB liability - TMRS SDBF *	541,209	-	(38,580)	502,629	81,434
Total OPEB liability - Retiree Health *	2,938,261	-	(119,179)	2,819,082	456,736
Total Governmental Activities Long-Term Liabilities	$ 72,796,628	$ 6,757,701	$ (8,162,554)	$ 71,391,775	$ 6,952,968

Business-type Activities	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds Payable:					
General obligation bonds	$ 27,230,000	$ -	$ (1,735,000)	$ 25,495,000	$ 1,805,000
Premium	2,357,627	-	(235,439)	2,122,188	-
Total Bonds Payable	29,587,627	-	(1,970,439)	27,617,188	1,805,000
Other Long-Term Liabilities:					
Financed purchases	2,673,441	2,115,222	(2,673,442)	2,115,221	382,955
Leases	476,796	342,332	(222,139)	596,989	235,036
Compensated absences *	942,869	432,149	-	1,375,018	383,191
Net pension liability *	5,302,689	537,773	-	5,840,462	-
Total OPEB liability - TMRS SDBF *	173,353	40,421	-	213,774	34,635
Total OPEB liability - Retiree Health *	941,143	257,851	-	1,198,994	194,258
Total Business-type Activities Long-Term Liabilities	$ 40,097,918	$ 3,725,748	$ (4,866,020)	$ 38,957,646	$ 3,035,075

* Net changes for the year.

The City intends to retire all of its general long-term liabilities, plus interest, from the collection of ad valorem taxes. Long-term liabilities including financed purchases, lease liabilities, subscription (SBITA) liabilities, compensated absences, net pension liabilities, and other post-employment benefit liabilities attributable to governmental activities will be liquidated primarily by the general fund. Proprietary fund type long-term debt issued for electric, wastewater, and gas projects will be repaid, plus interest, from the operating revenues of their respective funds. Additions to SBITAs includes $122,309 in contract modifications that did not result in the recognition of issuance of debt in the governmental fund statements as the City did not receive the right to use any new assets.

Note 6 – Long-term Liabilities (continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These types of bonds have been issued by the City for both governmental activities as well as business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. General obligation bonds are direct obligations, for which the City has pledged the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The City is required by bond covenants to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. In addition to the sinking fund, there are a number of limitations and restrictions contained in the various general obligation bonds and certificate indentures. The City is in compliance with the significant limitations and restrictions as of September 30, 2025

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

	Governmental Activities					
Fiscal	General Obligation Bonds		Private Placement Bonds		Total Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 3,780,000	$ 1,590,300	$ 280,000	$ 9,972	$ 4,060,000	$ 1,600,272
2027	2,105,000	1,475,600	280,000	3,357	2,385,000	1,478,957
2028	2,585,000	1,384,125	-	-	2,585,000	1,384,125
2029	2,710,000	1,280,500	-	-	2,710,000	1,280,500
2030	2,860,000	1,168,275	-	-	2,860,000	1,168,275
2031 - 2035	12,345,000	4,149,025	-	-	12,345,000	4,149,025
2036 - 2040	12,495,000	2,060,850	-	-	12,495,000	2,060,850
2041 - 2045	4,890,000	247,000	-	-	4,890,000	247,000
	$ 43,770,000	$ 13,355,675	$ 560,000	$ 13,329	$ 44,330,000	$ 13,369,004

	Business-type Activities	
Fiscal	General Obligation Bonds	
Year	Principal	Interest
2026	$ 1,805,000	$ 1,058,175
2027	1,255,000	991,950
2028	1,310,000	931,675
2029	1,375,000	868,500
2030	1,445,000	800,775
2031 - 2035	8,295,000	2,854,150
2036 - 2040	10,010,000	1,012,763
	$ 25,495,000	$ 8,517,988

Current Year Issuance. In September 2025, the City issued $3,995,000 of Series 2025 General Obligation Bonds. The bonds were issued with a premium of $117,032 and were deposited into the City's capital projects fund. The proceeds are to be used for acquiring, constructing, equipping, renovating, and landscaping park, recreation, and open space improvements and additions including public facilities located in and integral to such parks, acquiring necessary lands and rights-of-way.

Current Year Defeasance. In May 2025, the City defeased $1,050,000 of Series 2016 General Obligation Refunding Bonds. The City paid $1,058,317 to retire the bonds, which included $1,057,817 paid to the refunding agent and $3,000 in fees. The amount paid to retire the bonds was equal to the carrying value of the retired bonds. Therefore, no current period gain/loss was recognized. The transaction resulted in an economic gain with savings of approximately $370,200.

Authorized and Unissued Bonds. As of September 30, 2025, the City has $14,000,000 in unissued bonds, which were authorized in 2022 for the purpose of street construction and improvements.

Note 6 – Long-term Liabilities (continued)

General obligation bonds outstanding as of September 30, 2025, are as follows:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Governmental Activities						
General Obligation Bonds:						
2016 General Obligation Refunding Bonds	3.00 - 5.00	06/02/16	03/01/33	$ 8,510,000	$ 3,895,000	$ 4,615,000
2021 General Obligation Refunding Bonds	2.00 - 4.00	12/01/21	03/01/40	23,085,000	4,120,000	18,965,000
2023 General Obligation Bonds	4.00 - 5.00	09/05/23	03/01/42	17,805,000	1,610,000	16,195,000
2025 General Obligation Bonds	4.00 - 5.00	09/25/25	03/01/45	3,995,000	-	3,995,000
Total General Obligation Bonds				53,395,000	9,625,000	43,770,000
Private Placement Bonds:						
2019 General Obligation Refunding Bonds	2.11 - 2.40	04/23/19	03/01/27	2,720,000	2,160,000	560,000
Total Governmental Activities				$ 56,115,000	$ 11,785,000	$ 44,330,000
Business-type Activities						
General Obligation Bonds:						
2016 General Obligation Refunding Bonds	3.00 - 5.00	06/02/16	03/01/32	11,435,000	8,090,000	$ 3,345,000
2017 General Obligation Refunding Bonds	3.50 - 5.00	12/1/2017	3/1/2040	26,185,000	4,035,000	22,150,000
Total Business-type Activities				37,620,000	12,125,000	25,495,000
Total Bonds Payable				$ 93,735,000	$ 23,910,000	$ 69,825,000

Arbitrage Compliance. Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate to the federal government excess arbitrage earnings from bond proceeds. As of September 30, 2025, the City did not have an arbitrage rebate liability.

Conduit Debt. The City has issued housing revenue bonds, Series 2018 to provide financial assistance to private-sector entities for the acquisition and construction of housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate principal amount payable as of September 30, 2024 could not be determined; however, the original issue amount totaled $17 million.

Defeased Bonds Outstanding. In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2025, the City had $0 of previously refunded bonds outstanding or outstanding refunding escrows.

Note 6 – Long-term Liabilities (continued)

Financed Purchases

The City has entered into multiple lease purchase agreements (direct borrowing) to purchase equipment for the police department, parks department, streets department, water department, and gas department. As these agreements transfer ownership of the underlying assets to the City at the end of the lease, they are reported as financed purchases. The commitments for each lease are expected to be funded by the City's general fund, park fund, water fund, and gas fund. The historical purchase price of the assets under active financed purchase agreements is entirely classified as machinery and equipment and is approximately $0.8 million for the governmental activities and $2.1 million for the business-type activities.

The future principal and interest financed purchase payments as of September 30, 2025, were as follows:

Fiscal	Governmental Activities			Business-Type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2026	$ 247,850	$ 33,679	$ 281,529	$ 382,955	$ 105,338	$ 488,293
2027	210,445	20,293	230,738	402,026	86,267	488,293
2028	178,320	9,249	187,569	422,047	66,246	488,293
2029	-	-	-	443,065	45,228	488,293
2030	-	-	-	465,128	23,163	488,291
	$ 636,615	$ 63,221	$ 699,836	$ 2,115,221	$ 326,242	$ 2,441,463

Leases

As of September 30, 2025, the City had 102 active leases. The leases have payments that range from $3,621 to $76,863 and interest rates that range from 0.0404% to 7.2838%. As of September 30, 2025, the total value of the lease liability is $3,145,960 and the combined value of the right-to-use assets was $5,618,205 with accumulated amortization of $2,341,657. The leases had no variable payments or other payments included in the lease liability within the fiscal year. All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Fiscal	Governmental Activities			Business-Type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2026	$ 997,265	$ 70,331	$ 1,067,596	$ 235,036	$ 16,337	$ 251,373
2027	891,913	40,152	932,065	192,331	9,229	201,560
2028	532,076	14,465	546,541	133,276	3,513	136,789
2029	127,717	1,622	129,339	36,346	343	36,689
	$ 2,548,971	$ 126,570	$ 2,675,541	$ 596,989	$ 29,422	$ 626,411

Note 6 – Long-term Liabilities (continued)

Subscription-Based Information Technology Arrangements (SBITAs)

The City is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of September 30, 2025, are as follows:

As of September 30, 2025, the City had 19 active subscriptions. The subscriptions have payments that range from $170 to $45,000 and interest rates that range from 2.3120% to 3.3050%. As of September 30, 2025, the total combined value of the subscription liability is $443,598 and the combined value of the right to use assets was $863,110 with accumulated amortization of $396,263. The subscriptions had no variable or other payments included in the subscription liability within the fiscal year. All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

The future principal and interest SBITA payments as of September 30, 2025, were as follows:

Fiscal	Governmental Activities		
Year	Principal	Interest	Total
2026	$ 190,901	$ 11,413	$ 202,314
2027	153,727	6,048	159,775
2028	54,985	2,390	57,375
2029	43,985	1,017	45,002
	$ 443,598	$ 20,868	$ 464,466

Note 7 – Fund Balance/Net Position

Governmental Fund Balance Classifications

The City has classified ending fund balance based on the availability of funds for expenditure on programs and services. As of September 30, 2025, the following balances were restricted, committed, assigned, or unassigned in the governmental fund balances:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaids	$ 148,221	$ -	$ -	$ 41,549	$ 189,770
Endowment funds	-	-	-	969,081	969,081
Total Nonspendable	148,221	-	-	1,010,630	1,158,851
Restricted:					
Capital projects	-	-	19,304,105	-	19,304,105
Cemetery	-	-	-	1,667,193	1,667,193
Debt service	-	1,862,389	-	-	1,862,389
Law enforcement:					
Court security	98,875	-	-	-	98,875
Court (other)	33,665	-	-	-	33,665
LEOSE grant	37,522	-	-	-	37,522
Opioid abatement funds	30,669	-	-	-	30,669
Seizures	125,392	-	-	-	125,392
PEG fees	61,588	-	-	-	61,588
Tourism	-	-	-	635,065	635,065
Tree restoration	2,745,499	-	-	-	2,745,499
Public Facility Corporation	-	-	-	3,543,073	3,543,073
Total Restricted	3,133,210	1,862,389	19,304,105	5,845,331	30,145,035
Assigned:					
Capital projects - beautification	-	-	653,511	-	653,511
Capital projects - parks	-	-	6,393,354	-	6,393,354
Capital projects - sidewalks	-	-	2,978,217	-	2,978,217
Capital projects - streets	-	-	2,120,000	-	2,120,000
Capital projects - facilities	-	-	14,119,657	-	14,119,657
Economic development	-	-	-	1,080,581	1,080,581
Equipment replacement	1,711,321	-	-	-	1,711,321
Facility maintenance	402,920	-	-	497,556	900,476
Fleet replacement	-	-	27,360	-	27,360
Dispatch interlocal funds	698,652	-	-	-	698,652
Library operating reserve	-	-	-	569,482	569,482
General operating reserve	14,338,196	-	-	-	14,338,196
Future debt service	1,287,266	-	-	-	1,287,266
Parks operating reserve	-	-	-	1,034,821	1,034,821
Total Assigned	18,438,355	-	26,292,099	3,182,440	47,912,894
Total Fund Balances	$ 21,719,786	$ 1,862,389	$ 45,596,204	$ 10,038,401	$ 79,216,780

Note 7 – Fund Balance/Net Position (continued)

Net Position Restricted for Debt Service

Net position restricted for debt service as of September 30, 2025 consisted of the following:

	Governmental Activities	Business-type Activities
Cash restricted for debt service	$ 1,862,253	$ 40,044
Restricted receivables, net of unavailable amounts	136	-
Plus recognition of unavailable revenue for I&S property taxes	53,665	-
Less: accrued interest payable	(149,657)	(86,978)
Accrued interest payable in excess of restricted cash	-	46,934
Restricted for Debt Service	$ 1,766,397	$ -

Net Investment in Capital Assets

Net investment in capital assets as of September 30, 2025 consisted of the following:

	Governmental Activities	Business-type Activities
Capital Assets, Net	$ 96,848,817	$ 120,648,538
Less:		
General obligation bonds	(43,770,000)	(25,495,000)
Private placement bonds	(560,000)	-
Unamortized premium/discount	(3,081,854)	(2,122,188)
Financed purchases	(636,615)	(2,115,221)
Leases	(2,548,971)	(596,989)
SBITAs	(443,598)	-
Other non-debt capital-related liabilities	(180,741)	-
Plus:		
Deferred charge on refunding	224,072	843,922
Unspent bond proceeds	19,455,508	-
	$ 65,306,618	$ 91,163,062

Fund Balance/Net Position Deficits

The following funds reported deficit unassigned fund balances or a deficit unrestricted net position as of September 30, 2025:

Enterprise Funds:	
Deficit Unrestricted Net Position - Gas Fund	(176,328)

The deficit will be replenished with future revenue from charges for services.

Note 8 – Pension Plan

Texas Municipal Retirement System

Plan Description and Provisions

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a partial lump-sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. A summary of plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

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	134
Inactive employees entitled to but not yet receiving benefits	155
Active employees	297
Total	586

Note 8 – Pension Plan (continued)

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2025, the City's contribution rate was 19.23% for the months in 2024 and 19.72% for the months in 2025. The City's contributions to TMRS for the year ended September 30, 2025, were $5,126,435 and were $491,483 more than the required contributions.

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:

Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	
Notes	Adopted 70% non-retroactive repeating COLA.

Note 8 – Pension Plan (continued)

Actuarial Assumptions

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global public equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other private markets	4%	7.3%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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.

Note 8 – Pension Plan (continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2024	$ 103,040,735	$ 81,182,993	$ 21,857,742
Changes for the year:			
Service cost	4,367,495	-	4,367,495
Interest	6,904,245	-	6,904,245
Change in benefit terms	(1,018,197)	-	(1,018,197)
Difference between expected and actual experience	2,058,298	-	2,058,298
Contributions - employer	-	4,583,816	(4,583,816)
Contributions - employee	-	1,608,667	(1,608,667)
Net investment income	-	8,459,871	(8,459,871)
Benefit payments, including refunds, of employee contributions	(3,842,359)	(3,842,359)	-
Administrative expense	-	(54,099)	54,099
Other	-	(1,265)	1,265
Net changes	8,469,482	10,754,631	(2,285,149)
Balance at December 31, 2024	$ 111,510,217	$ 91,937,624	$ 19,572,593

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 or 1-percentage-point higher than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	$ 35,770,992	$ 19,572,593	$ 6,300,345

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 at tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of $4,281,869.

Note 8 – Pension Plan (continued)

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
Differences between actuarial assumptions and actual experience	$ 3,365,371	$ -
Changes in actuarial assumptions	-	(245,466)
Differences between projected and actual pension plan investment earnings	-	(1,068,408)
Contributions subsequent to the measurement date	3,907,621	-
Total	$ 7,272,992	$ (1,313,874)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year subsequent to 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	
2026	$ 1,060,684
2027	1,801,419
2028	(631,394)
2029	(179,212)
Total	$ 2,051,497

Note 9 – Other Post-Employment Benefits (OPEB)

The City offers two other postemployment benefit (OPEB) plans; the Retiree Health Care Plan and the TMRS-Supplemental Death Benefits Fund as discussed below. OPEB items for the two plans are as follows:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
TMRS Supplemental Death Benefits Fund	$ 716,403	$ 125,523	$ 237,957	$ 42,718
Retiree Health Care Plan	4,018,076	697,796	1,739,387	247,692
Total OPEB Plans	$ 4,734,479	$ 823,319	$ 1,977,344	$ 290,410

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City participates in the single-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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No 75.

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

TMRS Supplemental Death Benefits Fund (continued)

Benefit Plan Description (continued)

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 OPEB. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (*i.e.* no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2024 was as follows:

Inactive employees currently receiving benefits	110
Inactive employees entitled to but not yet receiving benefits	49
Active Employees	297
	456

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. For fiscal year 2025, the City's total contribution rate was 0.28% for the months in 2024 and 0.23% for the months in 2025. The City's retiree portion of the contribution rate was 0.08% for the months in 2024 and 0.08% for the months in 2025. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the Bond Buyer "20-Bond GO Index" rate is used as of the measurement date of December 31, 2024.

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2024, and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date:	December 31, 2024
Methods and Assumptions:	
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
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.
Mortality rates - services retirees	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).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables 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, 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 floor.

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate as of December 31, 2024.

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2024	$ 714,562
Changes for the year:	
Service cost	34,336
Interest on total OPEB liability	27,241
Differences between expected and actual experience	(678)
Change of assumptions	(40,746)
Benefit payments	(18,312)
Balance at December 31, 2024	$ 716,403

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 860,486	$ 716,403	$ 604,509

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

For the year ended September 30, 2025, the City recognized OPEB expense of $42,718. As of September 30, 2025, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 16,230	$ (8,084)
Changes of assumptions	94,917	(229,873)
Contributions subsequent to measurement date	14,376	-
Total	$ 125,523	$ (237,957)

The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year subsequent to fiscal year 2025. Amounts currently reported as deferred outflows and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows.

Fiscal Year	
2026	$ (18,776)
2027	(23,513)
2028	(37,996)
2029	(42,343)
2030	(1,782)
Thereafter	(2,400)
Total	$ (126,810)

Retiree Health Care Plan (RHCP)

Plan Description

The City of Boerne makes available a single-employer group hospitalization and medical insurance for retirees who are:

- Active employees currently participating in the health insurance program for a minimum of one (1) year; and
- Eligible for retirement per the established criteria through the Texas Municipal Retirement System (age 60 with 5 or more years of service or any age with 20 or more years of service).

The coverage extends to the employee only and is optional to the employee who is retiring. The plan does not issue a separate set of financial statements.

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Benefits Provided

The City provides one of two benefit plans to its retirees: the Pre-65 Retiree Plan or the Medicare Advantage Program for retirees age 65 and over.

The Pre-65 Retiree Plan includes members from the City's active employee pool plan. Retirees choose from and elect the same plans offered to active employees during open enrollment each year. The premiums for retirees are the same as for active employees which are established each year by the plan administrator. Participation in the Pre-65 Retiree plan is offered for five (5) years post-retirement or age sixty-five (65), whichever occurs first. Employees who retired before October 1, 2015, may participate in the Pre-65 Retiree plan for ten (10) years post-retirement or age sixty-five (65), whichever occurs first. The City provides a premium subsidy based on years of service for the retirees who are younger than 65. Subsidies are adjusted by the annual cost of living adjustment, which is determined by the City Council during the budget process. Should an employee continue to remain in employment with the City of Boerne until after the age of 65 and then retire, the employee may qualify for a post-65 subsidy payable over their lifetime based on years of service with the City. Employees retiring before the age of 65 are not eligible for the post-65 subsidy. For retirees over the age of 65, the City offers a subsidy for supplement Medicare coverage, provided the retiree has 20 years of service or more at the City. The retiree must show proof of insurance beyond Part A and Part B, or Part D of Medicare. Post 65 retirees will be subsidized based on the years of service, and the subsidies are adjusted by the annual cost of living adjustment, which is determined by the City Council during the budget process.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	281
Total	293

Contributions

The City contributes to the retiree health insurance at an amount approved by City Council contained in the Personnel Policy. The retiree medical contribution rate as of January 2025 is as follows:

City of Boerne Years of Service	Pre-65 Subsidy	Post-65 Subsidy
Less than 20	$ -	$ -
20 - 24	315.56	155.91
25 - 29	372.93	187.08
30 - 34	473.34	218.28
35 - 39	502.03	249.46
Over 40	537.88	280.63

City's direct pre-65 subsidies shown above do not apply after the employee reaches the age of 65, while post-65 subsidies may be provided over the retiree's lifetime. The City's contributions to the retiree health plan for the year ended September 30, 2025 were $87,928 and were equal to the required contributions.

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Total OPEB liability

The City's total OPEB liability of $4,018,076 was measured as of December 31, 2024 and was determined by an actuarial valuation as December 31, 2023.

Actuarial Assumptions and Methods

The City's total OPEB liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	December 31, 2023
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	4.08%
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2022 as conducted for the Texas Municipal Retirement System (TMRS). For the OPEB valuation, the standard TMRS retirement rates were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Pre-65: Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years; Post-65: Initial rate of 5.10% declining to an ultimate rate of 4.25% after 9 years.
Participation Rates	95% for retirees age 65 or older with at least 20 years of City service; 90% for retirees between the ages of 50 and 64 with at least 30 years of City service; 75% for retirees between the ages of 50 and 64 with 25 to 29 years of City service; 65% for retirees between the ages of 50 and 64 with 20 to 24 years of City service; 20% for retirees under age 50 or with less than 20 years of City service.
Other Information:	
Notes	The discount rate changed from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024.

Discount Rate

The discount rate changed from 3.77% as of December 31, 2023, to 4.08% as of December 31, 2024. Additionally, the demographic and salary increase assumptions were taken from the 2022 TMRS Experience Study, and the participation rates and the health care trend rates were updated to reflect the plan's anticipated experience.

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

Changes in the Total OPEB Liability

The following table shows the changes in total OPEB liability:

	Total OPEB Liability
Balance at January 1, 2024	$ 3,879,404
Changes for the year:	
Service cost	255,292
Interest on total OPEB liability	148,763
Change in benefit terms	-
Differences between expected and actual experience	22,992
Change of assumptions	(166,214)
Benefit payments	(122,161)
Balance at December 31, 2024	$ 4,018,076

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

The following presents the plan's total OPEB liability, calculated using the discount rate, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 4,592,410	$ 4,018,076	$ 3,542,171

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Total OPEB Liability	$ 3,403,609	$ 4,018,076	$ 4,796,581

Note 9 – Other Post-Employment Benefits (OPEB) (continued)

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 $247,692. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 110,834	$ (596,465)
Changes assumptions	499,034	(1,142,922)
Contributions subsequent to the measurement date	87,928	-
	$ 697,796	$ (1,739,387)

Amounts currently reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Fiscal Year	
2026	$ (156,363)
2027	(156,363)
2028	(179,299)
2029	(159,955)
2030	(177,521)
Thereafter	(300,018)
Total	$ (1,129,519)

Note 10 – Tax Abatements and Economic Incentives

Chapter 380 Economic Development Agreements

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes, sales tax, and hotel taxes, or include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Note 10 – Tax Abatements and Economic Incentives (continued)

Chapter 380 Economic Development Agreements (continued)

The City has two categories of economic development agreements:

- *Tax abatements* – Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were $0 in fiscal year 2025.
- *General economic development* – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes, hotel taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2025, the City rebated $775,216 in taxes and other economic incentives.

Note 11 – Risk Management and Contingent Liabilities

Litigation and Other Contingencies

The City is exposed to various risks of loss relating to general liability, theft of, damage to, or destruction of City assets, errors and omissions, natural disasters, and personal risks which relate to workers' compensation. The City participates in the Texas Municipal League (TML) Intergovernmental Risk Pool to provide for its worker's compensation, general and auto liability, and property insurance coverage. These multi-employer accounts provide for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability for the City is generally limited to the contributed amounts. There have been no significant reductions in insurance coverage for these risks of loss since the prior year and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

Contingent Liabilities

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the City, but which will only be resolved when one or more future events occur or fail to occur. The City's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise in judgment in assessing loss contingencies related to legal proceedings that are pending against the City or unasserted claims that may result in such proceedings, the City's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

In the assessment of a contingency indicates it is probable that a material loss has incurred, and the amount of the liability can be estimated, then the estimated liability would be accrued in the City's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if the determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Management has performed such assessment and consulted with its legal counsel as of the date of this report and is not aware of any contingencies requiring accrual or further disclosure.

Note 12 – Restatements of Beginning Balances

GASB Statement No. 101, *Compensated Absences* was implemented in the current fiscal year. In addition to the value of unused vacation time owed to employees upon separation of employment, the liability for compensated absences now includes recognition of an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years. The effects of the change in accounting principle are summarized below:

	Governmental	Business-Type Activities - Enterprise Funds				Business-	
	Activities	Electric	Water	Wastewater	Gas	Type Activities	Total
Implementation of New Standards							
GASB 101, *Compensated Absences*	$ (1,544,898)	$ (209,762)	$ (135,181)	$ (93,639)	$ (72,676)	$ (511,258)	$ (2,056,156)
Beginning Balance,							
as Previously Reported	93,996,131	35,912,301	61,888,855	34,575,007	13,978,773	156,274,700	250,270,831
Beginning Balance, as Restated	$ 92,451,233	$ 35,702,539	$ 61,753,674	$ 34,481,368	$ 13,906,097	$ 155,763,442	$ 248,214,675

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOERNE, TEXAS

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

General Fund

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Adjustments Budgetary Basis	Actual Amounts Budgetary Basis	Variance with Final Budget
Revenues						
Property taxes	$ 7,067,418	$ 7,067,418	$ 7,112,838	$ -	$ 7,112,838	$ 45,420
Sales and use taxes	12,956,338	12,956,338	12,898,795	-	12,898,795	(57,543)
Franchise taxes	3,380,224	3,380,224	3,636,189	-	3,636,189	255,965
Other taxes	100,000	100,000	113,411	-	113,411	13,411
Licenses and fees	1,591,500	1,591,500	2,229,168	-	2,229,168	637,668
Fines	231,800	231,800	336,527	-	336,527	104,727
Investment earnings	1,536,390	1,536,390	1,788,043	-	1,788,043	251,653
Intergovernmental	2,451,292	2,451,292	2,773,389	-	2,773,389	322,097
Miscellaneous	877,600	895,374	2,323,537	-	2,323,537	1,428,163
Total Revenues	$ 30,192,562	$ 30,210,336	$ 33,211,897	$ -	$ 33,211,897	3,001,561
Expenditures						
Current:						
General government:						
Administration	1,248,870	1,248,870	1,137,815	860	1,138,675	110,195
Planning and Community Development	1,595,552	1,595,552	1,356,884	-	1,356,884	238,668
Information Technology	2,341,999	2,341,999	1,574,414	461,026	2,035,440	306,559
Administration	1,119,249	1,119,249	909,083	-	909,083	210,166
HR	535,852	535,852	481,109	-	481,109	54,743
Legal	335,000	335,000	205,772	-	205,772	129,228
Communications	315,859	315,859	278,130	-	278,130	37,729
Facility Maint	1,549,673	1,553,673	1,410,901	81,251	1,492,152	61,521
Fleet	2,331,123	2,331,123	1,081,029	800,770	1,881,799	449,324
Shared services	(3,515,204)	(3,515,204)	(3,515,204)	-	(3,515,204)	-
Public safety :						
Law Enforcement	7,832,713	7,850,487	7,247,864	54,930	7,302,794	547,693
Fire Department	4,398,644	4,398,644	5,154,783	133,556	5,288,339	(889,695)
Dispatch	1,736,297	1,736,297	1,648,098	62,886	1,710,984	25,313
Municipal Court	423,390	423,390	396,129	-	396,129	27,261
Animal Control	684,631	687,181	539,162	5,970	545,132	142,049
Code Enforcement	726,723	726,723	734,897	-	734,897	(8,174)
Highways and streets:						
Streets	3,162,553	3,162,553	1,539,783	541,689	2,081,472	1,081,081
Engineering	1,386,328	1,458,328	1,212,435	-	1,212,435	245,893
Culture and recreation:						
Special Projects	705,268	705,268	522,647	-	522,647	182,621
Debt Service:						
Principal	225,000	225,000	1,410,085	(1,099,847)	310,238	(85,238)
Interest	-	-	96,829	(76,149)	20,680	(20,680)
Capital outlay	-	-	2,757,460	(2,757,460)	-	-
Total Expenditures	29,139,520	29,235,844	28,180,105	(1,790,518)	26,389,587	2,846,257
Excess (Deficiency) of Revenues Over Expenditures	1,053,042	974,492	5,031,792	1,790,518	6,822,310	5,847,818
Other Financing Sources (Uses)						
Transfers in	77,645	77,645	127,645	-	127,645	50,000
Transfers out	(1,442,529)	(1,442,529)	(7,673,287)	-	(7,673,287)	(6,230,758)
Issuance of debt:						
Financed purchase	-	-	509,009	(509,009)	-	-
Lease	-	-	1,078,950	(1,078,950)	-	-
Subscription	-	-	202,559	(202,559)	-	-
Sale of general capital assets	481,612	121,612	121,302	-	121,302	(310)
Total Other Financing Sources (Uses)	(883,272)	(1,243,272)	(5,633,822)	(1,790,518)	(7,424,340)	(6,181,068)
Net Change in Fund Balances	169,770	(268,780)	(602,030)	-	(602,030)	(333,250)
Fund Balance - Beginning			22,321,816			
Fund Balance - Ending			$ 21,719,786			

Budgetary Compliance

The annual operating budgets for the general fund and all other governmental funds are legally adopted each September to be effective October 1 for the ensuring fiscal year. Budgeted expenditures are adopted through the passage of an ordinance. This ordinance constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The appropriated budget is prepared by fund, function, and department. Following approval of the budget by the Mayor and City Council, the City Manager and budget official may make transfers of appropriations within a department. Transfers of appropriations between departments or an increase in the budget requires the approval of the City Council. For the general fund, the legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is considered to be the department level. For all other funds the legal level of budgetary control is considered to be the fund level.

For the fiscal year ended September 30, 2025, budgets were legally adopted for all City funds except the following:

- Boerne Public Facility Corporation
- Capital Projects Fund

The City prepares its annual budget on a basis which differs from generally accepted accounting principles (GAAP), known as budget basis. The budgetary comparison schedule – general fund is presented in accordance with the City's method (budget basis) in order to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting differs from GAAP basis in that expenditures for leases and financed purchases are recorded as capital expenditures for the individual departments rather than debt service expenditures. At fiscal year end, operating budget appropriations lapse; however, appropriations for incomplete capital improvements, equipment purchases, and contractual obligations can be carried over to the following fiscal year.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations for Fire Department, Code Enforcement, and Debt Service. However, these overages were offset from savings from other departments and more than anticipated revenues for the fiscal year.

CITY OF BOERNE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Texas Municipal Retirement System

Last Ten Measurement Years

	Measurement Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Total Pension Liability										
Service cost	$ 4,367,495	$ 3,862,321	$ 3,477,558	$ 3,380,510	$ 3,315,810	$ 2,960,271	$ 2,777,732	$ 2,642,850	$ 2,493,905	$
Interest	6,904,245	6,464,576	5,924,320	5,484,646	5,106,836	4,699,549	4,311,426	3,906,133	3,539,542	
Changes of benefit terms	(1,018,197)	-	-	-	-	-	-	-	-	
Difference between expected and actual experience	2,058,298	1,061,159	1,739,920	814,706	370,684	430,109	141,667	982,925	761,562	30,940
Change in assumptions	-	(395,142)	-	-	-	106,740	-	-	-	
Benefit payments, including refunds of employee contributions	(3,842,359)	(3,585,032)	(3,075,738)	(3,353,661)	(3,103,330)	(1,577,773)	(1,566,488)	(1,623,523)	(1,253,485)	(1,197,037)
Net Change in Total Pension Liability	8,469,482	7,407,882	8,066,060	6,326,201	5,690,000	6,618,896	5,664,337	5,908,385	5,541,524	
Total Pension Liability - Beginning	103,040,735	95,632,853	87,566,793	81,240,592	75,550,592	68,931,696	63,267,359	57,358,974	51,817,450	
Total Pension Liability - Ending (a)	$ 111,510,217	$ 103,040,735	$ 95,632,853	$ 87,566,793	$ 81,240,592	$ 75,550,592	$ 68,931,696	$ 63,267,359	$ 57,358,974	$
Plan Fiduciary Net Position:										
Contributions - employer	$ 4,583,816	$ 3,959,051	$ 3,515,923	$ 3,348,502	$ 3,333,512	$ 3,014,703	$ 2,836,449	$ 2,664,248	$ 2,511,382	$
Contributions - employee	1,608,667	1,452,820	1,302,456	1,244,796	1,239,224	1,120,708	1,053,882	998,378	941,096	
Net investment income	8,459,871	8,260,134	(5,478,943)	8,513,741	4,504,442	7,605,508	(1,447,467)	5,633,932	2,435,208	
Benefit payments, including refunds of employee contributions	(3,842,359)	(3,585,032)	(3,075,738)	(3,353,661)	(3,103,330)	(1,577,773)	(1,566,488)	(1,623,523)	(1,253,485)	(1,197,037)
Administrative expense	(54,099)	(52,387)	(47,297)	(39,305)	(29,086)	(42,890)	(27,934)	(29,169)	(27,480)	
Other	(1,265)	(367)	56,439	267	(1,133)	(1,288)	(1,459)	(1,478)	(1,481)	
Net Change in Plan Fiduciary Net Position	10,754,631	10,034,219	(3,727,160)	9,714,340	5,943,629	10,118,968	846,983	7,642,388	4,605,240	
Plan Fiduciary Net Position - Beginning	81,182,993	71,148,773	74,875,933	65,161,593	59,217,964	49,098,996	48,252,013	40,609,625	36,004,385	
Plan Fiduciary Net Position - Ending (b)	91,937,624	81,182,992	71,148,773	74,875,933	65,161,593	59,217,964	49,098,996	48,252,013	40,609,625	
Net Pension Liability - Ending (a) - (b)	$ 19,572,593	$ 21,857,743	$ 24,484,080	$ 12,690,860	$ 16,078,999	$ 16,332,628	$ 19,832,700	$ 15,015,346	$ 16,749,349	$
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.45%	78.79%	74.40%	85.51%	80.21%	78.38%	71.23%	76.27%	70.80%	69.48%
Covered Payroll	$ 22,041,059	$ 20,731,727	$ 18,606,514	$ 17,782,797	$ 17,703,205	$ 16,010,120	$ 15,055,458	$ 14,262,545	$ 13,444,231	$
Net Pension Liability as a Percentage of Covered Payroll	88.80%	105.43%	131.59%	71.37%	90.83%	102.01%	131.73%	105.28%	124.58%	126.04%

CITY OF BOERNE, TEXAS

SCHEDULE OF CONTRIBUTIONS

Texas Municipal Retirement System

Last Ten Fiscal Years

Fiscal Year	Actuarially determined contribution	Contribution in relation of the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2025	$ 4,634,952	$ 5,126,435	$ 491,483	$ 23,676,115	21.65%
2024	4,284,461	4,337,933	53,472	22,280,088	19.47%
2023	3,804,259	3,873,456	69,197	20,420,072	18.97%
2022	3,421,284	3,434,505	13,221	18,239,540	18.83%
2021	3,247,207	3,280,254	33,047	17,420,358	18.83%
2020	3,156,066	3,196,136	40,070	16,973,634	18.83%
2019	2,901,379	2,981,710	80,331	15,834,730	18.83%
2018	2,699,031	2,775,625	76,594	14,763,224	18.80%
2017	2,578,789	2,648,351	69,562	14,177,471	18.68%
2016	2,437,285	2,567,437	130,152	13,627,933	18.84%

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes:	Adopted 70% non-retroactive repeating COLA.

CITY OF BOERNE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Texas Municipal Retirement System Supplemental Death Benefits Fund
Last Eight Measurement Years

	Measurement Year Ended December 31,							
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability								
Service cost	$ 34,336	$ 29,024	$ 55,820	$ 51,570	$ 44,258	$ 28,819	$ 31,616	$ 25,673
Interest	27,241	25,972	16,774	16,550	18,309	19,142	17,368	16,632
Difference between expected and actual experience	(678)	3,427	24,312	(2,574)	(8,596)	(14,007)	(14,643)	-
Changes of assumptions	(40,746)	37,667	(339,078)	28,304	111,223	111,515	(38,583)	42,353
Benefit payments, including refunds of employee contributions	(18,312)	(16,585)	(13,025)	(10,670)	(3,542)	(3,202)	(3,011)	(2,853)
Net Change in Total OPEB Liability	1,841	79,505	(255,197)	83,180	161,652	142,267	(7,253)	81,805
Total OPEB Liability - Beginning	714,562	635,057	890,254	807,074	645,422	503,155	510,408	428,603
Total OPEB Liability - Ending	$ 716,403	$ 714,562	$ 635,057	$ 890,254	$ 807,074	$ 645,422	$ 503,155	$ 510,408
Covered-Employee Payroll	$ 22,041,059	$ 20,731,727	$ 18,606,514	$ 17,782,797	$ 17,703,205	$ 16,010,120	$ 15,055,458	$ 14,262,545
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.25%	3.45%	3.41%	5.01%	4.56%	4.03%	3.34%	3.58%

Notes to the Required Supplementary Information

Ten years of data should be presented in this schedule, but data was unavailable prior to 2017.
There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF BOERNE, TEXAS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Retiree Health Insurance

Last Seven Fiscal Years

	Measurement Year Ended December 31,							
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Total OPEB Liability								
Service cost	$ 255,292	$ 233,460	$ 327,932	$ 361,870	$ 290,623	$ 252,873	$ 241,592	$ 208,936
Interest	148,763	145,330	85,157	99,594	113,143	135,161	117,384	115,131
Changes of benefit terms	-							
Difference between expected and actual experience	22,992	107,487	(19,476)	(779,311)	9,066	(316,877)	(13,216)	
Changes of assumptions	(166,214)	(37,668)	(1,313,866)	59,106	494,965	443,131	(201,793)	231,989
Benefit payments, including refunds of employee contributions	(122,161)	(81,723)	(62,727)	(89,085)	(66,879)	(57,182)	(48,453)	(47,214)
Net change in total OPEB liability	138,672	366,886	(982,980)	(347,826)	840,918	457,106	95,514	508,842
Total OPEB Liability - Beginning	3,879,404	3,512,518	4,495,498	4,843,324	4,002,406	3,545,300	3,449,786	2,940,944
Total OPEB Liability - Ending	$ 4,018,076	$ 3,879,404	$ 3,512,518	$ 4,495,498	$ 4,843,324	$ 4,002,406	$ 3,545,300	$ 3,449,786
Covered-Employee Payroll	$ 22,809,895	$ 20,640,580	$ 18,569,658	$ 17,580,213	$ 17,702,995	$ 16,080,470	$ 15,123,968	$ 14,212,220
Total OPEB Liability as a Percentage of Covered-Employee Payroll	17.62%	18.80%	18.92%	25.57%	27.36%	24.89%	23.44%	24.27%
Notes to the Required Supplementary Information								
Discount Rate	4.08%	3.77%	4.05%	1.84%	2.00%	2.75%	3.71%	3.31%

Ten years of data should be presented in this schedule, but data was unavailable prior to fiscal year 2018.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of assumptions reflect the effects of changes in the discount rate each period. The discount rate at the beginning of FY 2018 was 3.81%.

FY 2024 - The demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study, and the participation and health care trend assumptions were modified.

FY 2022 - The period of service used for the allocation of service cost was changed to only reflect service with the City of Boerne and the participation assumption was modified.

FY 2020 - The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

FY 2019 - The health care trend assumption was modified.

COMPLIANCE SECTION

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of City Council
City of Boerne, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Boerne, 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 and have issued our report thereon dated March 10, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Mayor and
Members of City Council
City of Boerne, Texas

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Whitley Penn LLP

Houston, Texas
March 10, 2026

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

October 8, 2026

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IN REGARD to the authorization and issuance of the "City of Boerne, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026" (the *Certificates*), dated October 1, 2026 in the aggregate principal amount of $[__________], we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Boerne, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of March 1 in each of the years 20[__] through 20[__], unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other 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 Issuer or the Issuer's combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF BOERNE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026"

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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