This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

(See "CONTINUING DISCLOSURE OF INFORMATION")

PRELIMINARY OFFICIAL STATEMENT

Dated August 18, 2026

Ratings:
S&P: "AA" (BAM Insured)
Moody's: "Aa3" (Underlying)
(see "OTHER INFORMATION - Ratings", "BOND INSURANCE" and "BOND INSURANCE RISKS" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law, subject to the matters described herein. See " FEDERAL INCOME TAX CONSIDERATIONS FOR THE BONDS" for a discussion of the opinion of Bond Counsel.

$6,485,000*
CITY OF VAN ALSTYNE, TEXAS
(Grayson and Collin Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

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

PAYMENT TERMS . . . Interest on the $6,485,000* City of Van Alstyne, Texas General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds"), will accrue from the date of initial delivery of the Bonds to the underwriter shown below (the "Underwriter"), anticipated to be on or about September 23, 2026, and will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s outstanding debt described in Schedule I (the "Refunded Obligations") in order to restructure the City’s tax-secured debt service requirements, and (ii) pay the costs of issuance associated with the sale of the Bonds. (See "PLAN OF FINANCING - Purpose" herein).

CUSIP PREFIX: 920494
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

SEPARATE ISSUES . . .The Bonds are being offered by the City concurrently with the issuance of the $14,855,000* City of Van Alstyne, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

MUNICIPAL BOND INSURANCE . . . The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE” herein.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel’s Opinions"). Certain legal matters with respect to the Bonds will be passed upon by Kelly Hart & Hallman, LLP, Fort Worth, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about September 23, 2026 (the "Delivery Date").

STIFEL

* Preliminary, subject to change.

CUSIP Prefix: 920494(1)

$6,485,000*
CITY OF VAN ALSTYNE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

MATURITY SCHEDULE*

Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix (1)
$ 300,000	2030			
530,000	2031			
485,000	2032			
300,000	2033			
405,000	2034			
250,000	2035			
255,000	2036			
265,000	2037			
280,000	2038			
300,000	2039			
315,000	2040			
335,000	2041			
355,000	2042			
375,000	2043			
395,000	2044			
420,000	2045			
445,000	2046			
475,000	2047			

(Interest to accrue from the Delivery Date)

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

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

MANDATORY SINKING FUND REDEMPTION . . . If two or more Bonds of consecutive maturity are combined into one or more "term" bonds (the "Term Bonds") by the Underwriter, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Ordinance, which provisions will be included in the final Official Statement (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

HTSContinuingDisclosureServices
A Division of Hilltop Securities.
(See "CONTINUING DISCLOSURE OF INFORMATION")

PRELIMINARY OFFICIAL STATEMENT

Dated August 18, 2026

Ratings:
S&P: "AA" (BAM Insured)
Moody's: "Aa3" (Underlying)
(see "OTHER INFORMATION - Ratings", "BOND INSURANCE" and "BOND INSURANCE RISKS" herein)

NEW ISSUE - Book-Entry-Only

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

$14,855,000*
CITY OF VAN ALSTYNE, TEXAS
(Grayson and Collin Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

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

PAYMENT TERMS . . . Interest on the $14,855,000* City of Van Alstyne, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery of the Certificates to the underwriter shown below (the "Underwriter") anticipated to be on or about September 23, 2026, and will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE OBLIGATIONS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution, the City's Home Rule Charter and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Van Alstyne, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge not to exceed $1,000 of the surplus revenues of the City's waterworks and sewer system (the "System"), as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance of the Certificates").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the City's System; (ii) constructing, reconstructing and improving streets, roads, highways, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation; (iii) acquiring land or interests in land in connection with (i) and (ii) above; and (iv) paying legal, fiscal, architectural and engineering fees in connection with these projects (see "PLAN OF FINANCING - Purpose" herein).

CUSIP PREFIX: 920494
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES . . .The Certificates are being offered by the City concurrently with the issuance of the $6,485,000* City of Van Alstyne, Texas General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

MUNICIPAL BOND INSURANCE . . . The scheduled payment of principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" herein.

BAM

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters with respect to the Certificates will be passed upon by Kelly Hart & Hallman, LLP, Fort Worth, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about September 23, 2026 (the "Delivery Date").

STIFEL

* Preliminary, subject to change.

CUSIP Prefix: 920494[(1)]

$14,855,000*

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

MATURITY SCHEDULE*

Amount	15-Feb Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 60,000	2031			
120,000	2032			
125,000	2033			
130,000	2034			
140,000	2035			
145,000	2036			
155,000	2037			
160,000	2038			
170,000	2039			
180,000	2040			
190,000	2041			
195,000	2042			
205,000	2043			
220,000	2044			
230,000	2045			
240,000	2046			
260,000	2047			
780,000	2048			
815,000	2049			
860,000	2050			
905,000	2051			
945,000	2052			
995,000	2053			
2,070,000	2054			
2,185,000	2055			
2,375,000	2056			

(Interest to accrue from the Delivery Date)

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

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

MANDATORY SINKING FUND REDEMPTION . . . If two or more Certificates of consecutive maturity are combined into one or more "term" certificates (the "Term Certificates") by the Underwriter, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate Ordinance, which provisions will be included in the final Official Statement (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this 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. This Preliminary Official Statement does not constitute an offer to sell Obligations in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE OBLIGATIONS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN 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. SEE "CONTINUING DISCLOSURE OF INFORMATION" FOR A DESCRIPTION OF THE CITY'S UNDERTAKING TO PROVIDE CERTAIN INFORMATION ON A CONTINUING BASIS.

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.

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SCHEDULE I

APPENDICES

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.................................... The City of Van Alstyne, Texas (the "City") operates as a home-rule city under the laws of the State of Texas and a charter approved by the voters in May 2022, located in Grayson and Collin Counties, Texas (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS....................... The $6,485,000* City of Van Alstyne, Texas, General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") are being issued as serial Bonds maturing on February 15 in the years 2030 through 2047 unless the Underwriter of the Bonds designates one or more consecutive maturities as one or more term bonds (the "Term Bonds") (see "THE OBLIGATIONS - Description of the Obligations").

The $14,855,000* City of Van Alstyne, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued as serial Certificates maturing on February 15 in each of the years 2031 through 2056, unless the Underwriter of the Certificates designates one or more consecutive maturities as one or more term certificates (the "Term Certificates") (see "THE OBLIGATIONS - Description of the Obligations").

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

PAYMENT OF INTEREST ON THE OBLIGATIONS.................. Interest on the Obligations accrues from the date of initial delivery (the "Delivery Date") (anticipated to be on or about September 23, 2026), and is payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations").

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

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

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

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge not to exceed $1,000 of the surplus revenues of the City's waterworks and sewer system (the "System"), as provided in the Certificate Ordinance (see "THE OBLIGATIONS - Security and Source of Payment").

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

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

* Preliminary, subject to change.

MANDATORY SINKING FUND REDEMPTION .... Two or more consecutive maturities of each series of the Obligations may be grouped together as a term certificate or term bond, respectively, by the Underwriter, and such term certificates and term bonds would be subject to mandatory sinking fund redemption in accordance with the respective Ordinances. In that event, the mandatory sinking fund redemption provisions will be described in the final Official Statement (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

FEDERAL INCOME TAX CONSIDERATIONS OF THE BONDS.. In the opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law subject to the matters described under "FEDERAL INCOME TAX CONSIDERATIONS OF THE BONDS" herein.

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

USE OF PROCEEDS FOR THE OBLIGATIONS................ Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") in order to restructure the City's tax-secured debt service requirements, and (ii) pay the costs of issuance associated with the sale of the Bonds. (See "PLAN OF FINANCING - Purpose" herein).

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the City's System; (ii) constructing, reconstructing and improving streets, roads, highways, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation; (iii) acquiring land or interests in land in connection with (i) and (ii) above; and (iv) paying legal, fiscal, architectural and engineering fees in connection with these projects (see "PLAN OF FINANCING - Purpose" herein).

RATINGS FOR THE OBLIGATIONS .... The Obligations are expected to be rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM") upon delivery of the Obligations to the Underwriter. The Obligations are also rated "Aa3" by Moody's Investors Service ("Moody's") without regard to credit enhancement. (see "OTHER INFORMATION - Ratings", "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

MUNICIPAL BOND INSURANCE .... The scheduled payment of principal of and interest on the Obligations, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Obligations by BAM (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

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

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

PAYING AGENT/REGISTRAR....... The initial Paying Agent/Registrar for the Obligations is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	5,664	$ 466,986,358	$ 82,448	$39,555,000	8.47%	$ 6,984
2023	5,700	650,361,539	114,099	47,090,000	7.24%	8,261
2024	8,100	895,149,141	110,512	53,875,000	6.02%	6,651
2025	9,000	944,905,640	104,990	75,185,000	7.96%	8,354
2026	9,900	1,088,607,493	109,960	89,395,000 [(4)]	8.21%	9,030

(1) Source: City of Van Alstyne.
(2) As reported by the Appraisal District (defined herein) on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Preliminary, subject to change. Excludes the Refunded Obligations and includes the Obligations.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$ 3,105,252	$ 4,106,212 [(1)]	$ 3,894,529	$ 2,830,458	$ 1,731,268 [(1)]
Total Revenues	11,137,951	10,595,211	8,805,618	8,944,753	6,702,863
Total Expenditures	12,027,581	11,932,038	8,711,693	8,286,868	5,632,673
Net Transfers	425,371	335,867	294,513	406,186	29,000
Net Funds Available	2,215,622	2,769,385	3,988,454	3,488,343	2,801,458
Ending Balance	$ 2,640,993	$ 3,105,252	$ 4,282,967	$ 3,894,529	$ 2,830,458

(1) Restated.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jim Atchison Mayor	5 Years	May 2029	Retired Executive
Lee Thomas Place 4 and Mayor Pro Tem	6 Years	May 2027	Project Manager
Ryan T. Neal Council Member, Place 1	7 Years	May 2027	Financial Planner
Marla E. Butler Council Member, Place 2	7 Years	May 2027	Mortgage Banker
Dusty Williams Council Member, Place 3	5 Years	May 2027	Teacher
Katrina Arsenault Council Member, Place 5	6 Years	May 2027	Registered Nurse
Zach Williams Council Member, Place 6	4 Months	May 2029	Director

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with City	Years in City Government
Lane Jones	City Manager	7 Years	16 Years
Jennifer Gould	Assistant City Manager	20 Years	21 Years
Sherry Staber	Director of Finance	2 Years	2 Years

CONSULTANTS AND ADVISORS

Auditors .... Vail & Park, P.C.
Tom Bean, Texas

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

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

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$6,485,000*
CITY OF VAN ALSTYNE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

AND

$14,855,000*
CITY OF VAN ALSTYNE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $6,485,000* City of Van Alstyne, Texas, General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") and $14,855,000* City of Van Alstyne, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates", and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each to be adopted by the City Council of the City of Van Alstyne, Texas (the "City") on the date of the sale of the Obligations and will authorize the issuance of the Bonds and the Certificates, respectively. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City incorporated in 1873 and voters first approved the City's Home Rule Charter at an election held on May 7, 2022. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six council members who are 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 (police and fire protection), highways and streets, water and sanitary sewer utilities, environmental health services, parks and recreation, public facilities, planning and zoning, and general administrative services. The 2020 Census population for the City was 4,369. The estimated population for 2026 is 9,900.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") in order to restructure the City's tax-secured debt service requirements and to lower its debt service tax rate to create additional capacity to issue additional debt, and (ii) pay the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to the City's waterworks and sewer system; (ii) constructing, reconstructing and improving streets, roads, highways, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation; (iii) acquiring land or interests in land in connection with (i) and (ii) above; and (iv) paying legal, fiscal, architectural and engineering fees in connection with these projects.

REFUNDED OBLIGATIONS. . . The principal and interest due on the Refunded Obligations are to be paid on the redemption date shown on Schedule I hereto (the "Redemption Date") from funds to be deposited with Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, as Escrow Agent (the "Escrow Agent"), pursuant to an escrow agreement (the "Escrow Agreement") between the City and the Escrow Agent. The Bond Ordinance provides that from a portion of the proceeds of the sale of the Bonds received from the underwriter listed on the cover page hereof (the "Underwriter") and other available funds of the City, if any, the City will deposit with the Escrow Agent an amount which, when added to the investment earnings on the Escrowed Securities (defined below), will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their Redemption Date. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and/or (ii) 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 purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

* Preliminary, subject to change.

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

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

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

SOURCES OF FUNDS:	
Par Amount of Bonds	
Cash Discount	
Total Sources	
USES OF FUNDS:	
Deposit to Escrow Fund	
Underwriting Discount	
Cost of Issuance	
Total Uses	$ -

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

SOURCES OF FUNDS:	
Par Amount of Certificates	
Cash Discount	
Total Sources	
USES OF FUNDS:	
Deposit to Project Fund	
Underwriting Discount	
Cost of Issuance	
Total Uses	$ -

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated August 15, 2026 and mature on February 15 in each of the years and in the amounts shown on page 2 (with respect to the Bonds) and page 4 (with respect to the Certificates) hereof. Interest will accrue from the date of initial delivery anticipated to occur on or about September 23, 2026 (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until maturity or prior redemption. The definitive Obligations will be issued only in fully-registered form in principal denominations of $5,000 or any integral multiple thereof for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar identified herein to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

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

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

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

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed $1,000) of the surplus revenues of the City's waterworks and sewer system (the "System"), as provided in the Certificate Ordinance.

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

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

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

MANDATORY SINKING FUND REDEMPTION . . . Two or more consecutive maturities of each series of the Obligations may be grouped together as a term certificate or term bond, respectively, by the Underwriter, and such term certificates and term bonds would be subject to mandatory sinking fund redemption in accordance with the Ordinances. In that event, the mandatory sinking fund redemption provisions will be described in the final Official Statement.

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

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

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

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

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

AMENDMENTS . . . In the Ordinances, the City has reserved the right to amend the Ordinances without the consent of any holder of the Obligations for the purpose of amending or supplementing the Ordinances to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinances that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinances under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinances that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinances further provide that the holders of the Obligations aggregating in principal amount a majority of the outstanding Obligations will have the right from time to time to approve any amendment not described above to the Ordinances if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Obligations, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Obligations; (ii) reducing the rate of interest borne by any of the outstanding Obligations; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Obligations; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Obligations, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Obligations necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

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

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

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

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

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

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

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

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

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

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Obligations. In that event, the Obligations will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City with respect to the Obligations, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

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

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

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

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

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

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

OBLIGATIONHOLDERS' REMEDIES. . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinances, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus is controlled by equitable principles, and thus rests within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the Obligationholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition, and, accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. No remedy is exclusive of any other remedy, and each remedy is cumulative and in addition to every other remedy now or hereafter existing at law or in equity; however, notwithstanding any other provision of the Ordinances, the right to accelerate the maturity of the debt evidenced by the Obligations is not available as a remedy under the Ordinances. The exercise of any remedy does not waive any other available remedy.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson*") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v.City of Mexia*, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Obligationholders may not be able to bring such a suit against the City for breach of the Obligations or Ordinances covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a

Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, including principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Obligations (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Obligations when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISKS

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

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

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

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

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

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

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Grayson Central Appraisal District and Collin Central Appraisal District (collectively, 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.

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

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.

20% CIRCUIT BREAKER CAP FOR NON-HOMESTEAD 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 $5,320,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2025 tax year, through December 31, 2026 (unless extended by the Legislature), the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value.

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

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

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

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

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

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

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

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 tax year 2026, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180^{th} day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable. If a city were limited to levying an ad valorem tax rate that is not in excess of its no-new-revenue tax rate, such a limitation would impact the total amount of ad valorem tax revenue available to the city to pay for both operations and maintenance and debt service.

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of such $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

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

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $30,000; the disabled are also granted an exemption of $25,000. Also, there is a freeze on the taxable value of the residence homesteads of persons 65 years of age and older and disabled persons.

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

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

The City does not tax nonbusiness personal property; and the City taxes are collected by the Grayson County Tax Assessor Collector.

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

The City does not tax freeport property.

The City does collect the additional one-quarter cent sales tax for reduction of ad valorem taxes.

ECONOMIC DEVELOPMENT AGREEMENTS . . . In September 2008, the City entered into a development agreement (the "Development Agreement") with Viola Lordsmeer, L.P. (the "Developer"), who owned approximately 2,011.40 acres of real property in Collin and Grayson Counties, the vast majority of which is located in the City's extraterritorial jurisdiction, intended to be developed as a master-planned, mixed-use community (the "Property"). In the Development Agreement, the Developer agreed to construct certain public infrastructure, including without limitation streets and roads, utility lines, and wastewater treatment facilities (the "Public Infrastructure") to be connected to the City's system of streets, roads, and utility lines. The Developer also agreed to subject the subdivision and platting of the Property and the design, construction, installation, and inspection of water, sewer, drainage, roadway and other Public Infrastructure to the City's jurisdiction, pursuant to Section 242.001(a)(3), Texas Local Government Code. In exchange, the City agreed to consent to the creation by the Developer of one or more municipal utility districts or legislatively created districts that may in the future issue bonds to fund the construction of the Public Infrastructure. The City also agreed to enter into one or more Chapter 380 agreements (together with the Development Agreement, the "Agreements") between the Developer and one or more of the City, the Van Alstyne 4A Development Corporation, and the Van Alstyne 4B Development Corporation, to provide additional funds for the construction of the Public Infrastructure.

In January 2015, the City has also entered into a Chapter 380 agreement with Palladium USA International, Inc. ("Palladium"), in which the City agreed to reimburse Palladium for the costs of certain infrastructure necessary for the construction of a multi-family development. Pursuant to the agreement, the City agreed to rebate Palladium a portion of the ad valorem taxes paid on the development.

In 2018, the Property and the Developer's rights in the Agreement were sold and assigned to Risland Mantua LLC, a subsidiary of Risland, Hong Kong. In 2024, Risland sold 1,676 acres to Centurion which continue to be governed under the development agreement. Risland has made over 25% of their lots available for sale and are in the process of developing Phase 3. Centurian recently started development.

In December 2019, the City has entered into a Chapter 380 agreement with L&E Properties, LLC ("L&E") and United AG and Turf LLC (the "Company") in which the City agreed to provide a program of economic development assistance to L&E and the Company for the development and operation of a twelve-acre development. Once developed, the City would reimburse L&E and the Company by rebating a portion of the sales taxes generated from the Company's operation of the site, as well as rebating a portion of the ad valorem taxes paid by the Company for the site. The proposed development represents a consolidation of two smaller local stations to one large central facility. The City has determined that granting these economic development program incentives will further the objectives of the City, will benefit the City, and will promote local economic development, and retain employment, business and commercial activity in the City.

In 2023, the City entered into a Chapter 380 agreement with Bill Smith Café, Inc. and Billy Wayne Turner. The City agreed to reimburse the Company by rebating a portion of the sales taxes generated from the Company's operation of the site as well as rebating a portion of the ad valorem taxes paid by the company for the site. The City has determined that granting these economic development program incentives will further the objectives of the City, will benefit the City, and will promote local economic development, and retain employment, business and commercial activity in the City.

In 2024, the City entered into a Chapter 380 agreement with Kirby Smith Machinery Inc. ("Kirby Smith"), a leading dealer and manufacturer of cranes, fork lifts, and other heavy and industrial equipment in the central United States. In the Chapter 380 agreement, the City has agreed to rebate 50% of the City's 1% general sales and use tax generated by Kirby Smith for a period of 10 years, as well as impact fee credits for the construction of certain water system improvements.

In 2024, the City entered into a Development Agreement with Gunter Land LLC. Gunter Land LLC is developing a 64 acre single family home development and has annexed into the city limits. The City is providing Impact Credits and reimbursement of Oversized infrastructure to be constructed by the Company. The City has determined that granting these economic development program incentives will further the objectives of the City.

In 2026, the City entered into a Chapter 380 agreement with Big D Lumber Company, LLC. For a period of five years, the City agreed to reimburse the Company by rebating a portion of the sales taxes generated from the Company's operation of the site as well as rebating a portion of the ad valorem taxes paid by the company for the site. The City has determined that granting these economic development program incentives will further the objectives of the City, will benefit the City, and will promote local economic development, and retain employment, business and commercial activity in the City.

In 2026, the City entered into a Chapter 380 agreement with Creekline Partners, LTD. The City is providing reimbursement of Offsite infrastructure to be constructed by the Company. The City has determined that granting these economic development program incentives will further the objectives of the City.

TAX INCREMENT REINVESTMENT ZONES AND PUBLIC IMPROVEMENT DISTRICTS

The City is situated in southern Grayson County and northern Collin County, which has experienced rapid population growth in recent years, together with rapid land development. The City has implemented various economic development incentives to manage and continue this growth while maintaining a stable property tax rate. In addition to offering economic development agreements authorized pursuant to Chapter 380, the City has created several tax increment reinvestment zones ("TIRZ") and public improvement districts ("PID" or "PIDs"), which are briefly described below (see "TAX INFORMATION – Economic Development Agreements" above). The City is authorized to establish the PIDs to undertake improvement projects that confer a special benefit on property located within the particular PID, whether located within the City limits or the City's extraterritorial jurisdiction ("ETJ"). The City may levy and collect special assessments on property in the particular PID based on the benefit conferred by an improvement project to pay all or part of its cost.

TIRZ NO. 1

The City authorized creation of Tax Increment Reinvestment Zone Number One, City of Van Alstyne, Texas ("TIRZ No. 1"), pursuant to Chapter 311 of the Texas Tax Code (the "TIRZ Act"). TIRZ No. 1's geographical boundaries encompass the majority of the City's corporate limits and tax base. The base value of TIRZ No. 1 is the total appraised value of all real property within TIRZ No. 1, and the sales tax base in TIRZ No. 1, as of January 1, 2024. The City adopted an ordinance dedicating fifty percent (50%) of all "captured appraised value" of TIRZ No. 1 for various economic development and infrastructure improvements within TIRZ No. 1. Such 50% of all captured appraised value applies only to the City's maintenance and operations tax rate and does not apply to the City's debt service tax rate.

LONE TREE PUBLIC IMPROVEMENT DISTRICT AND TIRZ NO. 2

On April 8, 2025, the City created the Lone Tree Public Improvement District ("Lone Tree PID"), which consists of a 106.58-acre master planned project expected to consist of an estimated 361 single family homes located within the City's corporate limits. The City additionally created Tax Increment Reinvestment Zone Number Two, City of Van Alstyne, Texas ("TIRZ No. 2") that is coterminous with the Lone Tree PID and plans to use revenues generated by such TIRZ No. 2 to offset or lower the assessments charged to property owners within Lone Tree PID. On October 13, 2026, the City Council will consider issuing special assessment revenue bonds to develop infrastructure within the initial phase of development of the Lone Tree PID. Subsequently, the City expects to issue additional bonds payable from special assessments levied on future phases of Lone Tree PID but cannot predict when or whether such bonds will be issued, if ever.

SOLARA PUBLIC IMPROVEMENT DISTRICT AND TIRZ NO. 3

On July 14, 2026, the City created the Solara Public Improvement District ("Solara PID") pursuant to that certain Development Agreement by and among the City and Skorburg Acquisitions II, LLC, a Texas limited liability company, effective as of May 27, 2025 (the "Solara Development Agreement"), which governs the development of approximately 176.603-acres of land located within the City's corporate limits. In the Solara Development Agreement, the City has agreed to issue special assessment revenue bonds to finance the development of infrastructure within Solara PID as single-family residential lots. The City additionally created Tax Increment Reinvestment Zone Number Three, City of Van Alstyne, Texas ("TIRZ No. 3"), which is coterminous with the Solara PID, and plans to use revenues generated by such TIRZ No. 3 to offset or lower the assessments charged to property owners within the Solara PID. The City expects to issue revenue bonds payable from special assessments levied on property within Solara PID but cannot predict when or whether such bonds will be issued, if ever.

CREEKLINE PUBLIC IMPROVEMENT DISTRICT

The City previously entered into an ETJ Development and Infrastructure Agreement by and among the City and Laer-Trams-Rolling Ridge Van Alstyne, LLC, a Texas limited liability company, effective as of May 9, 2018, as amended (the "Creekline Development Agreement"), which governs the development of approximately 168.053-acres of land located within the City's corporate limits. On August 11, 2026, the City created the Creekline Public Improvement District ("Creekline PID"), which encompasses 79.880-acres of land covered by the Creekline Development Agreement, which is being developed by Creekline

Partners, Ltd. The City has agreed to issue special assessment revenue bonds to finance the development of infrastructure within Creekline PID as single-family residential lots. The City expects to issue revenue bonds payable from special assessments levied on property within Creekline PID but cannot predict when or whether such bonds will be issued, if ever.

FUTURE DEVELOPMENT PROJECTS

The City entered has entered into additional development agreements with various developers in which the City has agreed to create and establish additional PIDs and/or TIRZ and to issue multiple series of special assessment revenue bonds to fund the public infrastructure within such districts. The timing and amount of said bond issues is not certain at this time.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2026/27 Market Valuation Established by Appraisal District (excluding totally exempt property)		$ 1,323,930,748
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap	$ 8,577,685	
Circuit Breaker	13,557,511	
Productivity Loss	78,069,785	
Disabled Veterans	27,049,226	
Over 65	2,238,915	
Freeport	20,760,740	
Miscellaneous	12,860,327	163,114,189
2026/27 Taxable Assessed Valuation		$ 1,160,816,559 (1)
General Obligation Debt as of 8/15/2026(2)	$ 68,055,000	
The Bonds(3)	6,485,000	
The Certificates(3)	14,855,000	
Total General Obligation Debt as of 8/15/2026		$ 89,395,000
Less: Self-Supporting Debt as of 8/15/2026		
Water & Sewer System Fund		$ 17,220,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 72,175,000
General Obligation Interest and Sinking Fund as of 7/1/2026		$ 2,052,182 (4)
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		6.22%

2026 Estimated Population - 9,900
Per Capita Taxable Assessed Valuation - $117,254
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $7,290

___

(1) 2026 Certified Taxable Assessed Valuation as reported by Grayson Central Appraisal District and as reported by the Collin Central Appraisal District
(2) Excludes the Refunded Obligations.
(3) Preliminary, subject to change.
(4) Includes debt service payment of $1,137,601 scheduled to be made on August 15, 2026.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Assessed Value for Fiscal Year Ended September 30,					
	2027		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 901,794,565	68.11%	$ 838,289,827	67.68%	$ 722,181,797	65.97%
Real, Residential, Multi-Family	51,908,263	3.92%	48,467,160	3.91%	49,023,552	4.48%
Real, Vacant Lots/Tracts	23,975,967	1.81%	20,558,414	1.66%	18,484,530	1.69%
Real, Acreage (Land Only)	78,259,882	5.91%	70,475,955	5.69%	55,245,609	5.05%
Real, Farm and Ranch Improvements	18,044,881	1.36%	13,999,087	1.13%	13,682,381	1.25%
Real, Commercial and Industrial	98,786,647	7.46%	92,189,318	7.44%	86,930,711	7.94%
Real and Tangible Personal, Utilities	13,324,750	1.01%	11,761,082	0.95%	10,300,211	0.94%
Tangible Personal, Commercial	39,671,983	3.00%	36,148,862	2.92%	33,953,186	3.10%
Tangible Personal, Industrial	51,849,739	3.92%	46,446,221	3.75%	61,049,203	5.58%
Tangible Personal, Mobile Homes	45,528	0.00%	47,916	0.00%	50,084	0.00%
Real Property, Inventory	44,326,605	3.35%	58,228,401	4.70%	41,185,422	3.76%
Other	1,941,938	0.15%	2,013,187	0.16%	2,573,359	0.24%
Total Appraised Value Before Exemptions	$ 1,323,930,748	100.00%	$ 1,238,625,430	100.00%	$ 1,094,660,045	100.00%
Less: Total Exemptions/Reductions	163,114,189		150,017,937		149,754,405	
Taxable Assessed Value	$ 1,160,816,559		$ 1,088,607,493		$ 944,905,640	

	Taxable Assessed Value for Fiscal Year Ended September 30,			
	2024		2023	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 660,789,535	63.73%	$ 515,953,478	64.63%
Real, Residential, Multi-Family	47,069,487	4.54%	36,960,236	4.63%
Real, Vacant Lots/Tracts	24,562,887	2.37%	10,244,092	1.28%
Real, Acreage (Land Only)	55,447,555	5.35%	31,114,391	3.90%
Real, Farm and Ranch Improvements	8,648,859	0.83%	5,208,582	0.65%
Real, Business	67,921,223	6.55%	59,357,680	7.44%
Real and Tangible Personal, Utilities	8,362,655	0.81%	7,583,198	0.95%
Tangible Personal, Commercial	28,703,854	2.77%	21,569,161	2.70%
Tangible Personal, Industrial	96,373,753	9.29%	81,118,104	10.16%
Tangible Personal, Mobile Homes	39,063	0.00%	35,105	0.00%
Real Property, Inventory	36,123,666	3.48%	26,732,628	3.35%
Other	2,822,509	0.27%	2,394,211	0.30%
Total Appraised Value Before Exemptions	$ 1,036,865,046	100.00%	$ 798,270,866	100.00%
Less: Total Exemptions/Reductions	141,715,905		147,909,327	
Taxable Assessed Value	$ 895,149,141		$ 650,361,539	

Note: Valuations shown are certified taxable assessed values reported by the Grayson Central Appraisal District and Collin Central 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 Districts update records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	5,664	$ 466,986,358	$ 82,448	$39,555,000	8.47%	$ 6,984
2023	5,700	650,361,539	114,099	47,090,000	7.24%	8,261
2024	8,100	895,149,141	110,512	53,875,000	6.02%	6,651
2025	9,000	944,905,640	104,990	75,185,000	7.96%	8,354
2026	9,900	1,088,607,493	109,960	89,395,000 [(4)]	8.21%	9,030

(1) Source: The City.
(2) As reported by the Appraisal Districts on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Excludes the Refunded Obligations. Includes the Obligations. 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	% Current Collections	% Total Collections
2022	$ 0.5637	$ 0.4735	$ 0.0902	$ 2,547,658	98.51%	98.52%
2023	0.5637	0.3637	0.2000	3,551,514	99.31%	98.25%
2024	0.5537	0.3260	0.2276	4,805,284	99.39%	98.29%
2025	0.5537	0.3061	0.2477	5,050,025	99.08%	98.04%
2026	0.5537	0.3061	0.2477	5,843,045	98.13% [(1)]	98.50% [(1)]

(1) Collections as of June 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
MPG Texas 6 LLC	Residential Developer	$ 22,964,136	2.11%
Techline Inc.	Wholesale Supplier/Distribution Center	15,969,120	1.47%
Lacore Nutraceuticals Inc.	Industrial Manufacturing	14,377,901	1.32%
US LBM Operating Co. 3009, LLC	Building Products Distributor	7,738,015	0.71%
L & E Properties LLC	Commercial Land	6,250,072	0.57%
Palladium Van Alstyne Senior Living	Nursing Homes	6,208,935	0.57%
River Ranch SF LTD	Manufacturing	6,099,283	0.56%
Lacore Enterprises LLC	Industrial Manufacturing	5,802,207	0.53%
Atmos Energy/Mid-Tex Distribution	Natural Gas Utility	5,385,326	0.49%
Cambridge Homes LLC	Real Estate Development	4,811,432	0.44%
		$ 95,606,427	8.78%

Source: Grayson Central Appraisal District and Collin Central Appraisal District.

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

TABLE 6 - 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	2025/2026 Tax Rate	Total G.O. Tax as of 8/15/2026	Estimated %	City's Overlapping G.O. Tax Debt as of 8/15/2026
City of Van Alstyne	$ 1,088,607,493	$ 0.5537	$ 89,395,000 (1)	100.00%	$ 89,395,000 (1)
Grayson County	22,473,645,850	0.3051	19,650,000	3.84%	754,560
Grayson County JCD	24,687,227,546	0.1460	203,365,000	3.84%	7,809,216
Van Alstyne ISD	2,002,331,957	1.1748	240,895,000	41.47%	99,899,157
Total Direct and Overlapping G. O. Tax Debt					$ 197,857,933
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					18.18%
Per Capita Overlapping G. O. Tax Debt					$ 19,986

Source: Municipal Advisory Council of Texas.
(1) Includes self-supporting debt. Excludes the Refunded Obligations. Includes the Obligations. Preliminary, subject to change.

TABLE 7 - TAX ADEQUACY[(1)(2)]

2027 Net Principal and Interest Requirements	$ 3,410,257
$0.3029 Tax Rate at 97.00% Collection Produces	$ 3,410,292
Average Net Principal and Interest Requirements (2027-2056)	$ 4,467,112
$0.3967 Tax Rate at 97.00% Collection Produces	$ 4,467,148
Maximum Net Principal and Interest Requirements, 2035	$ 4,865,495
$0.4321 Tax Rate at 97.00% Collection Produces	$ 4,865,524

(1) Excludes self-supporting debt. Excludes the Refunded Obligations. Includes the Obligations. Preliminary, Subject to change.
(2) Calculation is based on 2026/2027 taxable assessed valuation.

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TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service[1]			The Bonds[2]			The Certificates[2]			Total	Less: Self-Supporting	Net General Obligation	% of Principal
30-Sep	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Debt Service	Debt Service	Debt Service	Retired
2026	$ 935,000	$ 3,475,802	$ 4,410,802	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,410,802	$ 1,106,602	$ 3,304,199	
2027	580,000	2,781,363	3,361,363	-	316,756	316,756	-	664,349	664,349	4,342,467	932,210	3,410,257	
2028	600,000	2,757,150	3,357,150	-	354,137	354,137	-	742,750	742,750	4,454,037	925,435	3,528,602	
2029	725,000	2,730,400	3,455,400	-	354,137	354,137	-	742,750	742,750	4,552,287	928,160	3,624,127	
2030	785,000	2,699,575	3,484,575	300,000	347,077	647,077	-	742,750	742,750	4,874,402	944,810	3,929,592	4.32%
2031	830,000	2,667,620	3,497,620	530,000	327,410	857,410	60,000	741,250	801,250	5,156,280	940,510	4,215,770	
2032	865,000	2,637,298	3,502,298	485,000	302,890	787,890	120,000	736,750	856,750	5,146,938	932,935	4,214,003	
2033	1,105,000	2,605,385	3,710,385	300,000	283,457	583,457	125,000	730,625	855,625	5,149,467	937,035	4,212,432	
2034	1,050,000	2,571,784	3,621,784	405,000	265,512	670,512	130,000	724,250	854,250	5,146,546	935,310	4,211,236	
2035	1,805,000	2,520,215	4,325,215	250,000	248,590	498,590	140,000	717,500	857,500	5,681,305	815,810	4,865,495	11.75%
2036	1,875,000	2,450,459	4,325,459	255,000	235,338	490,338	145,000	710,375	855,375	5,671,172	814,010	4,857,162	
2037	1,940,000	2,380,396	4,320,396	265,000	221,165	486,165	155,000	702,875	857,875	5,664,437	812,035	4,852,402	
2038	2,125,000	2,304,703	4,429,703	280,000	205,911	485,911	160,000	695,000	855,000	5,770,613	922,010	4,848,603	
2039	2,205,000	2,222,758	4,427,758	300,000	189,677	489,677	170,000	686,750	856,750	5,774,184	918,761	4,855,423	
2040	2,290,000	2,139,338	4,429,338	315,000	172,463	487,463	180,000	678,000	858,000	5,774,800	920,831	4,853,969	25.17%
2041	2,600,000	2,049,488	4,649,488	335,000	154,269	489,269	190,000	668,750	858,750	5,997,507	1,138,863	4,858,644	
2042	2,705,000	1,950,625	4,655,625	355,000	134,459	489,459	195,000	659,125	854,125	5,999,209	1,141,781	4,857,428	
2043	2,800,000	1,847,391	4,647,391	375,000	113,005	488,005	205,000	649,125	854,125	5,989,520	1,138,588	4,850,933	
2044	2,915,000	1,739,363	4,654,363	395,000	90,374	485,374	220,000	638,500	858,500	5,998,237	1,144,166	4,854,071	
2045	3,025,000	1,626,088	4,651,088	420,000	66,421	486,421	230,000	627,250	857,250	5,994,759	1,143,325	4,851,434	43.16%
2046	3,140,000	1,507,681	4,647,681	445,000	40,999	485,999	240,000	615,500	855,500	5,989,180	1,141,156	4,848,024	
2047	3,280,000	1,375,619	4,655,619	475,000	13,960	488,960	260,000	603,000	863,000	6,007,579	1,145,863	4,861,717	
2048	3,195,000	1,231,538	4,426,538	-	-	-	780,000	577,000	1,357,000	5,783,538	1,142,288	4,641,250	
2049	3,345,000	1,083,281	4,428,281	-	-	-	815,000	537,125	1,352,125	5,780,406	1,142,331	4,638,075	
2050	3,505,000	927,981	4,432,981	-	-	-	860,000	495,250	1,355,250	5,788,231	1,145,781	4,642,450	66.32%
2051	3,660,000	765,519	4,425,519	-	-	-	905,000	451,125	1,356,125	5,781,644	1,142,638	4,639,006	
2052	4,015,000	591,706	4,606,706	-	-	-	945,000	404,875	1,349,875	5,956,581	1,319,075	4,637,506	
2053	4,205,000	401,056	4,606,056	-	-	-	995,000	356,375	1,351,375	5,957,431	1,319,775	4,637,656	
2054	3,370,000	227,500	3,597,500	-	-	-	2,070,000	279,750	2,349,750	5,947,250	1,307,797	4,639,453	
2055	3,515,000	76,891	3,591,891	-	-	-	2,185,000	173,375	2,358,375	5,950,266	1,308,000	4,642,266	97.17%
2056	-	-	-	-	-	-	2,375,000	59,375	2,434,375	2,434,375	-	2,434,375	100.00%
	$ 68,990,000	$ 56,345,968	$ 125,335,968	$ 6,485,000	$ 4,438,009	$ 10,923,009	$ 14,855,000	$ 17,811,474	$ 32,666,474	$ 168,925,450	$ 31,607,890	$ 137,317,560	

(1) Excludes the Refunded Obligations.
(2) Preliminary, subject to change.

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TABLE 9 - BUDGETED INTEREST AND SINKING FUND BUDGET PROJECTION

General Purpose Net Debt Service Requirements, Fiscal Year Ending 9/30/2026		$ 3,304,199
Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/2025	$ 1,375,826	
Budgeted Interest and Sinking Fund Tax Levy	2,601,897	
Budgeted Community Development Fee Transfer	226,575	4,204,298
Budgeted Ending Fund Balance, Fiscal Year Ending 9/30/2026		$ 900,099

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . Later in 2026, the City currently anticipates issuing combination tax and revenue certificates of obligation in a projected amount of approximately $20 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.

TABLE 10 - OTHER OBLIGATIONS

Contractual Obligations with Greater Texoma Utility Authority (GTUA) and Notes Payable

	Original Amount	Year of Issue	Final Maturity	Interest Rate	Governmental Activities	Business-Type Activities	Component Unit Activities
Contractual Obligations							
GTUA CGMA Phase I Contractual Obligation	700,000	2005	2028	2.29 - 5.74%	$ -	$ 61,256	$ -
GTUA CGMA Phase II Contractual Obligation	4,010,000	2009	2040	5.68 - 5.83%	-	699,205	-
GTUA CGMA Phase III Contractual Obligation	1,250,000	2007	2036	2.67 - 5.62%	-	258,323	-
GTUA 2014B Series - Contractual Obligation	1,730,000	2014	2034	2.00 - 4.00%	-	925,000	-
GTUA 2015 Series - Contractual Obligation	2,875,000	2015	2034	0.04 - 2.52%	-	1,835,000	-
GTUA 2021 Series - Contractual Obligation	4,000,000	2021	2051	1.10 - 2.27%	-	3,560,000	-
GTUA CGMA Series 2022 - Contractual Obligation	1,841,250	2022	2053	2.70 - 4.17%	-	580,320	-
Total Bonds and Contractual Obligations Payable					-	7,919,104	-
Notes Payable							
Land - Contract #8135	113,500	2018	2028	5.38%	$ -	$ -	$ 27,685
Ambulance - Contract #9967	378,500	2022	2026	3.74%	101,165	-	-
Sewer Equipment	270,905	2023	2029	5.97%	-	171,856	-
Vehicles	673,971	2025	2029	5.66%	673,971		-
Total Notes Payable					$ 775,136	$ 171,856	$ 27,685

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Right-to-Use Lease Liability

The City has entered into a lease agreement as the lessee for a building. The leases allow the right-to-use the building for the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The original value of the right-to-use assets for governmental activities as of September 30, 2025, was $445,979, and had accumulated amortization of $229,600. The lease rate, term, and ending lease liability are as follows:

Description	Interest Rate	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased building	4.00%	$ 445,979	3.0	$ 218,045
		Total Governmental Activities		$ 218,045

The future principal and interest lease payments, as of fiscal year end 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 72,312	$ 8,343	$ 80,655
2027	77,528	4,972	82,500
2028	68,205	1,420	69,625
	$ 218,045	$ 14,735	$ 232,780

Public Property Finance

On February 9, 2024, the City entered into a public property finance act contract with Government Capital Corporation in the amount of $268,223 for the purchase of a utility inspection system and related equipment. The contract has an interest rate of 5.966%. The contract requires principal and interest to be paid annually, beginning on February 15, 2025, and maturing on February 15, 2029.

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FINANCIAL INFORMATION

TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Years Ended September 30,				
Revenues:	2025	2024	2023	2022	2021
Taxes:					
Property	$ 2,768,497	$ 2,932,251	$ 2,320,727	$ 2,169,719	$ 1,760,538
General sales and use	2,112,559	2,167,543	2,408,695	2,453,384	1,767,381
Franchise	366,509	412,371	329,811	274,624	239,992
License and permits	2,664,475	2,451,045	1,814,362	2,512,508	1,272,031
Grants	40,183	99,488	24,068	42,339	266,021
Ambulance services	1,603,150	1,447,402	1,250,070	982,274	777,730
Municipal court	448,316	269,224	306,298	263,378	290,321
Fines and forfeitures	11,884	8,005	51,836	93,347	134,153
Donations	153,633	309,835	124,571	86,458	129,853
Other income	787,802	283,922	67,246	43,755	47,465
Investment earnings	180,568	193,881	90,168	11,655	7,672
Library	375	6,500	5,566	8,865	7,077
Intergovernmental	-	13,744	12,200	2,447	2,629
Total Revenues	$ 11,137,951	$ 10,595,211	$ 8,805,618	$ 8,944,753	$ 6,702,863
Expenditures:					
Current:					
General government	$ 2,490,241	$ 2,401,864	$ 1,802,412	$ 1,362,692	$ 855,580
Development	1,257,913	1,214,280	1,608,397	1,393,815	855,001
Police	2,157,353	1,608,366	1,426,560	1,268,731	1,131,355
Fire protection and ambulance	1,983,740	1,883,292	1,490,867	1,289,667	1,027,239
Emergency communications	336,198	290,851	291,902	276,825	253,382
Library	455,775	365,385	358,012	311,072	250,101
Parks	747,411	745,765	481,612	408,168	402,856
Streets and infrastructure	1,482,955	1,637,909	68,372	166,961	85,793
Municipal court	245,099	216,730	207,223	163,200	143,902
Debt Service:					
Principal	164,982	284,151	201,327	133,040	94,698
Interest	14,426	165,973	198,139	18,657	12,214
Capital Outlay	691,488	1,117,472	576,870	1,494,040	520,552
Total Expenditures	$ 12,027,581	$ 11,932,038	$ 8,711,693	$ 8,286,868	$ 5,632,673
Excess (deficiency) of Revenue Over Expenditures	$ (889,630)	$ (1,336,827)	$ 93,925	$ 657,885	$ 1,070,190
Other Financing Sources					
Transfers In (Out)	(583,535)	-	14,397	130,478	-
Insurance proceeds	88,444	118,803	280,116	-	-
Lease proceeds	235,472	-	-	210,507	-
Debt proceeds	-	217,064	-	-	-
Sale of General Capital Assets	684,990	-	-	65,201	29,000
Total Other Sources (Uses)	$ 425,371	$ 335,867	$ 294,513	$ 406,186	$ 29,000
Net Changes In Fund Balance	$ (464,259)	$ (1,000,960)	$ 388,438	$ 1,064,071	$ 1,099,190
Fund Balances - Beginning	$ 3,105,252	$ 4,282,967	$ 3,894,529	$ 2,830,458	$ 1,709,384
Prior Period Adjustment	-	(176,755)	-	-	21,884
Beginning Fund Balance	$ 3,105,252	$ 4,106,212	$ 3,894,529	$ 2,830,458	$ 1,731,268
Ending Fund Balance	$ 2,640,993	$ 3,105,252	$ 4,282,967	$ 3,894,529	$ 2,830,458

TABLE 12 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. The voters of the City approved the imposition of an additional sales and use tax of one-quarter percent (0.25%) for the benefit of the Van Alstyne 4A Development Corporation and an additional one-quarter percent (0.25%) for the benefit of the Van Alstyne 4B Development Corporation (collectively, the "Corporations"). The collective 0.5% sales and use tax for economic development is collected solely for the benefit of the Corporations, and may be pledged to secure payment of sales tax revenue bonds issued by the Corporations, but may not be pledged to payment on the Certificates. The voters have also approved the levy of a 0.25% sales and use tax for property tax relief and the revenues received from this sales and use tax are generally applied as in the same manner as property tax revenues. Finally, voters of the City have also approved the levy of a 0.25% sales and use tax for street repairs and maintenance. The current sales and use tax rates within the City total 2%, which is the maximum amount permitted by State law. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Sales and use tax proceeds are not pledged to payment of the Certificates and are not available to pay debt service on the Certificates.

Fiscal Year Ended 9/30	Total Collected [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [3]
2022	$ 2,883,842	113.20%	0.6175	$ 509
2023	2,888,757	81.34%	0.4442	507
2024	2,705,135	56.30%	0.3022	334
2025	2,500,320	49.51%	0.2646	278
2026	2,124,328 [2]	36.36%	0.1951	215

(1) Total Collected does not include the 0.25% collected for the Van Alstyne Economic Development Corporation and the 0.25% collected for the Van Alstyne Community Development Corporation. Source: Texas Comptroller of Public Accounts website.
(2) Collections through July 2026.
(3) Source for population: City Staff.

FINANCIAL POLICIES

Basis of Accounting . . .The City's annual budget shall be prepared and adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except the capital projects fund, which adopts project-length budgets. Account balances shall be reported on the modified accrual basis of accounting within the General Fund and other governmental funds and the accrual basis of accounting in the Utilities Fund.

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

Budgetary Procedures . . .The official city budget is prepared for adoption for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7; (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment

Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio; and (6) yield.

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

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

TABLE 13 - CURRENT INVESTMENTS

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

Description	% of Portfolio	Market Value
Bank Accounts	100.00%	$ 41,965,435
	100.00%	$ 41,965,435

TAX MATTERS FOR THE CERTIFICATES

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

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

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

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

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

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

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

FEDERAL INCOME TAX CONSIDERATIONS FOR THE BONDS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION

WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OF ANY OTHER TAX CONSEQUENCE.

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

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

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

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

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

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

STATE, LOCAL AND OTHER TAX CONSEQUENCES

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

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

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligations calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Obligations nor the Ordinances make any provision for debt service reserves, credit enhancement (except for the possible use of bond insurance for the Obligations), the appointment of a trustee or liquidity enhancement.

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

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

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Except as described below, during the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. On June 10, 2022, the City entered into a Financial Obligation for the purchase of an ambulance and related equipment. On February 9, 2024, the City entered into a Financial Obligation for the purchase of utility inspection equipment. Due to an administrative oversight, notices of such events were not filed with EMMA until August 17, 2026 and October 1, 2024, respectively. City has implemented new procedures to comply with its continuing disclosure obligations in the future.

OTHER INFORMATION

RATINGS

The Obligations are expected to be rated “AA” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Obligations to the Underwriter. The Obligations also are rated "Aa3" by Moody’s Investors Service ("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 such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations.

LITIGATION

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

CYBERSECURITY

The City’s operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City’s control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City’s operations and/or financial condition.

WEATHER EVENTS

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

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Texas Public Funds Investment Act requires that the Obligations be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the respective Initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions “PLAN OF FINANCING” (excluding the information under the subcaption “Sources and Uses of Bond Proceeds” and “Sources and Uses of Certificate Proceeds”), "THE OBLIGATIONS" (excluding the information under the subcaptions "Book-Entry-Only System" and "Obligationholders’ Remedies" and the last sentence under "Tax Rate Limitation"), and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Matters" (except for the last sentence of the first paragraph thereof), "Registration and Qualification of Obligations for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Bond Counsel’s legal opinions will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel Kelly Hart & Hallman LLP, Fort Worth, Texas, whose fee is also contingent on the sale and delivery of the Obligations.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the City, on or before the Delivery Date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations. The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, the Verification Agent has relied on any information provided to it by the City’s retained advisors, consultants or legal counsel.

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

Hilltop Securities Inc. is employed as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. The Municipal Advisor has agreed, in its Municipal Advisory contract, not to bid for the Obligations, either independently or as a member of a syndicate organized to submit a bid for the Obligations. Hilltop Securities Inc., in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an underwriting discount of $________. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price equal to the initial offering prices to the public, as shown on page 4 hereof, less an underwriting discount of $________. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

____
Mayor
City of Van Alstyne, Texas

ATTEST:

____
City Secretary
City of Van Alstyne, Texas

SCHEDULE I*

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Certificates of Obligation, Series 2021

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
9/15/2021	2/15/2027	5.000%	$ 270,000	$ 155,000	$ 115,000	Escrowed to Maturity
	2/15/2028	5.000%	280,000	160,000	120,000	Escrowed to Maturity
	2/15/2029	5.000%	295,000	170,000	125,000	Escrowed to Maturity
	2/15/2030	5.000%	305,000	175,000	130,000	Escrowed to Maturity
	2/15/2031	5.000%	320,000	185,000	135,000	Escrowed to Maturity
	2/15/2032	2.000%	335,000	195,000	140,000	2/15/2031
			$ 1,805,000	$ 1,040,000	$ 765,000	

Combination Tax and Revenue Certificates of Obligation, Series 2022A

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
9/1/2022	2/15/2027	5.000%	$ 315,000	$ 315,000	$ -	Escrowed to Maturity
	2/15/2028	5.000%	335,000	335,000	-	Escrowed to Maturity
	2/15/2029	5.000%	350,000	350,000	-	Escrowed to Maturity
	2/15/2030	5.000%	375,000	375,000	-	Escrowed to Maturity
	2/15/2031	5.000%	390,000	390,000	-	Escrowed to Maturity
	2/15/2032	5.000%	405,000	405,000	-	Escrowed to Maturity
	2/15/2033	5.000%	430,000	430,000	-	2/15/2032
	2/15/2034	5.000%	450,000	450,000	-	2/15/2032
			$ 3,050,000	$ 3,050,000	$ -	

Combination Tax and Revenue Certificates of Obligation, Series 2023

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
10/1/2023	2/15/2027	5.000%	$ 250,000	$ 250,000	$ -	Escrowed to Maturity
	2/15/2028	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2029	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2030	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2031	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2032	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2033	5.000%	250,000	250,000	-	Escrowed to Maturity
	2/15/2034	5.000%	355,000	355,000	-	2/15/2033
			$ 2,105,000	$ 2,105,000	$ -	

*Preliminary; subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

THE CITY

Van Alstyne is a growing city about 40 minutes north of Dallas, located between McKinney on the South and Sherman on the North. Van Alstyne has 11 Historical Markers in the City Limits. The City's 2026 population is estimated at 9,900.

EDUCATION

Secondary education for the City is primarily provided by the Van Alstyne Independent School District. The District provides 5 campuses, as follows: 2 elementary schools, 1 middle school, 1 junior high school, and 1 high school. The school serves approximately 2,650 students.

Educational opportunities beyond the high school level include the Grayson College, South Campus, located in Van Alstyne, Austin College, located in Sherman, Southeastern Oklahoma State University, located in Durant, Oklahoma, Texas A&M University - Commerce, located in Commerce, and the Texas Women's University, located in Denton.

LABOR FORCE

Grayson County Employment figures, as reflected by the Texas Workforce Commission, are as follows:

	June	Average Annual				
Grayson County	2026	2025	2024	2023	2022	2021
Labor Force	73,392	72,941	71,421	69,789	67,098	65,877
Employed	69,936	70,120	68,633	67,133	64,612	62,829
Unemployed	3,456	2,821	2,788	2,656	2,486	3,048
% of Unemployed	4.71%	3.87%	3.90%	3.81%	3.71%	4.63%

MISCELLANEOUS

The City offers a suburban lifestyle with varied neighborhoods. Two lakes, within a 30-minute drive, offer boating, fishing, camping and picnicking facilities.

The Cities of Fort Worth and Dallas with their varied cultural opportunities of theaters, museums, zoos, botanical gardens and professional sports teams are less than a 40 minute drive from the City.

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APPENDIX B

EXCERPTS FROM THE

CITY'S ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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

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City of Van Alstyne, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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City of Van Alstyne, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

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FINANCIAL SECTION

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VAIL & PARK, P.C.
AUDIT
TAX
ADVISORY

Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA

Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

Memberships:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
AICPA Private Companies Practice Section (PCPS)
Texas Society of CPAs (TXCPA)
Public Company Accounting Oversight Board (PCAOB)

INDEPENDENT AUDITOR'S REPORT

To the Mayor, City Council, and City Manager
City of Van Alstyne, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Van Alstyne, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 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.

Frisco, TX (main office):
11500 State Highway 121, Suite 410, Frisco, TX 75035
Office: 972-234-3333 Fax: 972-234-3331

Dallas, TX:
9330 Lyndon B Johnson Freeway, Suite 280, Dallas, TX 75243
Office: 972-840-1516 Fax: 972-271-6778

Tom Bean, TX:
118 W Cotton Belt Road, Tom Bean, TX 75489
Office: 903-546-6975 Fax:: 903-546-6017

www.vailcpas.com

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 generally accepted auditing standards 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 generally accepted auditing standards 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 the management's discussion and analysis on pages 5–10, budgetary comparison information on page 53, and the pension and OPEB tables on pages 54–61 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 accompanying combining and individual nonmajor special revenue fund financial statements on pages 64-67 and the fund level financial statements for the discretely presented component units on pages 68-77 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 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 City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Tom Bean, Texas
January 13, 2026

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Our discussion and analysis of City of Van Alstyne's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of FY25 by $81,320,414. This is an increase of $5,879,231 over FY24's net position of $75,441,183. Unrestricted net position at the close of FY25 is $10,633,945, which is a decrease of $493,526 from FY24's unrestricted net position of $11,127,471.
- The City's total net position increased by $5,879,231, or 8%, as a result of this year's operations and $5,289,015 of capital grants and contributions.
- The City's governmental fund types reported combined ending fund balances of $40,544,450, which is an increase of $964,392 in comparison with the prior year fund balance of $39,580,058.
- The unassigned governmental fund balances of $2,589,176 (6%) are available for spending at the City's discretion. The remainder of the governmental fund balances are restricted for a specific purpose, primarily capital projects, and debt service. For 2025, the General Fund had approximately $1,002,298 in monthly expenses, so the unassigned fund balance of $2,589,176 represents 2.58 months of expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for funding requests. Proprietary fund financial statements report activity for the City's water, sewer, and sanitation operations.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 13. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities. The Statement of Net Position includes all the City's assets, deferred inflow and outflows, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report on the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities, as well as the component units:

Governmental Activities – City services such as police, fire protection and ambulance services, municipal court, street maintenance, development, emergency communication, parks, library, City administration, and interest on long-term debt are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units - The Economic Development Corporation (EDC) and Community Development Corporation (CDC) are reported in separate columns to emphasize that they are separate entities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's two kinds of funds-governmental and proprietary – use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary type funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position is $81,320,414 at the close of FY25. Forty nine percent (49%) of the City's net position is invested in capital assets; land, buildings, infrastructure, machinery and equipment, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending. The following is a summary of the Statement of Net Position and the Statement of Activities as of and for the year ended September 30, 2025:

City of Van Alstyne - Statement of Net Position

	FY25	FY24
Current and other assets	$64,558,980	$51,154,407
Capital assets	107,889,782	91,902,067
Total assets	172,448,762	143,056,474
Deferred outflow of resources	611,531	625,016
Total deferred outflow of resources	611,531	625,016
Current liabilities	6,343,479	2,871,313
Long-term liabilities	85,036,367	65,106,743
Total liabilities	91,379,846	67,978,056
Deferred inflow of resources	360,033	262,251
Total deferred inflow of resources	360,033	262,251
Net position		
Net investment in capital assets	41,040,537	41,830,573
Restricted	29,645,932	22,483,139
Unrestricted	10,633,945	11,127,471
Total net position	$ 81,320,414	$ 75,441,183

City of Van Alstyne - Statement of Activities

Revenues:	FY25	FY24
Program revenues	$13,074,732	$12,889,975
Operating grants and contributions	153,633	317,468
Capital grants and contribtutions	5,289,015	16,050,069
General revenues	12,198,325	11,278,587
Total revenues	30,715,705	40,536,099
Expenses:		
Water, sewer, and sanitation	7,964,661	7,331,454
General government	2,763,184	1,235,036
Development	1,289,844	2,531,186
Police and communcations	2,586,167	2,066,299
Fire protection and ambulance	2,170,963	1,985,515
Municipal court	281,672	216,540
Streets and infrastructure	3,575,488	282,107
Parks	1,333,418	3,753,909
Library	465,322	1,286,877
Interest	2,405,755	2,281,639
Total expenses	24,836,474	22,970,562
Increase in net position	5,879,231	17,565,537
Net position - beginning of year	75,441,183	57,875,646
Net position - end of year	$ 81,320,414	$ 75,441,183

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net position of the City's governmental activities increased from $36,881,445 to $40,037,536. This increase in net position of governmental activities is attributable to an increase in capital grants and contributions due to developer contributions. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is $2,297,349, which is a decrease from FY24 unrestricted net position of $2,500,410.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental funds reported a combined fund balance of $40,544,450 compared to $39,580,058 in FY24. This represents an increase of $964,392 due in large part to an increase in other financing sources related to the Series 2025 Certificates of Obligation issuance.

Revenues and other financing sources for the City's General Fund were $12,531,378 while total expenditures were $12,995,637. This resulted in an excess of expenditures over revenues in the amount of $464,259 from current operations. Last year's result was an excess of expenditures over revenues in the amount of $1,000,960.

The City's Water and Sewer Funds reported a net position of $41,282,878 compared to net position of $38,559,738 in FY24. This represents an increase of $2,723,140.

Revenues for the City's Water and Sewer Fund were $7,961,476 while total operating expenses were $7,197,526. These totals plus non-operating items of $1,959,190 resulted in an increase in net position of $2,723,140. Last year's result was a net increase of $9,794,534. FY24 unrestricted net position of $8,627,061 was decreased to $8,336,596 in FY25. This represents 14 months of reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted budget for the General Fund was amended, as presented on the General Fund Budgetary Comparison. A review of the actual expenditures compared to the appropriations in the General Fund budget yields several significant variances, as discussed below, as well as an excess of expenditures over appropriations, as disclosed in the Notes to the Financial Statements. The following is a summary discussion of General Fund budget variances for FY25:

Revenues were $193,784 more than budgeted.
Expenditures were $686,753 more than budgeted.

- Streets and infrastructure were $424,497 more than budgeted.
- Development was $339,299 more than budgeted.

Other financing sources were $210,561 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation and amortization for all activities as of September 30, 2025 amounts to $108,106,161, compared to $91,902,067 at September 30, 2024. This investment in capital assets includes land, buildings and improvements, street improvements, city parks, machinery and equipment, and water and sewer facilities. Major capital asset additions during the fiscal year were developer contributions for water and sewer systems as well as streets and infrastructure in the amount of $2,897,086 for governmental activities and $2,156,746 for business-type activities.

Long-Term Debt

At year-end, the City had total contractual obligations, bonds, notes, leases, and other debt outstanding of $85,036,367. The City entered into new debt during the year in the original principal amount of $22,045,000 for improvements to the City's roads, water & sewer systems.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the City and were considered in developing the 2025 – 2026 budget.

- The city has maintained or reduced its property tax rate for the past seven years. The continued increase in real estate property valuations and growth due to ongoing residential development allowed the city to maintain property tax rates.
- Sales tax collections, which decreased slightly from FY2024 to FY2025, is anticipated to increase slightly in FY2026. Population growth and city-wide development are the primary drivers presently and with the large number of residential developments within the Van Alstyne boundaries, we expect to see interest from large scale retail soon.
- New home development continues in Van Alstyne and while we have experienced a slowdown in housing permits, available inventory sells quickly prompting developers to "pick up the pace". With Texas Instruments opening a large facility just a few miles north of Van Alstyne, we expect demand for new home construction will continue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at P.O. Box 247, Van Alstyne, Texas 75495-0247, or call (903) 482-5426.

BASIC FINANCIAL STATEMENTS

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City of Van Alstyne, Texas

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government			Component Units	
Assets	**Governmental Activities**	**Business-Type Activities**	**Total**	**Economic Development Corporation**	**Community Development Corporation**
Cash and cash equivalents	$ 44,663,894	$ 14,610,620	$ 59,274,514	$ 456,197	$ 1,638,113
Receivables, net	1,174,032	1,147,191	2,321,223	72,561	72,561
Internal balances	(1,323,553)	1,323,553	-	-	-
Inventory	-	259,055	259,055	-	-
Prepaid expenses	51,817	-	51,817	-	-
Restricted Assets:					
Deposits held in trust by GTUA	-	2,435,992	2,435,992	-	-
Capital assets:					
Non depreciable	10,439,202	9,208,384	19,647,586	1,486,846	3,087,113
Depreciable (net)	48,568,920	39,673,276	88,242,196	3,782,808	-
Right to use asset (net)	216,379	-	216,379	-	-
Total Assets	103,790,691	68,658,071	172,448,762	5,798,412	4,797,787
Deferred Outflows of Resources					
Deferred outflows - pension	517,050	83,255	600,305	-	-
Deferred outflows - OPEB	9,669	1,557	11,226	-	-
Total Deferred Outflows of Resources	526,719	84,812	611,531	-	-
Total Assets and Deferred Outflow of Resources	104,317,410	68,742,883	173,060,293	5,798,412	4,797,787
Liabilities					
Accounts payable	2,828,055	768,470	3,596,525	1,814	2,060
Accrued liabilities	181,387	65,322	246,709	-	-
Accrued interest	352,941	247,917	600,858	32,517	26,985
Customer deposits	-	545,501	545,501	-	-
Unearned revenue	475,477	28,293	503,770	-	-
Long term liabilities:					
Due within one year:					
Debt and lease liability	970,914	693,377	1,664,291	84,226	55,000
Compensated absenses	195,353	17,608	212,961	-	-
Due in more than one year:					
Debt and lease liability	58,416,857	24,955,219	83,372,076	4,582,223	3,625,000
Total OPEB liability	88,754	14,291	103,045	-	-
Net pension liability	460,035	74,075	534,110	-	-
Total Liabilities	63,969,773	27,410,073	91,379,846	4,700,780	3,709,045
Deferred Inflows of Resources					
Deferred inflow - pension	287,189	46,243	333,432	-	-
Deferred inflow - OPEB	22,912	3,689	26,601	-	-
Total Deferred Inflows of Resources	310,101	49,932	360,033	-	-
Total Liabilities and Deferred Inflow of Resources	64,279,874	27,460,005	91,739,879	4,700,780	3,709,045
Net Position					
Net investment in capital assets	8,094,255	32,946,282	41,040,537	603,205	(592,887)
Restricted for:					
Capital projects	27,166,962	-	27,166,962	-	-
Debt service	1,375,826	-	1,375,826	-	-
Development	700,253	-	700,253	-	-
Streets	258,811	-	258,811	-	-
Court security and technology	96,816	-	96,816	-	-
Police seizure	40,824	-	40,824	-	-
Insurance	5,993	-	5,993	-	-
Library technology	447	-	447	-	-
Unrestricted	2,297,349	8,336,596	10,633,945	494,427	1,681,629
Total Net Position	$ 40,037,536	$ 41,282,878	$ 81,320,414	$ 1,097,632	$ 1,088,742

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 2,763,184	$ 2,664,475	$ 153,633	$ -
Development	1,289,844	444,884	-	-
Police	2,266,223	-	-	-
Fire protection and ambulance	2,170,963	1,761,760	-	235,183
Municipal court	281,672	437,864	-	-
Streets and infrastructure	3,575,488	-	-	2,897,086
Emergency communications	319,944	-	-	-
Parks	1,333,418	-	-	-
Library	465,322	375	-	-
Interest and fiscal charges	2,405,755	-	-	-
Total Governmental Activities	16,871,813	5,309,358	153,633	3,132,269
Business-Type Activities:				
Water, sewer, and sanitation	7,964,661	7,765,374	-	2,156,746
Total Business-Type Activities	7,964,661	7,765,374	-	2,156,746
Total Primary Government	$ 24,836,474	$ 13,074,732	$ 153,633	$ 5,289,015
Component Units:				
Economic Development Corporation	$ 587,894	$ -	$ -	$ -
Community Development Corporation	614,609	-	-	-
Total Component Units	$ 1,202,503	$ -	$ -	$ -

General Revenues:
Property taxes
General sales and use taxes
Franchise taxes
Insurance proceeds
Gain (loss) on sale of assets
Miscellaneous
Investment earnings
Total General Revenues
Change in Net Position
Net Position- Beginning

Net Position - Ending

The notes to the financial statements are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
$ 54,924		$ 54,924		
(844,960)		(844,960)		
(2,266,223)		(2,266,223)		
(174,020)		(174,020)		
156,192		156,192		
(678,402)		(678,402)		
(319,944)		(319,944)		
(1,333,418)		(1,333,418)		
(464,947)		(464,947)		
(2,405,755)		(2,405,755)		
(8,276,553)		(8,276,553)		
-	$ 1,957,459	1,957,459		
-	1,957,459	1,957,459		
(8,276,553)	1,957,459	(6,319,094)		
			$ (587,894)	
			-	$ (614,609)
			(587,894)	(614,609)
5,062,408	-	5,062,408	-	-
2,535,071	-	2,535,071	422,512	422,512
366,509	-	366,509	-	-
88,444	-	88,444	-	-
635,305	-	635,305	-	-
788,131	196,102	984,233	372	515
1,956,776	569,579	2,526,355	19,592	56,050
11,432,644	765,681	12,198,325	442,476	479,077
3,156,091	2,723,140	5,879,231	(145,418)	(135,532)
36,881,445	38,559,738	75,441,183	1,243,050	1,224,274
$ 40,037,536	$ 41,282,878	$ 81,320,414	$ 1,097,632	$ 1,088,742

City of Van Alstyne, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 3,088,400	$ 39,081,855	$ 1,391,637	$ 1,102,002	$ 44,663,894
Receivables, net of allowance	959,806	90,000	47,637	76,589	1,174,032
Due from other funds	136,047	-	-	-	136,047
Prepaids	51,817	-	-	-	51,817
Total Assets	4,236,070	39,171,855	1,439,274	1,178,591	46,025,790
Liabilities					
Accounts payable	443,988	2,379,953	3,500	614	2,828,055
Accrued liabilities	181,387	-	-	-	181,387
Unearned revenue	475,477	-	-	-	475,477
Due to other funds	-	1,367,415	17,352	74,833	1,459,600
Total Liabilities	1,100,852	3,747,368	20,852	75,447	4,944,519
Deferred Inflows of Resources					
Unavailable revenues:					
Ambulance	421,668	-	-	-	421,668
Property taxes	72,557	-	42,596	-	115,153
Total Deferred Inflows of Resources	494,225	-	42,596	-	536,821
Fund Balances					
Nonspendable	51,817	-	-	-	51,817
Restricted for:					
Development	-	-	-	700,253	700,253
Capital projects	-	35,424,487	-	-	35,424,487
Debt service	-	-	1,375,826	-	1,375,826
Court security and technology	-	-	-	96,816	96,816
Police seizure	-	-	-	40,824	40,824
Streets	-	-	-	258,811	258,811
Insurance	-	-	-	5,993	5,993
Library technology	-	-	-	447	447
Unassigned	2,589,176	-	-	-	2,589,176
Total Fund Balances	2,640,993	35,424,487	1,375,826	1,103,144	40,544,450
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,236,070	$ 39,171,855	$ 1,439,274	$ 1,178,591	$ 46,025,790

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

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

Fund Balances - Total Governmental Funds	$	40,544,450
Adjustments for the Statement of Net Position		
Capital and right to use assets used in governmental activities are not financial resources. Therefore, they are not reported in the governmental funds.		
Capital assets - non-depreciable		10,439,202
Capital assets - net depreciable		48,568,920
Capital assets - net right to use		216,379
Other long-term assets are not avaiable to pay for current-priod expenditures and, therefore, are deferred in the governmental funds.		
Property taxes		536,821
Some liabilities, including bonds payable, accrued interest payable, and pension and OPEB liabilities are not reported as liabilities in the governmental funds.		
Accrued interest		(352,941)
Net pension liability		(460,035)
Total OPEB liability		(88,754)
Compensated absences		(195,353)
Long-term debt due in one year		(970,914)
Long-term debt due in more than one year		(58,416,857)
Deferred outflows (inflows) of resources, represent a consumption (acquisition) of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure)/(revenue) until then.		
Pension outflows		517,050
Pension inflows		(287,189)
OPEB outflows		9,669
OPEB inflows		(22,912)
Net Position of Governmental Activities	$	40,037,536

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

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

For the Year Ended September 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	$ 2,768,497	$ -	$ 2,236,107	$ -	$ 5,004,604
General sales and use	2,112,559	-	-	422,512	2,535,071
Franchise	366,509	-	-	-	366,509
License and permits	2,664,475	-	-	-	2,664,475
Investment earnings	180,568	1,706,893	36,124	33,191	1,956,776
Fire & ambulance services	1,603,150	46,156	-	-	1,649,306
Other income	787,802	-	-	329	788,131
Municipal court	448,316	-	-	44,920	493,236
Development	-	-	-	444,884	444,884
Grants	40,183	195,000	-	-	235,183
Donations	153,633	-	-	-	153,633
Fines and forfeitures	11,884	-	-	-	11,884
Library	375	-	-	-	375
Total Revenues	11,137,951	1,948,049	2,272,231	945,836	16,304,067
Expenditures					
Current:					
General government	2,490,241	177,096	29,890	22,507	2,719,734
Police	2,157,353	-	-	18,075	2,175,428
Fire protection and ambulance	1,983,740	-	-	-	1,983,740
Streets and infrastructure	1,482,955	-	-	212,610	1,695,565
Development	1,257,913	-	-	22,645	1,280,558
Parks	747,411	-	-	-	747,411
Library	455,775	-	-	-	455,775
Emergency communications	336,198	-	-	-	336,198
Municipal court	245,099	-	-	41,059	286,158
Debt Service:					
Principal	164,982	-	465,000	90,000	719,982
Interest and debt issuance costs	14,426	280,587	1,950,978	136,200	2,382,191
Capital Outlay	691,488	8,645,586	-	506,751	9,843,825
Total Expenditures	12,027,581	9,103,269	2,445,868	1,049,847	24,626,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	(889,630)	(7,155,220)	(173,637)	(104,011)	(8,322,498)
Other Financing Sources (Uses)					
Proceeds from bond issuance	-	8,257,525	-	-	8,257,525
Proceeds from lease issuance	235,472	-	-	-	235,472
Proceeds from issuance of bond premium	-	20,459	-	-	20,459
Insurance proceeds	88,444	-	-	-	88,444
Proceeds from the sale of capital assets	684,990	-	-	-	684,990
Transfers in	384,521	88,444	1,000,000	1,058,397	2,531,362
Transfers (out)	(968,056)	(1,299,483)	-	(263,823)	(2,531,362)
Total Other Financing Sources (Uses)	425,371	7,066,945	1,000,000	794,574	9,286,890
Net Change in Fund Balances	(464,259)	(88,275)	826,363	690,563	964,392
Fund Balances - Beginning	3,105,252	35,512,762	549,463	412,581	39,580,058
Fund Balances - Ending	$ 2,640,993	$ 35,424,487	$ 1,375,826	$ 1,103,144	$ 40,544,450

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds	$	964,392
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital contributions related to additions		2,897,086
Capital outlays		9,843,825
Depreciation and amortization expense		(3,018,334)
Disposals		(49,685)
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.		
Long-term debt repaid in current year		719,982
Bond proceeds		(8,257,525)
Lease proceeds		(235,472)
Premium associated with the issuance of new debt		(20,459)
Amortization of bond premium		51,084
Governmental funds report some prior year tax, court, and ambulance revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.		103,002
Accrued long term debt interest is not recorded in the govermental fund financials but the increase in the balance is recognized for the full accrual government-wide financial statements as interest expense.		(74,648)
Changes to accrued compensated absenses are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(33,326)
Full accrual based pension expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.		268,260
Full accrual based OPEB expense is not recorded in the governmental fund financials but the (increase) decrease from adjusting the City's contribution expense is realized on the government-wide financial statements.		(2,091)
Change in Net Position of Governmental Activities	$	3,156,091

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2025

	Water & Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 14,610,620
Accounts receivables, net	1,147,191
Due from other funds	1,367,415
Inventory	259,055
Total Current Assets	17,384,281
Noncurrent Assets:	
Deposits held in trust by GTUA	2,435,992
Total Noncurrent Assets	2,435,992
Capital assets:	
Land	258,578
Construction in progress	8,949,806
Machinery and equipment	1,779,434
Infrastructure	49,908,713
Less: accumulated depreciation	(12,014,871)
Total Capital Assets	48,881,660
Total Assets	68,701,933
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	83,255
Deferred outflow - OPEB	1,557
Total Deferred Outflows of Resources	84,812
LIABILITIES	
Current Liabilities:	
Accounts payable	768,470
Accrued liabilities	65,322
Unearned revenue	28,293
Customer deposits payable	545,501
Due to other funds	43,862
Accrued interest payable	247,917
Compensated absences	17,608
Bonds payable - current	693,377
Total Current Liabilities	2,410,350
Noncurrent Liabilities:	
Net pension liability	74,075
Total OPEB liability	14,291
Bonds payable	24,955,219
Total Noncurrent Liabilities	25,043,585
Total Liabilities	27,453,935
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	46,243
Deferred inflow - OPEB	3,689
Total Deferred Inflows of Resources	49,932
NET POSITION	
Net investment in capital assets	32,946,282
Unrestricted	8,336,596
Total Net Position	$ 41,282,878

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND

For the Year Ended September 30, 2025

	Water & Sewer Fund
Operating Revenues	
Water	$ 3,795,179
Sewer	3,152,624
Sanitation	667,244
Other services	196,102
Late charges and penalties	116,233
Miscellaneous	34,094
Total Operating Revenues	7,961,476
Operating Expenses	
Maintenance and repairs	2,310,758
Depreciation and amortization	1,697,332
Personnel services	1,439,070
Sanitation contract	624,419
Contractual services	462,269
Utilities	403,007
Supplies	183,594
Administrative	77,077
Total Operating Expenses	7,197,526
Operating Income	763,950
Nonoperating Revenues (Expenses)	
Capital contributions	2,156,746
Interest income	569,579
Bond issuance costs	(320,136)
Interest expense	(446,999)
Total Nonoperating Revenues (Expenses)	1,959,190
Income Before Transfers	2,723,140
Change in Net Position	2,723,140
Net Position - Beginning	38,559,738
Net Position - Ending	$ 41,282,878

The notes to the financial statements are an integral part of these financial statements.

City of Van Alstyne, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2025

	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash receipts from customers and users	$ 7,889,134
Cash paid to employees for services	(1,435,313)
Cash payments (to) from other funds for services provided	699,950
Cash paid to suppliers	(3,924,961)
Net Cash Provided by Operating Activities	3,228,810
Cash Flows from Noncapital Financing Activities	
Cash Flows from Capital and Related Financing Activities	
Cash paid for acquisition and construction of capital assets	(2,999,622)
Cash spent from GTUA restricted deposits	(1,514,950)
Proceeds from debt issuance	13,821,636
Cash paid for fiscal agent fees	(320,136)
Interest paid on long-term debt	(364,230)
Principal payments on debt	(633,087)
Net Cash Provided by (Used for) Capital and Related Financing Activities	7,989,611
Cash Flows from Investing Activities	
Interest received	569,579
Net Cash Provided by Investing Activities	569,579
Net Increase (Decrease) in Cash and Cash Equivalents	11,788,000
Cash and Cash Equivalents, October 1, 2024	2,822,620
Cash and Cash Equivalents, September 30, 2025	$ 14,610,620
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	$ 763,950
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	1,697,332
(Increase) decrease in accounts receivable	(128,094)
(Increase) decrease in inventory	(119,090)
(Increase) decrease in deferred outflows related to pension/OPEB balances	(9,094)
(Increase) decrease in due from other funds	998,558
Increase (decrease) in deferred inflows related to pension/OPEB balances	18,162
Increase (decrease) in accounts payable	267,075
Increase (decrease) in deferred revenue	(15,196)
Increase (decrease) in customer deposits	55,752
Increase (decrease) in compensated absences	11,800
Increase (decrease) in due to other funds	(298,608)
Increase (decrease) in accrued liabilities	24,322
Increase (decrease) in net pension liability	(39,607)
Increase (decrease) in total OPEB liability	1,548
Net Cash Provided by Operating Activities	$ 3,228,810

The notes to the financial statements are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. The City has no fiduciary activities to report. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Van Alstyne, Texas (City) operates under a city manager form of government. The general governmental functions include fire protection, ambulance services, general administrative services, police protection, municipal court, development, streets and infrastructure, parks, emergency communications, and library services. Enterprise Funds are used to account for the operations of its water, sewer, and sanitation services.

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

Based on the criterion stated above, The Van Alstyne Economic Development Corporation (EDC) and the Van Alstyne Community Development Corporation (CDC) are component units of the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The EDC and CDC do not issue separate financial statements.

C. Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB issued Statement No. 101, “Compensated Absences,” that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City has adopted this Statement for the year ended September 30, 2025.

GASB issued Statement No. 102, “Certain Risk Disclosures,” that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government’s highest level of decision-making authority. The Statement requires the government to assess wither a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, “Financial Reporting Model Improvements,” that attempts 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. This Statement expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, “Disclosure of Certain Capital Assets,” to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

D. Basis of Presentation – Government-Wide Financial Statements

While separate government–wide and fund financials are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while the business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major and nonmajor governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The General Fund accounts for the transactions relating to most City operations including police, fire, ambulance, court, streets, library, and parks. This is a major fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This is a major fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the governmental funds. This is a major fund.

Street Sales Tax Fund – The Street Sales Tax Fund is used to account for financial resources to be used for the repair and maintenance of the City's streets. This is a nonmajor special revenue fund.

Insurance Trust Fund – The Insurance Trust Fund is used to account for financial resources to be used for the City's insurance requirements. This is a nonmajor special revenue fund.

Unclaimed Property Fund – The Unclaimed Property Fund is used to account for financial resources derived from personal property abandoned in the library and assigned for the use of the library. This is a nonmajor special revenue fund.

Court Security & Technology Fund – The Court Security & Technology Fund is used to account for financial resources to be used for the security & technology of the municipal court, in accordance with state law. This is a nonmajor special revenue fund.

Seized Assets Fund – The Seized Assets Fund is used to account for financial resources that were seized by the City in the course of police department actions. This is a nonmajor special revenue fund.

Community Development Fund – The Community Development Fund is used to account for financial resources that are restricted to community development projects. This is a nonmajor special revenue fund.

The City reports the following major enterprise funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water and sewer debt. Most costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the funds.

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.

While these balances are reported in the 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 funds included in the business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at the gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between funds included in the business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

F. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used 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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Expenditures related to compensated absences are accrued when the amount of the compensated absence is more likely than not to be used or paid out to the employee on or before termination.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered 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.

Reimbursement basis 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

G. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the council. The level of budgetary control is the department level. Appropriations in all budgeted funds lapse at the end of the fiscal year.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates used in the preparation of the financial statements include the assumptions in recording receivable allowances and depreciation.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $20,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

Building	20 Years
Water and Sewer System	50 Years
Infrastructure	10-20 Years
Machinery and Equipment	5 - 16 Years

Pension and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about the Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's 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 Net Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Financial Position and/or Balance Sheet will sometimes report a separate section for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting as deferred outflows of resources. These deferred outflows result from pension and OPEB contributions after the measurement date (deferred and recognized in the following year) and differences in pension and OPEB assumption changes.

The City has several items that qualify for reporting as deferred inflows of resources. Deferred inflows of resources described as unavailable revenues only arise under modified accrual basis of accounting and are reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, court fines, and ambulance billing.

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the City reports deferred inflows of resources for pension and OPEB amounts that relate to the differences in expected and actual economic experience, changes in actuarial assumptions, and projected and actual investment earnings.

Leases

Lessee

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of $25,000 or more.

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

Net Position

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets with unspent proceeds added back. Net positions are reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

Fund Balances

The City reports fund balances based on the requirements of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-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 constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the City's policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

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

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

The City allocates to the proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations.

I. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 a specific purpose, are reported as general revenues.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services.

The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 nonoperating revenues and expenses.

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st each year and become delinquent on February 1st. Delinquent real property taxes are expected to be collected, as the delinquent amounts are a lien against the related property until paid. Revenue from property taxes not collected during the current period is deferred until such collection is made. Property subject to taxation consists of real property and certain personal property situated in the City. Certain properties of religion, education and charitable organizations, as well as the Federal government and the State of Texas are exempt from taxation.

Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to City taxation.

The effective property ad valorem tax rate for property tax year 2024 was 0.553713 per $100 of assessed value for General Fund operations and Debt Service.

Sales Taxes

The City levies a two percent (2%) sales tax on taxable sales within the City. Fifty percent (50%) of the sales tax is allocated to the General Fund, twenty-five percent (25%) is allocated to the Street Sales Tax Fund, and twenty-five percent (25%) is allocated to the EDC and CDC.

Compensated Absences

City employees accrue 40 hours of vacation leave after six full months of service. After that, regular full-time employees earn 80 to 160 hours of paid vacation leave based on years of service. The City allows its employees to carryover earned and unused vacation hours at an amount not to exceed one-half of the hours they are eligible to receive that year. After six full months of employment, city employees accumulate sick leave at the rate of 60 hours per year with a maximum of 720 hours. Accumulated sick leave will not be compensated for in any way at the time of termination. The accrued compensated absences for governmental and business-type activities at September 30, 2025 are $195,353 and $17,608, respectively.

Note 2: <u>Cash and Cash Equivalents</u>

As of September 30, 2025, the City maintained all of its banking accounts at Southstate Bank.

At September 30, 2025, the City's total carrying value of cash and cash equivalents is $59,274,514, which consists of $1,179 in petty cash and $59,273,335 held by depository banks. The cash and cash equivalents held by banks is insured in the amount of $250,000 by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance is collateralized by securities pledged in the City's name by the depository bank. The securities have a market value of $71,803,790 at September 30, 2025. This balance matures on October 25, 2025 and has not been used as of the end of the fiscal year.

At September 30, 2025, the EDC has cash and cash equivalents in the amount of $456,197 held by depository banks, of which $250,000 is insured by the FDIC and the remainder is collateralized by securities pledged in the EDC's name by the depository bank for the remainder.

At September 30, 2025, the CDC has cash and cash equivalents in the amount of $1,638,113 held by depository banks of which $250,000 is insured by the FDIC and the remainder is collateralized by securities pledged in the CDC's name by the depository bank. There is no uninsured cash as of the end of the fiscal year.

Note 3: Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2025:

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized:				
Land	$ 2,144,259	$ -	$ -	$ 2,144,259
Construction in progress	6,951,439	8,192,008	(6,848,504)	8,294,943
Capital assets being depreciated/amortized:				
Building and improvements	6,534,802	721,191	(4,985)	7,251,008
Machinery and equipment	3,126,514	1,374,353	425,527	4,926,394
Parks	2,296,981	-	5,657,911	7,954,892
Streets and infrastructure	39,984,906	2,924,311	-	42,909,217
Right to use assets	210,507	235,472	-	445,979
Totals	61,249,408	13,447,335	(770,051)	73,926,692
Less accumulated depreciation/amortization	(11,743,408)	(3,018,334)	59,551	(14,702,191)
Governmental activities capital assets, net	$ 49,506,000	$ 10,429,001	$ (710,500)	$ 59,224,501

Business-Type Activities	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Capital assets not being depreciated:				
Land	$ 258,578	$ -	$ -	$ 258,578
Construction in progress	5,110,665	4,572,587	(733,446)	8,949,806
Depreciable capital assets:				
Waterworks system	26,242,335	1,649,645	733,446	28,625,426
Sewer system	19,394,734	1,888,553	-	21,283,287
Machinery and equipment	1,661,684	117,750	-	1,779,434
Totals	52,667,996	8,228,535	-	60,896,531
Less accumulated depreciation	(10,317,539)	(1,697,332)	-	(12,014,871)
Business-type activities capital assets, net	$ 42,350,457	$ 6,531,203	$ -	$ 48,881,660

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Economic Development Corporation				
Capital assets not being depreciated:				
Land	$ 1,486,846	$ -	$ -	$ 1,486,846
Depreciable capital assets:				
Building and improvements	4,250,418	25,206	-	4,275,624
Totals	5,737,264	25,206	-	5,762,470
Less accumulated depreciation	(283,068)	(209,748)	-	(492,816)
EDC capital assets, net	$ 5,454,196	$ (184,542)	$ -	$ 5,269,654

	Beginning Balance	Additions	Retirements & Reclasses	Ending Balance
Community Development Corporation				
Capital assets not being depreciated:				
Land	$ 452,767	$ 2,634,346	$ -	$ 3,087,113
Totals	452,767	2,634,346	-	3,087,113
CDC capital assets, net	$ 452,767	$ 2,634,346	$ -	$ 3,087,113

Depreciation and amortization expense for the year ended September 30, 2025 was charged to functions of the primary government and the business-type activities as follows:

Governmental Activities:	
General government	$ 83,946
Development	13,591
Library	20,856
Ambulance and fire	253,786
Police department	106,743
Parks	596,858
Streets	1,942,554
	$ 3,018,334
Business-Type Activities:	
Water and sewer	$ 1,697,332
	$ 1,697,332
EDC Activities:	
Economic Development	$ 209,748
	$ 209,748

During the year ended September 30, 2025, the City received contributions of capital assets in the amount of $2,897,086 for governmental activities and $2,156,746 for business-type activities. These amounts are included in the tables above.

Note 4: Receivables

Receivables as of the year ended September 30, 2025 for the primary government, component units, and the proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Total	EDC	CDC
Ambulance	$ 1,734,029	$ -	$ -	$ -	$ -	$ 1,734,029	$ -	$ -
Municipal court	197,830	-	-	-	-	197,830	-	-
Sales taxes	362,806	-	-	72,561	-	435,367	72,561	72,561
Property taxes	80,784	-	48,506	-	-	129,290	-	-
Franchise & other	66,354	-	-	4,028	116,005	186,387	-	-
Accounts	-	90,000	-	-	1,064,261	1,154,261	-	-
	2,441,803	90,000	48,506	76,589	1,180,266	3,837,164	72,561	72,561
Less: allowance for doubtful accounts	(1,481,997)	-	(869)	-	(33,075)	(1,515,941)	-	-
Net	$ 959,806	$ 90,000	$ 47,637	$ 76,589	$ 1,147,191	$ 2,321,223	$ 72,561	$ 72,561

Governmental funds report unavailable revenue in connection with receivables for revenue that are not considered available to liquidate liabilities of the current period. At September 30, 2025, the components of the unavailable revenue in the General and Debt Service Funds are as follows:

	General Fund	**Debt Service Fund**
Ambulance services	$ 421,668	$ -
Delinquent property taxes	72,557	42,596
	$ 494,225	$ 42,596

Note 5: Inter-fund Due To/From

The General Fund owes the Water Fund for a tax payment. The General Fund owes the Debt Service Fund for property taxes. The composition of due to's/from's for the year ended September 30, 2025 is as follows:

	Due From Other Funds	Due To Other Funds	Internal Balances
Governmental Funds:			
General	$ 136,047	$ -	
Debt Service	-	17,352	
Capital Projects	-	1,367,415	
Nonmajor Funds	-	74,833	
	$ 136,047	$ 1,459,600	$ (1,323,553)
Proprietary Funds:			
Water and Sewer	$ 1,367,415	$ 43,862	
	$ 1,367,415	$ 43,862	$ 1,323,553

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
Governmental Funds:			
General	$ 968,056	$ 384,521	
Debt Service	-	1,000,000	
Capital Projects	1,299,483	88,444	
Nonmajor funds	263,822	1,058,396	
	$ 2,531,361	$ 2,531,361	$ -
Proprietary Funds:			
Water	800,000	800,000	
	$ 800,000	$ 800,000	$ -

Note 6: Changes in Long-Term Debt

The following schedule summarizes the changes in long term debt for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025	Due within one year
Governmental Activities					
Notes payable	$ 292,684	$ -	$ (94,001)	$ 198,683	$ 97,518
Bonds payable	50,185,000	8,257,525	(555,000)	57,887,525	750,000
Leases payable	53,553	235,472	(70,980)	218,045	72,312
Bond premium	1,114,143	20,459	(51,084)	1,083,518	51,084
Total bonds, notes, and leases payable	51,645,380	8,513,456	(771,065)	59,387,771	970,914
Compensated absences	162,028	33,325	-	195,353	195,353
Net pension liability	824,712	-	(364,677)	460,035	-
Total OPEB liability	92,445	-	(3,691)	88,754	-
Long Term Debt	$ 52,724,565	$ 8,546,781	$ (1,139,433)	$ 60,131,913	$ 1,166,267
Business-Type Activities					
Contractual obligations with GTUA	$ 8,266,189	$ -	$ (347,085)	$ 7,919,104	$ 441,773
Notes payable	270,906	-	(48,091)	222,815	50,959
Bonds payable	3,690,000	13,787,475	(180,000)	17,297,475	185,000
Bond premium	190,686	34,161	(15,645)	209,202	15,645
Total bonds and notes payable	12,417,781	13,821,636	(590,821)	25,648,596	693,377
Compensated absences	5,808	11,800	-	17,608	17,608
Net pension liability	113,682	-	(39,607)	74,075	-
Total OPEB liability	12,743	1,548	-	14,291	-
Long Term Debt	$ 12,550,014	$ 13,834,984	$ (630,428)	$ 25,754,570	$ 710,985
Economic Development Corporation					
Notes payable	$ 52,616	$ -	$ (12,139)	$ 40,477	$ 12,792
Bonds payable	4,790,000	-	(75,000)	4,715,000	75,000
Bond discount	(92,593)	-	3,565	(89,028)	(3,566)
Long Term Debt	$ 4,750,023	$ -	$ (83,574)	$ 4,666,449	$ 84,226
Economic Development Corporation					
Bonds payable	$ -	$ 3,680,000	$ -	$ 3,680,000	$ 55,000
Long Term Debt	$ -	$ 3,680,000	$ -	$ 3,680,000	$ 55,000

Compensated absences are paid from the fund out of which an employee is regularly paid – primarily the General Fund and the Water and Sewer Fund.

Bonds and notes payable of the City is comprised of the following individual issues at September 30, 2025:

					Governmental	Business-Type	Component Unit
General Obligation Bonds							
2019 Series CO's - Infrastructure	$ 1,445,000	2019	2035	3.00 - 4.00%	$ 1,295,000	$ -	$ -
2020 Series CO's - Infrastructure	4,655,000	2020	2045	1.50 - 3.00%	4,185,000	-	-
2020 Series Refunding	2,130,000	2020	2033	3.00%	475,000	415,000	-
2021 Series CO's - Infrastructure	8,135,000	2021	2046	2.00 - 5.00%	4,710,000	3,095,000	-
2022 Series CO's - Infrastructure	3,540,000	2022	2047	3.75 - 5.00%	3,320,000	-	-
2022A Series CO's - Infrastructure	20,340,000	2022	2052	4.00 - 5.00%	20,245,000	-	-
2023 Series CO	15,400,000	2023	2053	3.85 - 5.03%	15,400,000	-	-
Revenue bonds							
2020 Series Sales Tax Revenue Bonds	2,160,000	2020	2045	3.50 - 5.00%	-	-	1,965,000
2022 Series Sales Tax Revenue Bonds	2,820,000	2022	2052	5.00 - 5.75%	-	-	2,750,000
Series 2024 Sales Tax Revenue Bonds	3,680,000	2024	2054	4.85 - 5.45%	-	-	3,680,000
Series 2025 Combination Tax & Revenue Bonds	22,045,000	2025	2054	4.00 - 5.00%	8,257,525	13,787,475	
Contractual Obligations							
GTUA CGMA Phase I Contractual Obligation	700,000	2005	2028	2.29 - 5.74%	-	61,256	-
GTUA CGMA Phase II Contractual Obligation	4,010,000	2009	2040	5.68 - 5.83%	-	699,205	-
GTUA CGMA Phase III Contractual Obligation	1,250,000	2007	2036	2.67 - 5.62%	-	258,323	-
GTUA 2014A Series - Contractual Obligation	485,000	2014	2024	2.00 - 4.00%	-	-	-
GTUA 2014B Series - Contractual Obligation	1,730,000	2014	2034	2.00 - 4.00%	-	925,000	-
GTUA 2015 Series - Contractual Obligation	2,875,000	2015	2034	0.04 - 2.52%	-	1,835,000	-
GTUA 2021 Series - Contractual Obligation	4,000,000	2021	2051	1.10 - 2.27%	-	3,560,000	-
GTUA CGMA Series 2022 - Contractual Obligation	1,841,250	2022	2053	2.70 - 4.17%	-	580,320	-
Total Bonds and Contractual Obligations Payable					57,887,525	25,216,579	8,395,000
Notes payable							
Land - Contract #8135	113,500	2018	2028	5.38%	-	-	40,477
Ambulance - Contract #9967	378,500	2022	2026	3.74%	198,683	-	-
Sewer Equipment - Contract #10593	270,905	2023	2029	5.97%	-	222,815	-
Total Notes Payable					198,683	222,815	40,477
Total Debt					$ 58,086,208	$ 25,439,394	$ 8,435,477

The annual debt service requirements to maturity for governmental bonds and notes at September 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 847,518	$ 1,338,981	$ 2,186,499
2027	1,183,690	1,264,841	2,448,531
2028	1,175,000	1,223,850	2,398,850
2029	1,230,000	1,920,615	3,150,615
2030	1,290,000	2,221,915	3,511,915
2031-2035	7,315,000	10,242,176	17,557,176
2036-2040	8,870,000	8,338,355	17,208,355
2041-2045	10,725,000	6,826,231	17,551,231
2046-2050	12,425,000	4,448,681	16,873,681
2051-2054	13,025,000	1,405,388	14,430,388
	$ 58,086,208	$ 39,231,033	$ 97,317,241

The annual debt service requirements to maturity for proprietary bonds and notes at September 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 735,643	$ 458,836	$ 1,194,479
2027	767,750	389,703	1,157,453
2028	825,971	362,436	1,188,407
2029	797,530	334,975	1,132,505
2030	603,750	300,563	904,313
2031-2035	4,560,000	1,103,148	5,663,148
2036-2040	3,358,750	557,110	3,915,860
2041-2045	4,040,000	223,648	4,263,648
2046-2050	4,840,000	75,075	4,915,075
2051-2054	4,910,000	3,859	4,913,859
	$ 25,439,394	$ 3,809,353	$ 29,248,747

The annual debt service requirements to maturity for EDC bonds and notes at September 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 87,792	$ 253,216	$ 341,008
2027	93,480	245,876	339,356
2028	99,205	241,701	340,906
2029	100,000	337,238	437,238
2030	105,000	337,988	442,988
2031-2035	605,000	1,694,981	2,299,981
2036-2040	770,000	1,698,138	2,468,138
2041-2045	985,000	1,693,681	2,678,681
2046-2050	1,285,000	1,694,113	2,979,113
2051-2054	625,000	679,338	1,304,338
	$ 4,755,477	$ 8,876,268	$ 13,631,745

The annual debt service requirements to maturity for CDC bonds and notes at September 30, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 55,000	$ 211,189	$ 266,189
2027	55,000	208,521	263,521
2028	60,000	205,799	265,799
2029	65,000	202,799	267,799
2030	65,000	199,484	264,484
2031-2035	385,000	941,120	1,326,120
2036-2040	505,000	821,031	1,326,031
2041-2045	670,000	657,198	1,327,198
2046-2050	900,000	435,120	1,335,120
2051-2054	920,000	139,062	1,059,062
	$ 3,680,000	$ 3,882,261	$ 6,642,261

Right-to-Use Lease Liability

The City has entered into a lease agreement as the lessee for a building. The leases allow the right-to-use the building for the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term, and ending lease liability are as follows:

Description	Interest Rates	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental Activities				
Leased building	4.00%	$ 445,979	3.0	$ 218,045
		Total Governmental Activities		$ 218,045

The future principal and interest lease payments, as of fiscal year-end, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 72,312	$ 8,343	$ 80,655
2027	77,528	4,972	82,500
2028	68,205	1,420	69,625
	$ 218,045	$ 14,735	$ 232,780

The original value of the right-to-use assets for governmental activities as of September 30, 2025, was $445,979 and had accumulated amortization of $229,600.

Note 7: Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disaster. The City purchases commercial insurance through Texas Municipal League. The City retains no risk of loss for these coverages. The City accounts for risk management issues in accordance with GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

Restricted Assets

The Water and Sewer Fund has restricted cash held in trust by GTUA in the amount of $3,499,483 at September 30, 2025 that will be used for water and sewer system capital improvements and repayment of contractual obligation.

Note 8: Pension Plan

Plan Description

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

Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Vested and age 60 or 20 years and any age
Updated service credits	Last adopted 2000 - auto readoption - 100% - transfers
Cost of Living Adjustment	Last adopted 2000 - auto readoption - 70%

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	110
Active employees	77
	212

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.65% and 12.30% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $755,209 and were equal to 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.6-11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements.

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the floor. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018.

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

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees.

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 arithmetic 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 Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Private Markets	4.0%	7.30%
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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$2,423,748	$534,110	($946,360)

Pension Plan Fiduciary Net Position:

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

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 8,864,772	$ 7,926,378	$ 938,394
Changes for the year:			
Service cost	864,865	-	864,865
Interest	615,044	-	615,044
Change of benefit terms	-	-	-
Difference between expected and actual experience	(94,651)	-	(94,651)
Changes of assumptions	-	-	-
Contributions - employer	-	623,037	(623,037)
Contributions - employee	-	344,764	(344,764)
Net investment income	-	827,147	(827,147)
Benefit payments, including refunds of employee contributions	(370,879)	(370,879)	-
Administrative expense	-	(5,282)	5,282
Other changes	-	(124)	124
Net changes	$ 1,014,379	$ 1,418,663	$ (404,284)
Balance at 12/31/2024	$ 9,879,151	$ 9,345,041	$ 534,110

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

For the year ended September 30, 2025, the City recognized pension expense of $299,903. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ -	$ (184,460)
Changes in actuarial assumptions	-	(19,958)
Differences between projected and actual investment earnings	-	(129,014)
Contributions subsequent to the measurement date	600,305	-
Total	$ 600,305	$ (333,432)

$600,305 reported as deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

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

Year	Net Deferred (Inflows) Outflows of Resources
2026	$ (186,557)
2027	33,967
2028	(122,423)
2029	(58,419)
2030	-
Thereafter	-
Total	$ (333,432)

Note 9: Other Post-Employment Benefits (OPEB) Plan

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer other postemployment benefit plan (OPEB) (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of $7,500.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	16
Active employees	77
Total:	108

Contributions

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

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. 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 City's contributions to the SDBF for the year ended September 30, 2024 were $14,776, and were equal to the required contributions.

The contribution rates to the SDBF for the City are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2024	0.29%	0.09%
2025	0.23%	0.06%

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation:	2.50%
Salary increases:	3.6% to 11.85% including inflation
Discount rate:	4.08%
Retirees share of benefit-related costs:	$0
Health care of cost trend rates:	Not disclosed as the plan only provides SDB.
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality:	
Service 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).
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 actuarial assumptions used in the December 31, 2024 valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2019 through December 31, 2022. They were adopted in 2022 and first used in the December 31, 2022 actuarial valuation.

The post mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

Discount Rate:

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

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2023	$ 105,188
Changes for the year:	
Service cost	10,835
Interest on Total OPEB Liability	4,086
Change of benefit terms	-
Difference between expected and actual experience	(6,121)
Changes of assumptions or other inputs	(6,510)
Benefit payments	(4,433)
Net changes	(2,143)
Balance at 12/31/2024	$ 103,045

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
$126,441	$103,045	$85,804

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

For the year ended September 30, 2025, the City recognized OPEB expense of $4,744. 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 economic experience	$ -	$ (5,292)
Changes of assumptions	-	(21,309)
Contributions made subsequent to measurement date	11,226	-
	$ 11,226	$ (26,601)

The $11,226 in contributions made after the measurement date of the total OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the total OPEB liability in the subsequent fiscal period. The other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Net Deferred (Inflows) Outflows of Resources
2026	$ (5,613)
2027	(6,752)
2028	(9,878)
2029	(2,449)
2030	(1,909)
Thereafter	-
Total	$ (26,601)

Note 10: Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, the General Fund exceeded appropriations at the legal level of control in the amounts of $686,753. Management has implemented procedures to ensure future compliance.

For the year ended September 30, 2025, the CDC exceeded appropriations at the legal level of control in the amounts of $2,606,700. Management has implemented procedures to ensure future compliance.

Note 11: Tax Abatement Disclosures

The City has entered into agreements with United Ag. and Turf, Bill Smith Restaurant, and Billy Wayne Turner, a developer, under Chapter 380 of the Texas Local Government Code and as codified in Chapter 312 of the Texas Tax Code.

Under the terms of the eight-year property and sales tax abatement agreement with United Ag. And Turf, the City will make annual grant payments to United Ag. and Turf, Bill Smith Restaurant, and Billy Wayne Turner equal to the sum of the sales tax grant and the property tax grant. These grant amounts range from 20% to 50% of the Sales Tax and Property Grant Base amounts as defined by the Agreement. The City abated $17,922 of taxes for all three entities for the fiscal year 2025.

Note 13: Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2025 through the date of the auditor's report on pages one through three. This is the date the financial statements were available for issuance. Management has identified the following subsequent event that require disclosure.

On October 24, 2025, the City entered into a lease agreement with Government Capital Corporation in the amount of $673,971. The proceeds were used for vehicle purchases. The lease agreement has interest at 5.656%. The lease specifies annual payments beginning October 24, 2026 through the maturity date of October 24, 2029. The first principal payments will be due in fiscal year 2027 in the amount of $154,853.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Van Alstyne, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes:				
Property	$ 3,002,934	$ 3,002,934	$ 2,768,497	$ (234,437)
General sales and use	2,700,000	2,700,000	2,112,559	(587,441)
Franchise	300,000	300,000	366,509	66,509
License and permits	1,730,000	1,730,000	2,664,475	934,475
Investment earnings	150,000	150,000	180,568	30,568
Fire & ambulance services	1,651,676	1,651,676	1,603,150	(48,526)
Other income	492,773	492,773	787,802	295,029
Municipal court	720,000	720,000	448,316	(271,684)
Grants	30,671	30,671	40,183	9,512
Donations	158,000	158,000	153,633	(4,367)
Library	-	-	375	375
Fines and forfeitures	8,113	8,113	11,884	3,771
Total Revenues	10,944,167	10,944,167	11,137,951	193,784
EXPENDITURES				
Current:				
General government	2,549,540	2,549,540	2,490,241	59,299
Police	2,352,706	2,352,706	2,157,353	195,353
Fire protection and ambulance	1,989,135	1,989,135	1,983,740	5,395
Streets and infrastructure	1,058,458	1,058,458	1,482,955	(424,497)
Development	918,614	918,614	1,257,913	(339,299)
Parks	679,580	679,580	747,411	(67,831)
Library	506,036	506,036	455,775	50,261
Emergency communications	347,535	347,535	336,198	11,337
Municipal court	386,339	386,339	245,099	141,240
Debt Service:				
Principal	168,462	168,462	164,982	3,480
Interest and debt issuance costs	10,946	10,946	14,426	(3,480)
Capital Outlay	373,477	373,477	691,488	(318,011)
Total Expenditures	11,340,828	11,340,828	12,027,581	(686,753)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(396,661)	(396,661)	(889,630)	(492,969)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	235,472	235,472
Insurance proceeds	-	-	88,444	88,444
Proceeds from the sale of general capital assets	-	-	684,990	684,990
Transfers in	400,460	400,460	384,521	(15,939)
Transfers (out)	-	-	(968,056)	(968,056)
Total Other Financing Sources (Uses)	400,460	400,460	425,371	24,911
Net Change in Fund Balances	$ 3,799	$ 3,799	$ (464,259)	$ (468,058)

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

City of Van Alstyne, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

	2024	2023	2022	2021
Total pension liability				
Service Cost	$ 864,865	$ 664,137	$ 592,416	$ 474,434
Interest (on the Total Pension Liability)	615,044	574,427	498,157	439,855
Changes of benefit terms	-	-	-	383,269
Difference between expected and actual experience	(94,651)	(393,113)	174,979	46,241
Change of assumptions	-	(63,346)	-	-
Benefit payments, including refunds of employee contributions	(370,879)	(190,600)	(152,366)	(159,201)
Net Change in Total Pension Liability	1,014,379	591,505	1,113,186	1,184,598
Total Pension Liability - Beginning	8,864,772	8,273,267	7,160,081	5,975,483
Total Pension Liability - Ending (a)	$ 9,879,151	$ 8,864,772	$ 8,273,267	$ 7,160,081
Plan Fiduciary Net Position				
Contributions - Employer	$ 623,037	$ 508,381	$ 447,026	$ 280,105
Contributions - Employee	344,764	276,724	245,234	168,738
Net Investment Income	827,147	763,678	(475,458)	717,611
Benefit payments, including refunds of employee contribution:	(370,879)	(190,600)	(152,366)	(159,201)
Administrative Expense	(5,282)	(4,840)	(4,111)	(3,320)
Other	(124)	(34)	4,906	22
Net Change in Plan Fiduciary Net Position	1,418,663	1,353,309	65,231	1,003,955
Plan Fiduciary Net Position - Beginning	7,926,378	6,573,069	6,507,838	5,503,883
Plan Fiduciary Net Position - Ending (b)	$ 9,345,041	$ 7,926,378	$ 6,573,069	$ 6,507,838
Net Pension Liability - Enging (a) - (b)	534,110	938,394	1,700,198	652,243
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.59%	89.41%	79.45%	90.89%
Covered Payroll	$ 4,925,198	$ 3,953,198	$ 3,503,349	$ 2,812,294
Net Pension Liability as a Percentage of Covered Payroll	10.84%	23.74%	48.53%	23.19%

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

2020	2019	2018	2017	2016	2015
$ 343,787	$ 282,563	$ 220,227	$ 226,715	$ 197,874	$ 188,085
369,939	333,495	307,269	288,734	262,778	253,994
-	-	-	-	-	-
41,960	71,428	(19,379)	(129,120)	23,275	(32,674)
-	4,455	-	-	-	(10,791)
(177,782)	(187,492)	(114,022)	(102,951)	(124,694)	(153,259)
577,904	504,449	394,095	283,378	359,233	245,355
5,397,579	4,893,130	4,499,035	4,215,657	3,856,424	3,611,069
$ 5,975,483	$ 5,397,579	$ 4,893,130	$ 4,499,035	$ 4,215,657	$ 3,856,424
$ 236,252	$ 198,688	$ 172,549	$ 173,050	$ 150,448	$ 139,552
145,364	123,390	97,302	99,074	85,970	80,839
373,953	641,983	(123,481)	481,310	212,855	4,556
(177,782)	(187,492)	(114,022)	(102,951)	(124,694)	(153,259)
(2,421)	(3,630)	(2,389)	(2,498)	(2,409)	(2,775)
(94)	(109)	(125)	(127)	(130)	(137)
575,272	772,830	29,834	647,858	322,040	68,776
4,928,611	4,155,781	4,125,947	3,478,089	3,156,049	3,087,273
$ 5,503,883	$ 4,928,611	$ 4,155,781	$ 4,125,947	$ 3,478,089	$ 3,156,049
471,600	468,968	737,349	373,088	737,568	700,375
92.11%	91.31%	84.93%	91.71%	82.50%	81.84%
$ 2,422,738	$ 2,056,496	$ 1,621,705	$ 1,651,240	$ 1,432,831	$ 1,347,317
19.47%	22.80%	45.47%	22.59%	51.48%	51.98%

City of Van Alstyne, Texas

SCHEDULE OF CONTRIBUTIONS TO RETIREMENT PLAN

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Actuarially Determined Contribution	$ 769,985	$ 606,375	$ 507,344	$ 421,338	$ 271,664
Contributions in relation to the actuarially determined	769,985	606,375	507,344	421,338	271,664
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 61,050,678	$ 4,668,842	$ 3,865,641	$ 3,308,867	$ 2,921,561
Contributions as a percentage of covered payroll	1.26%	12.99%	13.12%	12.73%	9.30%

NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

2020		2019		2018		2017		2016	
$	229,509	$	199,029	$	172,584	$	161,434	$	148,430
	229,509		196,306		170,563		161,434		148,430
$	-	$	-	$	-	$	-	$	-
$	2,320,611	$	1,980,968	$	1,591,167	$	1,522,643	$	1,432,831
	9.89%		9.91%		10.72%		10.60%		10.36%

City of Van Alstyne, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Last Ten Measured Years

	2024	2023	2022
Total OPEB liability			
Service Cost	$ 10,835	$ 7,906	$ 14,714
Interest (on the Total OPEB Liability)	4,086	4,088	2,567
Effect of plan changes	-	-	-
Differences between expected and actual experie	(6,121)	(8,251)	9,060
Changes in assumptions or other inputs	(6,510)	6,425	(57,754)
Benefit payments	(4,433)	(3,953)	(3,503)
Net Change in Total OPEB Liability	(2,143)	6,215	(34,916)
Total OPEB Liability - Beginning	105,188	98,973	133,889
Total OPEB Liability - Ending (a)	$ 103,045	$ 105,188	$ 98,973
Covered Payroll	$ 4,925,198	$ 3,953,198	$ 3,503,349
Total OPEB Liability as a Percentage of Covered Payroll	2.09%	2.66%	2.83%

NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provsion of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

2021	2020	2019	2018	2017
$ 11,530	$ 7,026	$ 3,290	$ 3,568	$ 3,137
2,524	2,441	2,685	2,526	2,434
-	-	-	-	-
(3,775)	9,148	(4,994)	(3,609)	-
4,419	18,324	14,467	(5,570)	6,809
(2,531)	(969)	(823)	(649)	(660)
12,167	35,970	14,625	(3,734)	11,720
121,722	85,752	71,127	74,861	63,141
$ 133,889	$ 121,722	$ 85,752	$ 71,127	$ 74,861
$ 2,812,294	$ 2,422,738	$ 2,056,496	$ 1,621,705	$ 1,651,240
4.76%	5.02%	4.17%	4.39%	4.53%

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OTHER SUPPLEMENTARY INFORMATION

City of Van Alstyne, Texas

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2025

	Street Sales Tax Fund	Insurance Trust Fund	Unclaimed Property Fund
Assets			
Cash and cash equivalents	$ 259,677	$ 5,993	$ 447
Receivables, net of allowance	72,561	-	-
Total Assets	332,238	5,993	447
Liabilities			
Accounts payable	614	-	-
Due to other funds	72,813	-	-
Total Liabilities	73,427	-	-
Fund Balances			
Restricted for:			
Community development	-	-	-
Court security and technology	-	-	-
Police seizure	-	-	-
Streets	258,811	-	-
Insurance	-	5,993	-
Library technology	-	-	447
Total Fund Balances	258,811	5,993	447
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 332,238	$ 5,993	$ 447

Court Security Fund	Seized Assets Fund	Community Development Fund	Total Nonmajor Special Revenue Funds
$ 97,026	$ 38,606	$ 700,253	$ 1,102,002
-	4,028	-	76,589
97,026	42,634	700,253	1,178,591
-	-	-	614
210	1,810	-	74,833
210	1,810	-	75,447
-	-	700,253	700,253
96,816	-	-	96,816
-	40,824	-	40,824
-	-	-	258,811
-	-	-	5,993
-	-	-	447
96,816	40,824	700,253	1,103,144
$ 97,026	$ 42,634	$ 700,253	$ 1,178,591

City of Van Alstyne, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2025

	Street Sales Tax Fund	Insurance Trust Fund	Unclaimed Property Fund
Revenues			
Taxes:			
General sales and use	$ 422,512	$ -	$ -
Development	-	-	-
Municipal court	-	-	-
Investment earnings	13,360	850	19
Other income		329	-
Total Revenues	435,872	1,179	19
Expenditures			
Current:			
Development	-	-	-
General government	-	22,507	-
Police	-	-	-
Streets and infrastructure	212,610	-	-
Municipal court	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Capital Outlay	202,824	-	-
Total Expenditures	415,434	22,507	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,438	(21,328)	19
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers (out)	-	(1)	-
Total Other Financing Sources (Uses)	-	(1)	-
Net Change in Fund Balances	20,438	(21,329)	19
Fund Balances - Beginning	238,373	27,322	428
Fund Balances - Ending	$ 258,811	$ 5,993	$ 447

Court Security Fund	Seized Assets Fund	Community Development Fund	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ 422,512
-	-	444,884	444,884
37,696	7,224	-	44,920
4,427	969	13,566	33,191
-	-	-	329
42,123	8,193	458,450	945,836
-	-	22,645	22,645
-	-	-	22,507
-	18,075	-	18,075
-	-	-	212,610
41,059	-	-	41,059
		-	
-	-	90,000	90,000
-	-	136,200	136,200
-	-	303,927	506,751
41,059	18,075	552,772	1,049,847
1,064	(9,882)	(94,322)	(104,011)
-	-	1,058,397	1,058,397
-	-	(263,822)	(263,823)
-	-	794,575	794,574
1,064	(9,882)	700,253	690,563
95,752	50,706	-	412,581
$ 96,816	$ 40,824	$ 700,253	$ 1,103,144

City of Van Alstyne, Texas

VAN ALSTYNE ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET

September 30, 2025

Assets		
Cash and cash equivalents	$	456,197
Receivables, net		72,561
Total Assets		528,758
Liabilities		
Accounts payable		1,814
Total Liabilities		1,814
Fund Balances		
Restricted - economic development		526,944
Total Fund Balances		526,944
Total Liabilities and Fund Balances	$	528,758

City of Van Alstyne, Texas

VAN ALSTYNE ECONOMIC DEVELOPMENT CORPORATION

RECONCILIATION OF THE BALANCE SHEET TO THE

STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNIT

September 30, 2025

Fund Balances - Discretely Presented Component Unit	$	526,944
Amounts reported for component unit activities in the Statement of Net Position that are different at the fund level because:		
Capital assets used in component unit activities are not reported in the funds.		5,269,654
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period. Therefore, they are not reported in the balance sheet.		(4,666,449)
Payables for bond interest which are not due in the current period are not reported in the funds.		(32,517)
Net Position of Discretely Presented Component Unit - Statement of Net Position	$	1,097,632

City of Van Alstyne, Texas

VAN ALSTYNE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2025

Revenue		
Taxes:		
Sales	$	422,512
Miscellaneous		372
Interest revenue		19,592
Total Revenues		442,476
Expenditures		
Current:		
Development services		117,619
Debt service:		
Principal retirement		83,574
Interest expense and fiscal charges		261,183
Capital outlay		25,206
Total Expenditures		487,582
Excess (Deficiency) of Revenues Over (Under) Expenditures		(45,106)
Net Change in Fund Balances		(45,106)
Fund Balances - Beginning		572,050
Fund Balances - Ending	$	526,944

City of Van Alstyne, Texas

VAN ALSTYNE ECONOMIC DEVELOPMENT CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Net Change in Fund Balances - Discretely Presented Component Unit	$	(45,106)
Amounts reported in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		25,206
The depreciation of capital assets used in governmental activities is not reported in the funds.		(209,748)
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.		
Long-term debt repaid in current year		83,574
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 the governmental funds.		
Accrued interest		656
Change in Net Position of the Discretely Presented Component Unit	$	(145,418)

City of Van Alstyne, Texas

VAN ALSTYNE ECONOMIC DEVELOPMENT CORPORATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2025

	Adopted Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales taxes	$ 537,500	$ 537,500	$ 422,512	$ (114,988)
Interest revenue	18,000	18,000	19,592	1,592
Other	-	-	372	372
Total Revenues	555,500	555,500	442,476	(113,024)
Expenditures				
Current:				
Development services	189,350	189,350	117,619	71,731
Debt service:				
Principal	86,520	86,520	83,574	2,946
Interest expense and fiscal charges	257,836	257,836	261,183	(3,347)
Capital Outlay	-	-	25,206	(25,206)
Total Expenditures	533,706	533,706	487,582	46,124
Revenues Over (Under) Expenditures	21,794	21,794	(45,106)	(66,900)
Net Change in Fund Balances	21,794	21,794	(45,106)	(66,900)
Fund Balances - Beginning	572,050	572,050	572,050	
Fund Balances - Ending	$ 593,844	$ 593,844	$ 526,944	

City of Van Alstyne, Texas

VAN ALSTYNE COMMUNITY DEVELOPMENT CORPORATION

BALANCE SHEET

September 30, 2025

Assets		
Cash and cash equivalents	$	1,638,113
Accounts receivable (net)		72,561
Total Assets		1,710,674
Liabilities		
Accounts payable		2,060
Total Liabilities		2,060
Fund Balances		
Restricted - community development		1,708,614
Total Fund Balances		1,708,614
Total Liabilities and Fund Balances	$	1,710,674

City of Van Alstyne, Texas

VAN ALSTYNE COMMUNITY DEVELOPMENT CORPORATION

RECONCILIATION OF THE BALANCE SHEET

TO THE STATEMENT OF NET POSITION

September 30, 2025

Fund Balances - Total Discretely Presented Component Unit	$ 1,708,614
Amounts reported for component unit activities in the Statement of Net Position that are different at the fund level.	
Capital assets used in component unit activities are not reported in the funds.	3,087,113
Long term liabilities, including bonds payable and compensated absences, are not due and payable in the current period.	(3,680,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(26,985)
Net Position of Discretely Presented Component Unit - Statement of Net Position	$ 1,088,742

City of Van Alstyne, Texas

VAN ALSTYNE COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2025

Revenues		
Taxes:		
Sales	$	422,512
Interest revenue		56,050
Other income		515
Total Revenues		479,077
Expenditures		
Current:		
Community development		273,631
Capital outlay		2,634,346
Debt service:		
Interest and fiscal charges		313,993
Total Expenditures		3,221,970
Excess (Deficiency) of Revenues Over (Under) Expenditures		(2,742,893)
Other Financing Sources (Uses)		
Bonds proceeds		3,680,000
Total Other Financing Sources (Uses)		3,680,000
Net Change in Fund Balances		937,107
Fund Balances -Beginning		771,507
Fund Balances - Ending	$	1,708,614

City of Van Alstyne, Texas

VAN ALSTYNE COMMUNITY DEVELOPMENT CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Net Change in Fund Balances - Discretely Presented Component Unit	$ 937,107
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are not reported as expenses in the SOA.	2,634,346
Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, the amounts are deferred and amortized in the Statement of Activities.	
New debt proceeds	(3,680,000)
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 the governmental funds.	
Accrued interest	(26,985)
Change in Net Position of the Discretely Presented Component Unit	$ (135,532)

City of Van Alstyne, Texas

VAN ALSTYNE COMMUNITY DEVELOPMENT CORPORATION

BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2025

	Adopted Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales taxes	$ 537,500	$ 537,500	$ 422,512	$ (114,988)
Interest revenue	12,000	12,000	56,050	44,050
Other income	-	-	515	515
Total Revenues	549,500	549,500	479,077	(70,423)
Expenditures				
Current:				
Community development	615,270	615,270	273,631	341,639
Capital outlay	-	-	2,634,346	(2,634,346)
Debt service:				
Interest and fiscal charges	-	-	313,993	(313,993)
Total Expenditures	615,270	615,270	3,221,970	(2,606,700)
Revenues Over (Under) Expenditures	(65,770)	(65,770)	(2,742,893)	(2,677,123)
Other Financing Sources (Uses)				
Bonds proceeds	-	-	3,680,000	3,680,000
Total Other Financing Sources (Uses)	-	-	3,680,000	3,680,000
Net Change in Fund Balances	(65,770)	(65,770)	937,107	1,002,877
Fund Balances -Beginning	771,507	771,507	771,507	
Fund Balances - Ending	$ 705,737	$ 705,737	$ 1,708,614	

COMPLIANCE AND INTERNAL CONTROL SECTION

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VAIL & PARK, P.C.
AUDIT
TAX
ADVISORY

Michael G. Vail, CPA
Charlie S. Park, CPA
Matt P. Chen, CPA
Tung V. Pham, CPA

Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA
Steven R. Huber, CPA
Leslie L. Henson, CPA

Memberships:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
AICPA Private Companies Practice Section (PCPS)
Texas Society of CPAs (TXCPA)
Public Company Accounting Oversight Board (PCAOB)

INDEPENDENT AUDITOR'S 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 Mayor, City Council, and City Manager
City of Van Alstyne, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Van Alstyne, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated January 13, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from 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 financial statements. 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*.

Frisco, TX (main office):
11500 State Highway 121, Suite 410, Frisco, TX 75035
Office: 972-234-3333 Fax: 972-234-3331

Dallas, TX:
9330 Lyndon B Johnson Freeway, Suite 280, Dallas, TX 75243
Office: 972-840-1516 Fax: 972-271-6778

Tom Bean, TX:
118 W Cotton Belt Road, Tom Bean, TX 75489
Office: 903-546-6975 Fax:: 903-546-6017

www.vailcpas.com

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vail + Park, P.C.

Tom Bean, Texas
January 13, 2026

APPENDIX C

FORMS OF BOND COUNSEL’S OPINIONS

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

CITY OF VAN ALSTYNE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026, DATED AUGUST 15, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $________

AS BOND COUNSEL FOR THE CITY OF VAN ALSTYNE, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number T-1.

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

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds", and that, accordingly, interest on the Bonds will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Ordinance, relating to, among other matters, the use of the project being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the report or certificate verifying the sufficiency of the amounts deposited to the escrow fund will be sufficient to pay the principal of and interest on the refunded obligations on the redemption date, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

CITY OF VAN ALSTYNE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026, DATED AUGUST 15, 2026,
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_________

AS BOND COUNSEL FOR THE ISUER (the "Issuer") of the Certificates described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge (not to exceed $1,000) of surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

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

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

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

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

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

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

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND INSURANCE POLICY

SPECIMEN

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

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Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions