(See "CONTINUING DISCLOSURE OF INFORMATION")

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

OFFICIAL STATEMENT

Dated August 10, 2026

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 "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

$5,470,000
CITY OF VENUS, TEXAS
(Johnson and Ellis Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

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

PAYMENT TERMS . . . Interest on the $5,470,000 City of Venus, 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 3, 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 Venus, Texas (the "City") (see "THE OBLIGATIONS - Authority for Issuance of the Bonds"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as defined and provided in the ordinance authorizing the Bonds adopted by the City Council of the City (the "Bond Ordinance") (see "THE OBLIGATIONS - Security and Source of Payment for the Obligations").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (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: 923344
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 $11,945,000 City of Venus, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about September 3, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

CUSIP Prefix: 923344 [(1)]

$5,470,000
CITY OF VENUS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

MATURITY SCHEDULE

Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix[(1)]
$ 170,000	2/15/2037	5.420%	5.420%	ET8
130,000	2/15/2038	5.530%	5.530%	EU5
130,000	2/15/2039	5.630%	5.630%	EV3
140,000	2/15/2040	5.680%	5.680%	EW1
150,000	2/15/2041	5.730%	5.730%	EX9

$1,760,000 5.950% Term Bonds due February 15, 2046 at Price of 100.000 to Yield 5.950% CUSIP Suffix[(1)] FC4

$2,990,000 6.050% Term Bonds due February 15, 2050 at Price of 100.000 to Yield 6.050% CUSIP Suffix[(1)] FG5

(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 the Bonds, 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 a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on February 15 in the each of the years 2046 and 2050 (the “Term Bonds”) are also subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

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(See "CONTINUING DISCLOSURE OF INFORMATION")

OFFICIAL STATEMENT

Dated August 10, 2026

Ratings:
S&P: “AA” (AG Insured)
S&P: "A+" (Underlying)
(see "OTHER INFORMATION – Ratings", "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein)

NEW ISSUE - Book-Entry-Only

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

$11,945,000
CITY OF VENUS, TEXAS
(Johnson and Ellis Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

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

PAYMENT TERMS . . . Interest on the $11,945,000 City of Venus, 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 3, 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 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 Venus, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a pledge of the surplus revenues of the City’s 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, improvements, extensions, and equipment for the City’s water and sewer system, including water and sewer treatment plants, water and sewer lines, wells, lift stations, storage facilities, manholes, pumps, valves, fittings, service connections, and related infrastructure improvements, and the acquisition of land and interests in land as necessary therefor; and (ii) paying legal, fiscal, architectural and engineering fees in connection with such projects. (See "PLAN OF FINANCING - Purpose" herein).

CUSIP PREFIX: 923344
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 $5,470,000 City of Venus, Texas General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") under a common Official Statement. The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for being offered through this common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". While the Bonds and Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms of payment, the security for its payment, the rights of the City to redeem the Obligations of either series, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

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

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about September 3, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

$11,945,000

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

MATURITY SCHEDULE

Principal Amount	Maturity	Interest Rate	Yield	CUSIP Suffix[1]
$ 25,000	2/15/2029	5.000%	3.090%	FH3
60,000	2/15/2030	5.000%	3.170%	FJ9
80,000	2/15/2031	5.000%	3.250%	FK6
85,000	2/15/2032	5.000%	3.320%	FL4
90,000	2/15/2033	5.000%	3.440%	FM2
95,000	2/15/2034	5.000%	3.530%	FN0
105,000	2/15/2035	5.000%	3.630%	FP5
110,000	2/15/2036	5.000%	3.730%	FQ3

$345,000 5.000% Term Certificates due February 15, 2039 at a Price of 107.721 to Yield 4.010%[2] CUSIP Suffix[1] FT7

$480,000 5.000% Term Certificates due February 15, 2042 at a Price of 105.784 to Yield 4.250%[2] CUSIP Suffix[1] FW0

$570,000 5.000% Term Certificates due February 15, 2046 at a Price of 103.422 to Yield 4.550%[2] CUSIP Suffix[1] GA7

$1,815,000 4.750% Term Certificates due February 15, 2051 at a Price of 98.433 to Yield 4.860% CUSIP Suffix[1] GF6

$8,085,000 5.250% Term Certificates due February 15, 2056 at a Price of 102.476 to Yield 4.920%[2] CUSIP Suffix[1] GL3

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

Optional Redemption . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2039, 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 a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

Mandatory Sinking Fund Redemption . . . The Certificates maturing on February 15 in each of the years 2039, 2042, 2046, 2051 and 2056 (the "Term Certificates") are also subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

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 Venus, Texas (the "City") is a political subdivision of the State of Texas (the "State"), and a municipal corporation located in Johnson and Ellis Counties, Texas. The City covers approximately 3.5 square miles (see "INTRODUCTION - Description of the City").

THE OBLIGATIONS .... The $5,470,000 City of Venus, Texas, General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") are being issued as serial Bonds maturing on February 15 in the years 2037 through 2041 and as Term Bonds maturing on February 15 in the years 2046 and 2050 unless redeemed in accordance with the provisions described herein (see "THE OBLIGATIONS - Description of the Obligations", "THE OBLIGATIONS - Optional Redemption", and "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

The $11,945,000 City of Venus, 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 2029 through 2036, and as Term Certificates maturing on February 15 in the years 2039, 2042, 2046, 2051 and 2056 unless redeemed in accordance with the provisions described herein (see "THE OBLIGATIONS - Description of the Obligations", "THE OBLIGATIONS - Optional Redemption", and "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

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

PAYMENT OF INTEREST ON THE OBLIGATIONS .... Interest on the Obligations accrues from the date of initial delivery (the "Delivery Date") (anticipated to be on or about September 3, 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 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 adopted by the City Council of the City (the "Certificate Ordinance" and together with the Bond Ordinance, the "Ordinances") (see "THE OBLIGATIONS - Authority for Issuance of the Obligations").

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

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a pledge of the surplus revenues of the City's 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 the Bonds, 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 a redemption price equal to the principal amount 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 the Certificates having stated maturities on and after February 15, 2039, 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 a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION .... The Bonds maturing on February 15 in the years 2046 and 2050 are subject to mandatory sinking fund redemption as described herein (see "THE OBLIGATIONS - Mandatory Sinking Fund Redemption").

The Certificates maturing on February 15 in the years 2039, 2042, 2046, 2051 and 2056 are also subject to mandatory sinking fund redemption as described herein ("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 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, improvements, extensions, and equipment for the City's water and sewer system, including water and sewer treatment plants, water and sewer lines, wells, lift stations, storage facilities, manholes, pumps, valves, fittings, service connections, and related infrastructure improvements, and the acquisition of land and interests in land as necessary therefor; and (ii) paying legal, fiscal, architectural and engineering fees in connection with such projects (See "PLAN OF FINANCING – Purpose" herein).

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

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

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

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

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Selected Financial Information

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Total General Obligation Debt at Year End[3]	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2022	5,762	$ 331,980,343	$ 57,615	$ 15,967,000	2,771	4.81%
2023	6,072	445,444,068	73,360	15,305,000	2,521	3.44%
2024	7,006	561,302,133	80,117	14,845,000	2,119	2.64%
2025	7,513	660,956,562	87,975	19,200,000	2,556	2.90%
2026	8,315	713,322,351	85,787	26,440,000 [4]	3,180	3.71%

(1) Source: North Central Texas Council of Governments - Population Estimates.
(2) As reported by the Appraisal Districts (as defined herein).
(3) Includes self-supporting debt expected to be paid by surplus revenues from the waterworks and sewer system.
(4) Excludes the Refunded Obligations. Includes the Obligations.

General Fund Consolidated Statement Summary

	For Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	$ 3,569,668	$ 3,211,955	$ 2,287,854	$ 2,359,349	$ 1,954,070
Total Revenue	6,523,276	5,605,482	5,406,600	4,252,121	3,668,457
Total Expenditures	6,122,369	5,247,769	5,093,020	4,301,731	3,502,961
Total Other Financing Sources	12,830	-	610,521	(21,885)	239,783
Net Funds Available	400,907	357,713	313,580	(49,610)	165,496
Ending Balance	$ 3,983,405	$ 3,569,668	$ 3,211,955	$ 2,287,854	$ 2,359,349

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
Alejandro Galaviz Mayor	3 Years	May-27	Public Safety Professional
Teresa Hoffman Councilmember - Place 1	3 Years	May-27	Teacher
Tony Bovinich Councilmember - Place 2	3 Years	May-27	Real Estate Professional Former Municipal Employee
Alicia Rosales Councilmember - Place 3	2 Months	May-28	Librarian
Michelle Hamm Mayor Pro Tem, Place 4	2 Years	May-28	Program Analyst
Raymond Jackman Councilmember - Place 5	2 Months	May-28	Direct or Operations

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
James Hawthorne	City Administrator	3 Months	29 Years
Becky Wilkins	Finance Director	2 Years	25 Years
Callie Driggars	City Secretary	6 Years	16 Years

CONSULTANTS AND ADVISORS

Auditors .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

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

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OFFICIAL STATEMENT

RELATING TO

$5,470,000
CITY OF VENUS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026

AND

$11,945,000
CITY OF VENUS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $5,470,000 City of Venus, Texas, General Obligation Refunding Bonds, Taxable Series 2026 (the "Bonds") and $11,945,000 City of Venus, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates", and together with the Bonds, herein collectively referred to as the "Obligations"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances (the "Bond Ordinance" with respect to the Bonds and the "Certificate Ordinance" with respect to the Certificates), each adopted by the City Council of the City of Venus, Texas (the "City") on the date of the sale of the Obligations and which authorized the issuance of the Bonds and the Certificates, respectively. The Bond Ordinance and the Certificate Ordinance are herein collectively referred to as the "Ordinances".

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State as a Type A general law municipality with a City council composed by the Mayor and five Councilmembers. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for staggered two year terms. The City Administrator is the Chief Administrative Officer for the City. Some of the services that the City provides are: public safety, streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The estimated 2026 population is 8,315. The City covers approximately 3.5 square miles.

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

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, improvements, extensions, and equipment for the City's water and sewer system, including water and sewer treatment plants, water and sewer lines, wells, lift stations, storage facilities, manholes, pumps, valves, fittings, service connections, and related infrastructure improvements, and the acquisition of land and interests in land as necessary therefor; and (ii) paying legal, fiscal, architectural and engineering fees in connection with such 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.

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 PROCEEDS	
Par Amount of the Bonds	$ 5,470,000.00
City Contribution	4,259,770.00
TOTAL SOURCES	$ 9,729,770.00
USES OF PROCEEDS	
Deposit to Escrow Fund	$ 9,564,111.27
Underwriter's Discount	35,071.04
Costs of Issuance(1)	130,587.69
TOTAL USES	$ 9,729,770.00

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

SOURCES OF PROCEEDS	
Par Amount of the Certificates	$ 11,945,000.00
Net Premium	300,974.70
TOTAL SOURCES	$ 12,245,974.70
USES OF PROCEEDS	
Deposit to Project Fund	$ 12,000,000.00
Underwriter's Discount	74,090.70
Costs of Issuance(1)	171,884.00
TOTAL USES	$ 12,245,974.70

(1) Includes the municipal bond insurance premium.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated August 1, 2026 and mature on February 15 in each of the years and in the amounts shown on page 2 (with respect to the Bonds) and page 4 (with respect to the Certificates) hereof. Interest will accrue from the date of initial delivery anticipated to occur on or about September 3, 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 adopted by the City Council of the City ("City Council").

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

Security and Source of Payment for the Obligations . . . The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Bond Ordinance.

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a pledge of the surplus revenues of the 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 4, of the Texas Constitution is applicable to the City, and limits the maximum ad valorem tax rate for the Type A general law municipality to $1.50 per $100 taxable assessed valuation for all purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

Optional Redemption . . . The City reserves the right, at its option, to redeem the Bonds, 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 a redemption price equal to the principal amount 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 Obligations 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 the Certificates having stated maturities on and after February 15, 2039, 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 a redemption price equal to the principal amount 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 Obligations 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 . . . The Bonds maturing on February 15 in the years 2046 and 2050 (the "Term Bonds") and the Certificates maturing on February 15 in the years 2039, 2042, 2046, 2051 and 2056 (the "Term Certificates", and together with the Term Bonds, the "Term Obligations") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption:

Term Bonds Due February 15, 2046

Redemption Date		Principal Amount
February 15, 2042		$ 160,000
February 15, 2043		170,000
February 15, 2044		380,000
February 15, 2045		405,000
February 15, 2046	(maturity)	645,000

Term Bonds Due February 15, 2050

Redemption Date		Principal Amount
February 15, 2047		$ 680,000
February 15, 2048		725,000
February 15, 2049		770,000
February 15, 2050	(maturity)	815,000

Term Certificates Due February 15, 2039

Redemption Date		Principal Amount
February 15, 2037		$ 90,000
February 15, 2038		115,000
February 15, 2039	(maturity)	140,000

Term Certificates Due February 15, 2042

Redemption Date		Principal Amount
February 15, 2040		$ 150,000
February 15, 2041		160,000
February 15, 2042	(maturity)	170,000

Term Certificates Due February 15, 2046

Redemption Date	Principal Amount
February 15, 2043	$ 180,000
February 15, 2044	140,000
February 15, 2045	150,000
February 15, 2046 (maturity)	100,000

Term Certificates Due February 15, 2051

Redemption Date	Principal Amount
February 15, 2047	$ 105,000
February 15, 2048	105,000
February 15, 2049	110,000
February 15, 2050	115,000
February 15, 2051 (maturity)	1,380,000

Term Certificates Due February 15, 2056

Redemption Date	Principal Amount
February 15, 2052	$ 1,450,000
February 15, 2053	1,530,000
February 15, 2054	1,615,000
February 15, 2055	1,700,000
February 15, 2056 (maturity)	1,790,000

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by the 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 stated maturity of the Obligations, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Obligations is 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 Obligations, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Obligations. The Policy guarantees the scheduled payment of principal of and interest on the Obligations when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

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

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

Current Financial Strength Ratings

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

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

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

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

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.
- The contingency reserve of AG was approximately $1,569 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

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

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

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

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item

2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

BOND INSURANCE RISKS

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

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

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

The long-term ratings on the Obligations will be dependent in part on the financial strength of AG and its claims-paying ability. AG's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of AG and of the ratings on the Obligations, whether or not subject to 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 AG under the Policy are contractual obligations of AG and in an event of default by AG, the remedies available may be limited by applicable bankruptcy law. None of the City, the City's Municipal Advisor or the Underwriter has made independent investigation into the claims-paying ability of AG and no assurance or representation regarding the financial strength or projected financial strength of AG is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Obligations and the claims-paying ability of 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 Central Appraisal District of Johnson County and the Ellis 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 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable. If a city were limited to levying an ad valorem tax rate that is not in excess of its no-new-revenue tax rate, such a limitation would impact the total amount of ad valorem tax revenue available to the city to pay for both operations and maintenance and debt service.

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

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

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

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

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

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

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 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 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 $1.00 of the $1.50 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.

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 and the disabled of $10,000.

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

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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 Johnson County collects taxes for the City.

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

The City does tax freeport property. The City has taken action to tax goods in transit.

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

The City has adopted a tax abatement policy and does not have any existing tax abatement agreements.

TAX INCREMENT REINVESTMENT ZONES

Tax Increment Reinvestment Zone #1

The City of Venus established Tax Increment Reinvestment Zone #1 ("TIRZ #1") in 2021. TIRZ #1 has a term of 40 years and is scheduled to terminate in 2061. TIRZ #1 includes approximately 2,909.08 acres designated for industrial, commercial, and residential uses. The proposed improvements to the land in the TIRZ #1 includes roadwork, water/sewage and drainage, parks, public buildings and facilities, parking, façade renovation, historical preservation and economic development. Within TIRZ #1, the City contributes 50% of the tax increment generated above the base value to the TIRZ #1 fund. The tax increment base value of TIRZ #1 is $47,478,529.

PUBLIC IMPROVEMENT DISTRICTS

Bluestem Hills PID

On January 14, 2019, the City formally established the Bluestem Hills Public Improvement District No. 1 (the “Bluestem PID”) for the purpose of financing the construction and installation of certain public improvements benefiting property owners within the Bluestem PID's boundaries. Following its creation, the City entered into a development agreement with Bluestem Ellis Partners, LLC (the “Bluestem Developer”) on April 26, 2019. Under the terms of this agreement, the City agreed to reimburse the Developer for eligible and budgeted public improvement construction costs in an amount not to exceed $1,700,000. Such reimbursements are to be made solely from special assessments levied against and collected from property owners within the Bluestem PID. As of September 30, 2025, no reimbursement payments were owed or payable to the Bluestem Developer.

Patriot Estates PID

On November 9, 2020, the City established the Patriot Estates Public Improvement District (the “Patriot PID”) to provide a dedicated financing mechanism for certain public improvements serving the development located within the Patriot PID's boundaries. On the same date, the City executed a development agreement with LGI Homes-Texas, LLC (“LGI Homes”). This agreement provides that the City will reimburse the LGI Homes for eligible public improvement construction costs, with total reimbursement not to exceed $6,977,464. Such reimbursement will be funded exclusively through the collection of special assessments imposed on properties within the Patriot PID. As of September 30, 2025, no reimbursement amounts were due to LGI Homes under the terms of the agreement.

Brahman Ranch PID

On January 15, 2021, the City created the Brahman Ranch Public Improvement District No. 1 (the “Brahman PID”) for the purpose of funding specified public improvements intended to serve and benefit property owners within the Brahman PID's boundaries. The Brahman PID is expected to be developed in approximately eight phases over a period of ten years. On December 15, 2022, the City issued $9,094,000 in special assessment revenue bonds to develop infrastructure within the first phase of development of the Brahman PID. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed $1.7 million, from special assessments levied and collected within the Brahman PID. As of September 30, 2025, no reimbursements were due to the Developer. The City expects to issue additional bonds payable from special assessments levied on Brahman PID but cannot predict when or whether such bonds will be issued, if ever. On July 8, 2026, the City filed a voluntary notice pursuant to Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission, as notification of the

City's anticipated foreclosure proceedings timeline for delinquent annual installments not paid by Miskimon Management I, LLC, Bridge Homes, LLC, Construction Loan Services II, LLC Doing Business as Builders Capital Mortgage Trust 2023-2, Richard Kent Miskimon, Sheri Renee Miskimon and Falls Creek Land & Cattle, LLC (collectively, the "Landowners"). The Landowners did not make payment prior to the required payment date of January 31, 2026. As of June 30, 2026, the Landowners are collectively responsible for 8 parcels, which total $425,982.18 due in annual installments. The Landowners are collectively responsible for 57.22% of the outstanding assessment. Pursuant to Exhibit C of the Continuing Disclosure Agreement of the City, the City has begun the pursuit of delinquencies of the Annual Installment, and the City has filed formal foreclosure proceedings against the Landowners.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2026/2027 Market Valuation Established by the Appraisal Districts [(1)]			$	866,683,183
Less Exemptions/Reductions at 100% Market Value:				
Homestead Cap Loss	$	18,141,374		
Circuit Breaker Cap Loss		9,977,222		
Productivity Loss		18,094,778		
Over 65 and disabled		1,970,000		
Disabled Veterans		19,403,027		
Other		6,296,136		
Totally Exempt Property		48,589,542	$	122,472,079
2026/2027 Taxable Assessed Valuation			$	744,211,104
Outstanding General Obligation Debt as of 8/1/2026 [(2)]			$	9,025,000
The Bonds				5,470,000
The Certificates				11,945,000
Total General Obligation Debt[(3)]			$	26,440,000
Less: Self-Supporting Debt[(4)]				
Water and Sewer System			$	1,595,000
Net General Obligation Debt Payable from Ad Valorem Taxes			$	24,845,000
General Obligation Debt Service Fund as of 6/30/2026			$	403,576
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation				

2026 Estimated Population - 8,315

Per Capita Taxable Assessed Valuation - $89,502

Per Capita Total General Obligation Debt Payable from Ad Valorem Taxes - $3,180

(1) Tax Year 2026 valuations shown are certified taxable assessed values reported by the Central Appraisal District of Johnson County and the Ellis Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(2) Excludes the Refunded Obligations.
(3) Excludes the Refunded Obligations. Includes the Obligations.
(4) The transfers of water and sewer net revenues to make debt service payments on such general obligation debt is discretionary and may be discontinued by the City, in whole or in part, at any time. In the event the City chooses to discontinue such transfer of System revenues or such System revenues are not available to pay debt service on such general obligation debt, the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Vaue for Fiscal Year Ended September 30,					
	2027		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 549,769,970	63.43%	$ 530,096,617	62.87%	$ 505,723,574	63.91%
Real, Residential, Multi-Family	120,481,929	13.90%	105,469,681	12.51%	80,278,590	10.15%
Real, Vacant Lots/Tracts	20,912,935	2.41%	22,692,660	2.69%	23,552,489	2.98%
Real, Acreage (Land Only)	18,521,562	2.14%	19,541,503	2.32%	20,072,671	2.54%
Real, Farm and Ranch Improvements	10,672,228	1.23%	9,628,456	1.14%	9,476,421	1.20%
Real, Commercial	26,874,970	3.10%	19,035,193	2.26%	18,393,090	2.32%
Real, Industrial	2,475,830	0.29%	2,323,645	0.28%	1,870,054	0.24%
Real and Tangible Personal, Utilities	36,310,810	4.19%	38,887,240	4.61%	37,108,054	4.69%
Oil, Gas & Minterals	171,732	0.02%	471,599	0.06%	773,772	0.10%
Tangible Personal, Commercial	8,787,696	1.01%	7,519,144	0.89%	7,328,451	0.93%
Tangible Personal, Industrial	1,230,231	0.14%	1,662,314	0.20%	1,212,775	0.15%
Tangible Personal, Mobile Homes	145,343	0.02%	144,685	0.02%	2,137,097	0.27%
Residential Inventory	21,686,055	2.50%	20,940,623	2.48%	20,770,861	2.62%
Totally Exempt Properties	48,641,892	5.61%	64,749,864	7.68%	62,574,240	7.91%
Total Appraised Value Before Exemptions	$ 866,683,183	100.00%	$ 843,163,224	100.00%	$ 791,272,139	100.00%
Less: Total Exemptions/Reductions	122,472,079		129,840,873		130,315,577	
Taxable Assessed Value	$ 744,211,104		$ 713,322,351		$ 660,956,562	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2024		2023	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 481,827,772	68.26%	$ 383,682,445	67.70%
Real, Residential, Multi-Family	42,515,688	6.02%	29,030,339	5.12%
Real, Vacant Lots/Tracts	20,406,097	2.89%	5,957,486	1.05%
Real, Acreage (Land Only)	20,356,584	2.88%	16,096,564	2.84%
Real, Farm and Ranch Improvements	8,134,262	1.15%	7,169,250	1.26%
Real, Commercial	15,266,528	2.16%	11,019,509	1.94%
Real, Industrial	2,774,895	0.39%	1,679,715	0.30%
Real and Tangible Personal, Utilities	24,002,602	3.40%	26,970,285	4.76%
Oil, Gas & Minterals	6,792,637	0.96%	468,348	0.08%
Tangible Personal, Commercial	10,529,340	1.49%	12,774,117	2.25%
Tangible Personal, Industrial	341,804	0.05%	378,827	0.07%
Tangible Personal, Mobile Homes	268,596	0.04%	2,061,812	0.36%
Residential Inventory	9,345,303	1.32%	9,178,776	1.62%
Totally Exempt Properties	63,274,084	8.96%	60,274,346	10.64%
Total Appraised Value Before Exemptions	$ 705,836,192	100.00%	$ 566,741,819	100.00%
Less: Total Exemptions/Reductions	144,534,059		121,297,751	
Taxable Assessed Value	$ 561,302,133		$ 445,444,068	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Total General Obligation Debt at Year End[(3)]	G.O. Debt Per Capita	Ratio of G.O. Debt to Taxable Assessed Valuation
2022	5,762	$ 331,980,343	$ 57,615	$ 15,967,000	2,771	4.81%
2023	6,072	445,444,068	73,360	15,305,000	2,521	3.44%
2024	7,006	561,302,133	80,117	14,845,000	2,119	2.64%
2025	7,513	660,956,562	87,975	19,200,000	2,556	2.90%
2026	8,315	713,322,351	85,787	26,440,000 [(4)]	3,180	3.71%

(1) Source: North Central Texas Council of Governments - Population Estimates.
(2) As reported by the Appraisal Districts.
(3) Includes self-supporting debt expected to be paid by surplus net revenues from the waterworks and sewer system. A portion of the general obligation debt service is expected to be paid by transfers from the Venus Community Service Development Corporation. See “TABLE 8 - General Obligation Debt Service Requirements,” “TABLE 11 - Computation of Self-Supporting Debt” and “TABLE 13 - Municipal Sales Tax History”).
(4) Excludes the Refunded Obligations. Includes the Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$0.807224	$ 0.628408	$ 0.178816	$ 2,058,208	99.31%	99.31%
2023	0.754842	0.569914	0.184928	2,404,288	101.24%	101.24%
2024	0.754842	0.607329	0.147513	2,714,383	100.82%	100.82%
2025	0.738059	0.598105	0.139954	3,556,235	99.35%	99.35%
2026	0.766485	0.634481	0.132004	5,379,374	98.32% [(1)]	99.25% [(1)]

(1) Collections as of June 30, 2026.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Company	Utility	$ 30,412,800	4.26%
Heritage Trails Venus	Home Builder	26,694,111	3.74%
LGI Homes Texas LLC	Home Builder	16,411,310	2.30%
SFR Owner ML Borrower LLC	Real Estate	7,093,750	0.99%
Second Avenue SFR Holdings III LLC	Real Estate	5,912,739	0.83%
Palladium Venus LTD	Apartments	4,731,719	0.66%
Segavepo 2 LLC	Real Estate	4,633,667	0.65%
Builders Capital Mortgage Trust 2023-2(1)	Real Estate	4,536,980	0.64%
Biltmore Homes LLC	Home Builder	4,447,488	0.62%
Spectrum Gulf Coast	Utility	3,961,348	0.56%
		$ 108,835,912	15.26% (2)

Source: Central Appraisal District of Johnson County and Ellis Appraisal District.

(1) Real property owned by Into the Storm Land Capital LLC has been foreclosed upon and is currently owned by Construction Loan Services II, LLC, doing business as Builders Capital Mortgage Trust 2023-2. On May 1, 2026, the City filed formal foreclosure proceedings against certain property held by this taxpayer for nonpayment of special assessments that were levied for the Brahman Ranch Public Improvement District No. 1. The taxpayer has since paid said special assessments. See "- Public Improvement Districts - Brahman Ranch PID."

(2) Approximately 15.26% of the City's total taxable assessed value is concentrated in its top ten taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less tax revenue or future increase in ad valorem tax rates.

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

TABLE 6 - TAX ADEQUACY(1)(2)(3)

Net General Obligation Debt Service (FY 2027)	$ 1,122,144
$ 0.1539 Tax Rate at 98% Collection Produces	$ 1,122,434
Average Net General Obligation Debt Service (2027-2056)	$ 1,668,051
$ 0.2288 Tax Rate at 98% Collection Produces	$ 1,668,700
Maximum Net General Obligation Debt Service (2046)	$ 2,069,828
$ 0.2838 Tax Rate at 98% Collection Produces	$ 2,069,830

(1) Excludes debt service expected to be paid for by transfers from the City's Waterworks and Sewer System and the Venus Community Services Development Corporation. See "TABLE 8 - General Obligation Debt Service Requirements," TABLE 11 - Computation of Self-Supporting Debt" and "TABLE 13 - Municipal Sales Tax History").

(2) Excludes the Refunded Obligations. Includes the Obligations.

(3) Calculated based on 2026/2027 Taxable Assessed Valuation.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/26 Taxable Assessed Value[(1)]	2025/26 Tax Rate [(1)]	Total GO Tax Debt as of 8/1/2026 [(1)]	Estimated % Applicable [(1)]	City's Overlapping GO Tax Debt as of 8/1/2026
City of Venus	$ 713,322,351	0.76649	$ 26,440,000 [(2)]	100.00%	$ 26,440,000
Ellis County	39,198,444,896	0.27399	18,535,000	0.48%	88,968
Johnson County	27,002,431,359	0.38928	43,030,000	1.63%	701,389
Maypearl Independent School District	796,755,717	0.96980	40,240,000	3.38%	1,360,112
Midlothian Independent School District	10,801,934,989	1.07080	444,305,000	1.08%	4,798,494
Venus Independent School District	819,644,043	1.24840	100,587,429	42.78%	43,031,302

Total Direct and Overlapping GO Tax Debt	$ 76,420,265
Ratio of Direct and Overlapping GO Tax Debt to 2025/26 Taxable Assessed Valuation	10.71%
Per Capita Overlapping GO Tax Debt	9,191

(1) Source: Municipal Advisory Council of Texas.
(2) Excludes the Refunded Obligations and includes the Obligations as of the Delivery Date of the Obligations.

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TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 30-Sep	Outstanding Debt Service[1] Principal	Outstanding Debt Service[1] Interest	Outstanding Debt Service[1] Total D/S	The Bonds Principal	The Bonds Interest	The Bonds Total D/S	The Certificates Principal	The Certificates Interest	The Certificates Total D/S	Less: W&S Revenue Supported Debt Service[2]	Less: Projected Transfers from VCS Dev. Corp.[3]	Net General Obligation Debt Service	% of Principal Retired
2026	$ 490,000	$ 640,625	$ 1,130,625	$ -	$ -	$ -	$ -	$ -	$ -	$ 130,100	$ 50,000	$ 950,525	
2027	65,000	342,775	407,775	-	309,590	309,590	-	582,279	582,279	127,500	50,000	1,122,144	
2028	120,000	338,575	458,575	-	325,884	325,884	-	612,925	612,925	129,800	50,000	1,217,584	
2029	140,000	332,225	472,225	-	325,884	325,884	25,000	612,300	637,300	131,900	50,000	1,253,509	
2030	125,000	325,775	450,775	-	325,884	325,884	60,000	610,175	670,175	128,900	50,000	1,267,934	3.81%
2031	135,000	319,525	454,525	-	325,884	325,884	80,000	606,675	686,675	130,800	50,000	1,286,284	
2032	140,000	312,875	452,875	-	325,884	325,884	85,000	602,550	687,550	127,600	50,000	1,288,709	
2033	145,000	305,975	450,975	-	325,884	325,884	90,000	598,175	688,175	129,300	50,000	1,285,734	
2034	155,000	298,725	453,725	-	325,884	325,884	95,000	593,550	688,550	130,800	50,000	1,287,359	
2035	155,000	291,225	446,225	-	325,884	325,884	105,000	588,550	693,550	127,200	50,000	1,288,459	8.21%
2036	165,000	283,825	448,825	-	325,884	325,884	110,000	583,175	693,175	128,500	50,000	1,289,384	
2037	465,000	272,688	737,688	170,000	321,277	491,277	90,000	578,175	668,175	129,600	50,000	1,717,540	
2038	535,000	256,250	791,250	130,000	313,076	443,076	115,000	573,050	688,050	130,500	50,000	1,741,876	
2039	555,000	238,000	793,000	130,000	305,822	435,822	140,000	566,675	706,675	131,200	50,000	1,754,297	
2040	575,000	219,050	794,050	140,000	298,186	438,186	150,000	559,425	709,425	131,700	50,000	1,759,961	21.09%
2041	590,000	199,450	789,450	150,000	289,913	439,913	160,000	551,675	711,675	127,100	50,000	1,763,938	
2042	610,000	179,200	789,200	160,000	280,855	440,855	170,000	543,425	713,425	127,400	50,000	1,766,080	
2043	630,000	158,250	788,250	170,000	271,038	441,038	180,000	534,675	714,675	127,500	50,000	1,766,463	
2044	475,000	140,100	615,100	380,000	254,675	634,675	140,000	526,675	666,675	-	-	1,916,450	
2045	485,000	124,950	609,950	405,000	231,321	636,321	150,000	519,425	669,425	-	-	1,915,696	39.12%
2046	505,000	106,569	611,569	645,000	200,084	845,084	100,000	513,175	613,175	-	-	2,069,828	
2047	530,000	84,575	614,575	680,000	160,325	840,325	105,000	508,181	613,181	-	-	2,068,081	
2048	550,000	61,625	611,625	725,000	117,824	842,824	105,000	503,194	608,194	-	-	2,062,643	
2049	575,000	37,719	612,719	770,000	72,600	842,600	110,000	498,088	608,088	-	-	2,063,406	
2050	600,000	12,750	612,750	815,000	24,654	839,654	115,000	492,744	607,744	-	-	2,060,148	64.85%
2051	-	-	-	-	-	-	1,380,000	457,238	1,837,238	-	-	1,837,238	
2052	-	-	-	-	-	-	1,450,000	386,400	1,836,400	-	-	1,836,400	
2053	-	-	-	-	-	-	1,530,000	308,175	1,838,175	-	-	1,838,175	
2054	-	-	-	-	-	-	1,615,000	225,619	1,840,619	-	-	1,840,619	
2055	-	-	-	-	-	-	1,700,000	138,600	1,838,600	-	-	1,838,600	93.35%
2056	-	-	-	-	-	-	1,790,000	46,988	1,836,988	-	-	1,836,988	100.00%
	$ 9,515,000	$ 5,883,300	$ 15,398,300	$ 5,470,000	$ 6,384,193	$ 11,854,193	$ 11,945,000	$ 15,021,954	$ 26,966,954	$ 2,327,400	$ 900,000	$ 50,992,047	

(1) Excludes the Refunded Obligations.

(2) Debt service in the amounts shown is expected to be provided from surplus net revenues of the waterworks and sewer system. The amount of self-supporting debt service is based on the Waterworks and Sewer System Self-Supporting debt amount as shown in "TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT." It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments.

(3) See "TABLE 13 - Municipal Sales Tax History" for details regarding the VCS Development Corporation sales tax revenues.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Obligation Debt Service Requirements, FYE 9/30/2026(1)	$	950,525
Interest and Sinking Fund Cash Balance, FYE 9/30/2025	$	30,671
Budgeted Interest and Sinking Fund Tax Collection		807,845
Transfer in		112,009
Projected Interest and Sinking Fund Balance, FYE 9/30/2026	$	-

(1) Excludes debt service on City's general obligation debt to be paid from transfers from the City's Waterworks and Sewer System. See "TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS."

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

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

TABLE 10 - OTHER OBLIGATIONS

Contract Payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of $1,550,000 payable in 20 annual installments of $77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year.

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

	Business-type Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 77,500	$ 17,050	$ 94,550
2027	77,500	12,788	90,288
2028	77,500	8,525	86,025
2029	77,500	4,263	81,763
Total	$ 310,000	$ 42,626	$ 352,626

Loan Payable

In March 2021, the City entered into a loan agreement to finance equipment and infrastructure to be used in the construction on the Brahman Ranch wastewater treatment plan. The loan requires monthly payments of $14,750 from the date the assets are delivered, and bears interest of 2.045%. The assets were delivered an payments began in April 2023 to mature in March 2028. The loan is secured by the financed assets.

The debt service requirements to maturity on the loan are as follows:

	Business-type Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 168,721	$ 8,279	$ 177,000
2027	172,901	4,099	177,000
2028	73,300	450	73,750
Total	$ 414,922	$ 12,828	$ 427,750

Leases

As of July 1, 2026, the City has no outstanding leases.

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Sewer Fund based on the assignment of an employee at termination.

Changes in the City's long-term liabilities for the year ended September 30, 2025 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of Obligation	$ 13,125,000	$ 4,830,000	$ (415,000)	$ 17,540,000	$ 425,000
Premium on debt	217,557	24,725	(10,867)	231,415	-
Leases payable	71,140	-	(44,668)	26,472	26,472
Compensated absences	90,742	120,562	-	211,304	52,826
Total	$ 13,504,439	$ 4,975,287	$ (470,535)	$ 18,009,191	$ 504,298
Business-type activities:					
Certificates of Obligation	$ 1,720,000	$ 1,442,239	$ (60,000)	$ 3,102,239	$ 90,159
Premium on debt	80,575	-	(4,241)	76,334	-
Contract Payable	387,500	-	(77,500)	310,000	77,500
Loan Payable	579,563	-	(164,641)	414,922	168,721
Compensated absences	9,967	4,557	-	14,524	3,631
Total	$ 2,777,605	$ 1,446,796	$ (306,382)	$ 3,918,019	$ 340,011

Pension Fund

The City provides pension benefits for all of its eligible full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System ("TMRS"), one of 919 plans administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employee's contributions to the plan, with interest, and City-financed monetary credits, with interest. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

In 2007, TMRS changed the amortization period for funding unfunded actuarial accrued liability ("UAAL") to permit municipalities the option of using a 30-year amortization period in lieu of the former 25-year period. The City elected to use the 30-year amortization period, and currently has approximately 25 years remaining. For more information, please see the City's audited financials.

State Infrastructure Bank (SIB) Loan

On May 1, 2025, the City entered into a State Infrastructure Bank Loan Agreement (the "SIB Loan") with the Texas Transportation Commission, acting by and through the Texas Department of Transportation, in the amount of $1,415,000. The interest rate of the SIB Loan is 3.85% per annum.

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TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System General Obligation Debt

	FY 2027 Outstanding Principal[1]	FY 2027 Debt Service (P + I)
Combination Tax and Revenue Certificates of Obligation, Series 2018	$ 1,595,000	$ 127,500
	$ 1,595,000	$ 127,500

Average Annual Self-Supporting Debt Service (2027 - 2043)[2]	$ 129,253
Maximum Annual Self-Supporting Debt Service (2029)[2]	$ 131,900

Water and Sewer System Revenue Available for Debt Service, FYE 2025	$ (214,373)
Less: Water and Sewer System Revenue Bonds Debt Service (FY 2027)	-
Net Revenue Available for Waterworks and Sewer System General Obligation Debts	$ (214,373)

(1) Principal outstanding at the beginning of the Fiscal Year.
(2) Debt service in the amounts shown are expected to be provided from surplus revenues of the waterworks and sewer system. It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. See "TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS."

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues					
Property tax and assessments	$ 3,533,098	$ 2,736,765	$ 2,434,038	$ 2,043,966	$ 1,632,653
Sales taxes	1,140,857	1,102,114	906,651	827,127	748,827
Franchise taxes	148,402	169,916	159,629	128,593	131,650
Licenses and permits	386,238	570,484	561,702	486,945	581,224
Fines and forfeitures	148,083	104,121	113,863	97,051	68,274
Charges for services	37,224	33,853	314,241	33,572	330,960
Intergovernmental	829,801	648,693	634,687	291,149	134,077
Contributions and donations	10,570	8,756	108,918	306,881	23,921
Investment earnings	188,865	196,013	129,539	30,628	12,592
Miscellaneous	100,138	34,767	43,332	6,209	4,279
Total Revenues	$ 6,523,276	$ 5,605,482	$ 5,406,600	$ 4,252,121	$ 3,668,457
Expenditures					
Current:					
General government	1,587,624	1,321,656	1,327,211	1,104,592	617,543
Public safety	3,660,771	3,086,564	2,767,199	2,062,691	1,447,717
Public works	341,758	262,075	242,247	246,013	331,713
Economic development	324,323	290,566	222,455	386,762	542,672
Capital outlay	-	47,278	319,110	352,568	311,880
Debt service:					
Principal	207,893	237,407	209,655	131,148	237,382
Interest and fiscal charges	-	2,223	5,143	17,957	14,054
Total Expenditures	$ 6,122,369	$ 5,247,769	$ 5,093,020	$ 4,301,731	$ 3,502,961
Excess of Revenues over (under) Expenditures	400,907	357,713	313,580	(49,610)	165,496
Other Financing Sources (Revenues)					
Transfers In	-	-	-	-	-
Transfers (Out)	-	-	-	(21,885)	-
Debt issuance	-	-	-	-	239,783
Sale of capital assets	12,830	-	610,521	-	-
Total other Financing Sources (Uses)	$ 12,830	$ -	$ 610,521	$ (21,885)	$ 239,783
Net Change in Fund Balances	413,737	357,713	924,101	(71,495)	405,279
Fund Balances - Beginning	3,569,668	3,211,955	2,287,854	2,359,349	1,954,070
Fund Balances - Ending	$ 3,983,405	$ 3,569,668	$ 3,211,955	$ 2,287,854	$ 2,359,349

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The State of Texas levies a six and one-quarter percent (6 and ¼%) sales and use tax. The State tax, in addition to the City sales and use taxes and that levied by the City's Type B economic development corporation, result in a total sales and use tax within the City of eight and one-quarter percent (8 and ¼%), which under current law is the maximum rate that may be collected within a governmental entity.

The City has adopted the provisions of Chapter 321 of the Texas Tax Code, as amended, which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of notes, bonds, certificates or other indebtedness.

Further, the Texas Tax Code provides certain cities the option of assessing a sales and use tax for the benefit of its Type A economic development corporation, and an additional sales and use tax for the benefit of its Type B economic development corporation. Each tax must be approved by a majority of the voters in a local option election.

In 1994, the City's voters approved an additional one-half of one percent (½ of 1%) sales and use tax to be levied and collected for the benefit of the Venus Community Services Development Corporation (the "VCS Development Corporation") (the City's Type B economic development corporation).

In 2002, the City sales tax was increased by 0.25%. Revenue from the additional 0.25% is used to fund road and transportation projects. The sales tax reallocation went into effect on January 1, 2003. In 2017, the City's sales tax was increased by an additional 0.25% for purposes of reducing the property tax rate, which went into effect on October 1, 2017. Sales tax proceeds are not pledged for the payment of the Obligations.

Collections and enforcements of the City's sales and use tax are effected through the offices of the Texas Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	1.00% Regular Rate City Sales Tax	0.25% Street Maintenance Repair Sales Tax	0.25% Property Tax Relief Sales Tax	0.50% VCS Development Corp. Sales Tax	Total Sales Tax Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	$ 651,624	$ 162,906	$ 162,906	$ 325,812	$ 1,303,248	63.32%	$ 0.3926	$ 226.18
2023	702,935	175,734	175,734	351,468	1,405,870	58.47%	0.3156	231.53
2024	875,829	218,957	218,957	437,914	1,751,658	64.53%	0.3121	250.02
2025	904,085	226,021	226,021	452,043	1,808,171	50.85%	0.2736	240.67
2026(2)	808,703	202,176	202,176	404,352	1,617,406	30.07%	0.2267	194.52

(1) As reported by the Texas Comptroller of Public Accounts. Includes the sales and use taxes collected for the benefit of the VCS Development Corporation, which is not available for the City's general use.
(2) Collections as of July 2026.

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 14 - CURRENT INVESTMENTS

As of June 30, 2026, the City's investable funds were invested in the following categories:

Type of Investment	Market Value	Percent
Pinnacle-General Fund	$ 290,692	4.13%
TexPool-General Fund	5,036,617	71.50%
TexPool-Utility	752,186	10.68%
Pooled Cash	965,140	13.70%
Total	$ 7,044,635	100.00%

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 a 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, OR ANY OTHER TAX CONSEQUENCE.

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

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the 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 6 and 8 through 14 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 provided herein, the City has complied in all material respects with its continuing disclosure undertakings made by it in accordance with the Rule. The City did not timely file notices related to its incurrence of certain financial obligations. The City has implemented enhanced procedures to help ensure timely and complete future filings.

OTHER INFORMATION

Ratings

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

Litigation

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

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"), "TAX MATTERS FOR THE CERTIFICATES," "FEDERAL INCOME TAX CONSIDERATIONS FOR THE BONDS" 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 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 Bracewell LLP, Dallas, 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 (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) mathematical computations of yield. 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 statement of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Municipal Advisor

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

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

Underwriter

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to $5,434,928.96 (representing the principal amount of the Bonds less an underwriting discount of $35,071.04). 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 $12,171,884.00 (representing the principal amount of the Certificates plus a net reoffering premium of $300,974.70, less an underwriting discount of $74,090.70). The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

Forward-looking Statements Disclaimer

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

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

MISCELLANEOUS

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

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

Alejandro Galaviz
Mayor
City of Venus, Texas

ATTEST:

Callie Driggars
City Secretary
City of Venus, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Certificates of Obligation, Series 2018

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
5/1/2018	2/15/2027	4.000%	$ 140,000	$ 75,000	$ 65,000	Escrowed to Maturity
	2/15/2028	4.000%	150,000	80,000	70,000	Escrowed to Maturity
	2/15/2029	4.000%	155,000	80,000	75,000	2/15/2028
	2/15/2030	4.000%	160,000	85,000	75,000	2/15/2028
	2/15/2031	4.000%	170,000	90,000	80,000	2/15/2028
	2/15/2032	4.000%	170,000	90,000	80,000	2/15/2028
	2/15/2033	4.000%	180,000	95,000	85,000	2/15/2028
	2/15/2034	4.000%	190,000	100,000	90,000	2/15/2028
	2/15/2035	4.000%	195,000	105,000	90,000	2/15/2028
	2/15/2036	4.000%	205,000	110,000	95,000	2/15/2028
			$ 1,715,000	$ 910,000	$ 805,000	

Combination Tax and Revenue Certificates of Obligation, Series 2020

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
8/15/2020	2/15/2027	2.000%	$ 150,000	$ 150,000	$ -	Escrowed to Maturity
	2/15/2028	2.000%	150,000	150,000	-	Escrowed to Maturity
	2/15/2029	2.000%	155,000	155,000	-	Escrowed to Maturity
	2/15/2030	1.100%	160,000	160,000	-	Escrowed to Maturity
	2/15/2031	1.100%	160,000	160,000	-	2/15/2030
	2/15/2032	1.200%	160,000	160,000	-	2/15/2030
	2/15/2033	1.200%	165,000	165,000	-	2/15/2030
	2/15/2034	1.500%	165,000	165,000	-	2/15/2030
	2/15/2035	1.500%	170,000	170,000	-	2/15/2030
	2/15/2036	1.500%	170,000	170,000	-	2/15/2030
			$ 1,605,000	$ 1,605,000	$ -	

Combination Tax and Revenue Certificates of Obligation, Series 2022

Original Dated Date	Original Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Principal Amount Remaining	Redemption Date
9/15/2022	2/15/2027	3.550%	$ 215,000	$ 215,000	$ -	Escrowed to Maturity
	2/15/2028	3.550%	225,000	225,000	-	10/11/2027
	2/15/2029	3.550%	235,000	235,000	-	10/11/2027
	2/15/2030	3.550%	315,000	315,000	-	10/11/2027
	2/15/2031	3.550%	400,000	400,000	-	10/11/2027
	2/15/2032	3.550%	505,000	505,000	-	10/11/2027
	2/15/2033	3.550%	635,000	635,000	-	10/11/2027
	2/15/2034	3.550%	805,000	805,000	-	10/11/2027
	2/15/2035	3.550%	1,010,000	1,010,000	-	10/11/2027
	2/15/2036	3.550%	1,270,000	1,270,000	-	10/11/2027
	2/15/2037	3.550%	1,555,000	1,555,000	-	10/11/2027
			$ 7,170,000	$ 7,170,000	$ -	

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION AND POPULATION

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State as a Type A general law municipality with a City council composed by the Mayor and five Councilmembers. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for staggered three year terms. The City Administrator is the Chief Administrative Officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The 2020 Census population for the City was 4,361, and the 2026 estimated population is 8,315. The City covers approximately 3.5 square miles.

EMPLOYMENT / LABOR FORCE

Employment figures for Johnson County are as follows:

	June	Average Annual				
	2026	2025	2024	2023	2022	2021
Civilian Labor Force	107,705	107,119	104,446	101,593	96,499	91,084
Total Employed	102,993	103,187	100,653	98,048	93,209	86,823
Total Unemployed	4,712	3,932	3,793	3,545	3,290	4,261
Unemployment Rate	4.4%	3.7%	3.6%	3.5%	3.4%	4.7%

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

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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 Venus, 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 VENUS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2025

CITY OF VENUS, TEXAS

ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED SEPTEMBER 30, 2025

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of City Council
City of Venus, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain 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 purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 March 26, 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 testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 26, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Venus, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $20,175,673 (net position). Of this amount, $7,410,105 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $298,561.

- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of $19,708,069, an increase of $5,790,926 in comparison with prior year. Approximately 15.9% of this amount, $3,126,901, is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the general fund was $3,224,040, or approximately 52.7% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and 2020, 2022 and 2025 CO Bond Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation and presented as nonmajor. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found immediately following the management's discussion and analysis.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations and sanitation service.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the City.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions.

This report also presents combining statements and an individual fund schedule referred to earlier in connection with nonmajor governmental funds.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $20,175,673, at the close of the most recent fiscal year.

CITY OF VENUS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 20,870,097	$ 14,901,222	$ 3,709,206	$ 2,959,108	$ 24,579,303	$ 17,860,330
Capital assets	9,819,039	10,276,267	8,645,883	8,887,371	18,464,922	19,163,638
Total assets	30,689,136	25,177,489	12,355,089	11,846,479	43,044,225	37,023,968
Total deferred outflows of resources	285,820	278,791	53,715	41,070	339,535	319,861
Current liabilities	807,698	739,648	355,874	352,807	1,163,572	1,092,455
Long-term liabilities	18,009,191	13,504,439	3,918,019	2,777,605	21,927,210	16,282,044
Total liabilities	18,816,889	14,244,087	4,273,893	3,130,412	23,090,782	17,374,499
Total deferred inflows of resources	98,748	80,377	18,557	11,841	117,305	92,218
Net investment in capital assets	5,358,303	5,369,016	4,742,387	6,113,321	10,100,690	11,482,337
Restricted	2,601,603	2,044,661	63,275	40,197	2,664,878	2,084,858
Unrestricted	4,099,413	3,718,139	3,310,692	2,591,778	7,410,105	6,309,917
Total net position	$ 12,059,319	$ 11,131,816	$ 8,116,354	$ 8,745,296	$ 20,175,673	$ 19,877,112

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position (50.1%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, infrastructure and water rights), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net investment in capital assets decreased primarily due to depreciation of capital assets.

An additional portion of the City's net position (13.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $7,410,105 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased $298,561 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF VENUS' CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 598,697	$ 719,133	$ 5,639,187	$ 5,168,284	$ 6,237,884	$ 5,887,417
Operating grants and contributions	764,888	580,872	-	-	764,888	580,872
Capital grants and contributions	156,520	105,934	-	-	156,520	105,934
General revenues:						
Property taxes	4,763,882	4,110,884	-	-	4,763,882	4,110,884
Sales taxes	1,825,371	1,763,383	-	-	1,825,371	1,763,383
Franchise taxes	148,402	169,916	-	-	148,402	169,916
Investment earnings	643,773	650,532	30,814	57,358	674,587	707,890
Miscellaneous	100,138	35,618	-	-	100,138	35,618
Total revenues	9,001,671	8,136,272	5,670,001	5,225,642	14,671,672	13,361,914
Expenses:						
General government	2,290,483	1,493,055	-	-	2,290,483	1,493,055
Public safety	3,762,159	3,306,148	-	-	3,762,159	3,306,148
Public works	859,159	647,385	-	-	859,159	647,385
Economic development	551,720	529,223	-	-	551,720	529,223
Interest and other	610,647	376,226	-	-	610,647	376,226
Water and sewer	-	-	6,298,943	5,270,497	6,298,943	5,270,497
Total expenses	8,074,168	6,352,037	6,298,943	5,270,497	14,373,111	11,622,534
Increase (decrease) in net position	927,503	1,784,235	(628,942)	(44,855)	298,561	1,739,380
Net position, beginning	11,131,816	9,347,581	8,745,296	8,790,151	19,877,112	18,137,732
Net position, ending	$ 12,059,319	$ 11,131,816	$ 8,116,354	$ 8,745,296	$ 20,175,673	$ 19,877,112

Governmental Activities. During the current fiscal year, net position for governmental activities increased $927,503 from the prior fiscal year for an ending balance of $12,059,319. Revenues increased $865,399 due to a increase in grant revenue. Expenses increased $1,722,131 as a result of increased public safety and debt service costs.

Business-type Activities. For the City's business-type activities, the current fiscal year resulted in a net decrease in net position to an ending balance of $8,116,354. The total decrease in net position for business-type activities (water and sewer operations and sanitation service) was $628,942 from the prior fiscal year. Revenues from charges for services increased 9.1%. Total expenses increased 19.5% ($1,028,446) in the current fiscal year.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2025, the City's governmental funds reported combined fund balances of $19,708,069, an increase of $5,790,926 in comparison with the prior year. Approximately 15.9% of this amount ($3,126,901) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for particular purposes ($15,576,803) or committed to future projects ($260,000).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the general fund was $3,224,040 and $3,983,405, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 52.7% and 65.1% of total general fund expenditures, respectively. The fund balance of the City's general fund increased by $413,737 during the current fiscal year due to expenditures growing slower than revenues during the period.

The fund balance of the Debt Service fund increased to $64,979 at the end of the fiscal year.

The fund balance of the City's 2020 CO Bonds fund decreased by $93,097 during the current fiscal year due to expending of funds on capital projects.

The fund balance of the City's 2022 CO Bonds fund increased by $245,287 during the year as a result of interest earned on debt proceeds.

The fund balance of the City's 2025 CO Bonds fund increased by $4,678,515 during the year as a result of the issuance of debt during the fiscal year.

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

Unrestricted net position of the Water and Sewer fund at the end of the year was $3,310,692. The total decrease in net position was $628,942. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights.

Final budget compared to actual results. General fund actual revenues of $6,523,276 exceeded budgeted revenues of $6,470,094 by $53,182. Actual general fund expenditures of $6,122,369 were less than budgeted expenditures of $6,456,281 by $333,912.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, can be found below (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and water rights. The total decrease in capital assets for the current fiscal year was approximately 3.6%.

CITY OF VENUS' CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 4,858,732	$ 4,858,732	$ 25,270	$ 25,270	$ 4,884,002	$ 4,884,002
Construction in progress	302,243	302,234	1,441,891	1,419,329	1,744,134	1,721,563
Buildings	2,187,499	2,277,160	47,993	49,770	2,235,492	2,326,930
Machinery and equipment	190,210	326,637	72,275	26,423	262,485	353,060
Improvements and infrastructure	2,251,110	2,438,382	6,547,500	6,765,566	8,798,610	9,203,948
Right to use asset	29,245	73,113	-	-	29,245	73,113
Water rights	-	-	510,954	601,013	510,954	601,013
Totals	$ 9,819,039	$ 10,276,258	$ 8,645,883	$ 8,887,371	$ 18,464,922	$ 19,163,629

Additional information on the City's capital assets can be found in Note II C of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $20,949,988, which is secured by property taxes and the net revenues of the City's combined waterworks and sewer system. The remainder of the City's long-term obligations comprise contract payable, and leases payable.

CITY OF VENUS' OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Certificates of obligation	$ 17,540,000	$ 13,125,000	$ 3,102,239	$ 1,720,000	$ 20,642,239	$ 14,845,000
Premiums on debt	231,415	217,557	76,334	80,575	307,749	298,132
Contract payable	-	-	310,000	387,500	310,000	387,500
Loan payable	-	-	414,922	579,563	414,922	579,563
Leases	26,472	71,140	-	-	26,472	71,140
Compensated absences	211,304	90,742	14,524	9,967	225,828	100,709
Totals	$ 18,009,191	$ 13,504,439	$ 3,918,019	$ 2,777,605	$ 21,927,210	$ 16,282,044

Additional information on the City's long term-debt can be found in Note ll D of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal year 2024-2025 ended in an overall positive financial position. The City of Venus embarked on multiple initiatives designed to be proactive in planning the City's future, including economic development policies and evaluation of critical enterprise infrastructure. The population of Venus continues to increase significantly with any new residential developments. Commercial activity has also increased, creating more business opportunities within the City.

The City's ad valorem tax rate was set at $0.7665 for FY 2025-2026, a increase of 4% compared to FY 2024-2025. The 2025-2026 budget is expected to raise $2,285,560 more in revenue than 2024-2025, an increase of 6.7%.

Total General Fund revenues in the FY 2025-2026 operating budget are projected to increase by 12% compared to the FY 2024-2025 budget, while expenditures are expected to increase by 20%.

Upcoming capital projects in FY 2025-2026 include wastewater connection expansion, street projects, and water storage facilities.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Venus, 700 W. US Highway 67, Venus, Texas 76084.

BASIC FINANCIAL STATEMENTS

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CITY OF VENUS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,763,149	$ 1,640,355	$ 7,403,504
Restricted assets	15,921,070	205,042	16,126,112
Receivables (net of allowance)	666,267	188,442	854,709
Internal balances	(1,632,500)	1,632,500	-
Prepaid items	2,500	14,750	17,250
Net pension asset	149,611	28,117	177,728
Capital assets:			
Non-depreciable	5,160,975	1,467,161	6,628,136
Depreciable, net	4,658,064	7,178,722	11,836,786
Total assets	30,689,136	12,355,089	43,044,225
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	285,820	53,715	339,535
Total deferred outflows	285,820	53,715	339,535
LIABILITIES			
Accounts payable	533,352	125,816	659,168
Accrued liabilities	41,174	5,987	47,161
Customer deposits	-	205,042	205,042
Unearned revenue	175,670	-	175,670
Accrued interest payable	57,502	19,029	76,531
Noncurrent liabilities:			
Due within one year			
Long-term debt	504,298	340,011	844,309
Due in more than one year			
Long-term debt	17,504,893	3,578,008	21,082,901
Total liabilities	18,816,889	4,273,893	23,090,782
DEFERRED INFLOWS OF RESOURCES			
Pension related	98,748	18,557	117,305
Total deferred inflows	98,748	18,557	117,305
NET POSITION			
Net investment in capital assets	5,358,303	4,742,387	10,100,690
Restricted for:			
Capital improvements	799,552	-	799,552
Economic development	1,116,729	-	1,116,729
Net pension asset	336,683	63,275	399,958
Public safety	58,886	-	58,886
Public works	264,485	-	264,485
Debt service	25,268	-	25,268
Unrestricted	4,099,413	3,310,692	7,410,105
Total net position	$ 12,059,319	$ 8,116,354	$ 20,175,673

The accompanying notes are an integral part of these financial statements.

CITY OF VENUS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 2,290,483	$ 455,983	$ 2,026	$ 78,352
Public safety	3,762,159	142,714	762,862	77,574
Public works	859,159	-	-	594
Economic development	551,720	-	-	-
Interest	610,647	-	-	-
Total governmental activities	8,074,168	598,697	764,888	156,520
Business-type activities:				
Water and sewer	5,657,496	4,933,951	-	-
Sanitation service	641,447	705,236	-	-
Total business-type activities	6,298,943	5,639,187	-	-
Total primary government	$ 14,373,111	$ 6,237,884	$ 764,888	$ 156,520

General revenues:
Taxes:
Property
Sales
Franchise
Investment earnings
Miscellaneous
Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,754,122)	$ -	$ (1,754,122)
(2,779,009)	-	(2,779,009)
(858,565)	-	(858,565)
(551,720)	-	(551,720)
(610,647)	-	(610,647)
(6,554,063)	-	(6,554,063)
-	(723,545)	(723,545)
-	63,789	63,789
-	(659,756)	(659,756)
(6,554,063)	(659,756)	(7,213,819)
4,763,882	-	4,763,882
1,825,371	-	1,825,371
148,402	-	148,402
643,773	30,814	674,587
100,138	-	100,138
7,481,566	30,814	7,512,380
927,503	(628,942)	298,561
11,131,816	8,745,296	19,877,112
$ 12,059,319	$ 8,116,354	$ 20,175,673

CITY OF VENUS, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Debt Service	2020 CO Bonds
ASSETS			
Cash & cash equivalents	$ 5,503,149	$ -	$ -
Restricted cash & cash equivalents	15,000	33,775	4,533,504
Receivables (net of allowance)	526,930	22,182	-
Due from other funds	47,380	-	-
Prepaid items	-	-	-
Total assets	6,092,459	55,957	4,533,504
LIABILITIES			
Accounts payable	198,854	18	245,108
Accrued liabilities	40,247	-	-
Unearned revenue	500	-	-
Due to other funds	1,632,500	-	-
Total liabilities	1,872,101	18	245,108
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	97,883	25,268	-
Unavailable revenue - fines & fees	139,070	-	-
Total deferred inflows of resources	236,953	25,268	-
FUND BALANCES			
Restricted for:			
Public safety	15,000	-	-
Capital projects	-	-	4,288,396
Streets	-	-	-
Capital improvements	-	-	-
Economic development	-	-	-
Committed for:			
Capital projects	-	-	-
Assigned for:			
Next year's budget	744,365	-	-
Unassigned	3,224,040	30,671	-
Total fund balances	3,983,405	30,671	4,288,396
Total liabilities, deferred inflows of resources and fund balances	$ 6,092,459	$ 55,957	$ 4,533,504

The accompanying notes are an integral part of these financial statements.

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2022 CO Bonds	2025 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 260,000	$ 5,763,149
4,370,240	4,678,515	2,290,036	15,921,070
-	-	117,155	666,267
-	-	-	47,380
-	-	2,500	2,500
4,370,240	4,678,515	2,669,691	22,400,366
-	-	89,372	533,352
-	-	927	41,174
-	-	175,170	175,670
-	-	47,380	1,679,880
-	-	312,849	2,430,076
-	-	-	123,151
-	-	-	139,070
-	-	-	262,221
-	-	43,886	58,886
4,370,240	4,678,515	-	13,337,151
-	-	264,485	264,485
-	-	799,552	799,552
-	-	1,116,729	1,116,729
-	-	260,000	260,000
-	-	-	744,365
-	-	(127,810)	3,126,901
4,370,240	4,678,515	2,356,842	19,708,069
$ 4,370,240	$ 4,678,515	$ 2,669,691	$ 22,400,366

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CITY OF VENUS, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

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

Total fund balance governmental funds	$ 19,708,069
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	9,819,039
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	123,151
Court fines	139,070
Long-term liabilities, including bonds payable, notes payable, leases, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	
Bonds payable	(17,540,000)
Issuance premium	(231,415)
Leases payable	(26,472)
Compensated absences	(211,304)
Net pension asset	149,611
Deferred inflows of resources - pension related	(98,748)
Deferred outflows of resources - pension related	285,820
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	(57,502)
Net position of governmental activities	$ 12,059,319

The accompanying notes are an integral part of these financial statements.

CITY OF VENUS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Debt Service	2020 CO Bonds
REVENUES			
Property taxes and assessments	$ 3,533,098	$ 886,726	$ -
Sales taxes	1,140,857	-	-
Franchise taxes	148,402	-	-
Licenses and permits	386,238	-	-
Fines and forfeitures	148,083	3,415	-
Charges for services	37,224	-	-
Intergovernmental	829,801	-	-
Contributions and donations	10,570	-	-
Investment earnings	188,865	-	198,221
Miscellaneous	100,138	-	-
Total revenues	6,523,276	890,141	198,221
EXPENDITURES			
Current:			
General government	1,587,624	(7,032)	-
Public safety	3,660,771	-	-
Public works	341,758	-	-
Economic development	324,323	-	-
Capital outlay	-	-	291,318
Debt service:			
Principal	207,893	415,000	-
Interest and fiscal charges	-	417,194	-
Total expenditures	6,122,369	825,162	291,318
Net change in fund balance	400,907	64,979	(93,097)
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	-
Premium on debt	-	-	-
Sale of capital assets	12,830	-	-
Total other financing sources (uses)	12,830	-	-
Net change in fund balances	413,737	64,979	(93,097)
FUND BALANCE - BEGINNING	3,569,668	(34,308)	4,381,493
FUND BALANCE - ENDING	$ 3,983,405	$ 30,671	$ 4,288,396

The accompanying notes are an integral
part of these financial statements.

2022 CO Bonds	2025 CO Bonds	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 296,262	$ 4,716,086
-	-	684,514	1,825,371
-	-	-	148,402
-	-	-	386,238
-	-	10,533	162,031
-	-	-	37,224
-	-	78,352	908,153
-	-	835	11,405
248,442	-	8,245	643,773
-	-	-	100,138
248,442	-	1,078,741	8,938,821
-	-	78,352	1,658,944
-	-	-	3,660,771
-	-	335,792	677,550
-	-	141,350	465,673
3,155	-	41,742	336,215
-	-	-	622,893
-	176,210	-	593,404
3,155	176,210	597,236	8,015,450
245,287	(176,210)	481,505	923,371
-	4,830,000	-	4,830,000
-	24,725	-	24,725
-	-	-	12,830
-	4,854,725	-	4,867,555
245,287	4,678,515	481,505	5,790,926
4,124,953	-	1,875,337	13,917,143
$ 4,370,240	$ 4,678,515	$ 2,356,842	$ 19,708,069

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CITY OF VENUS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Net change in fund balance - total governmental funds	$ 5,790,926
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(457,228)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:	
Property taxes	47,796
Court fines	15,054
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. The details of these differences are as follows:	
Net pension asset	63,817
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of bonds	(4,830,000)
Premium on issuance of bonds	(24,725)
Payments on bonds	415,000
Payments on leases payable	44,668
Amortization of premium on bond issuance	10,867
Interest payable	(28,110)
Compensated absences	(120,562)
Change in net position of governmental activities	$ 927,503

CITY OF VENUS, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2025

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,640,355
Restricted cash and cash equivalents	205,042
Receivables (net of allowance)	188,442
Due from other funds	1,632,500
Prepaid items	14,750
Total current assets	3,681,089
Noncurrent assets:	
Net pension asset	28,117
Capital assets:	
Non-depreciable	1,467,161
Depreciable, net	7,178,722
Total noncurrent assets	8,674,000
Total assets	12,355,089
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	53,715
Total deferred outflows of resources	53,715
LIABILITIES	
Current liabilities:	
Accounts payable	125,816
Accrued liabilities	5,987
Accrued interest payable (payable from restricted cash)	19,029
Customer deposits	205,042
Compensated absences	3,631
Loan payable	168,721
Bonds payable	90,159
Contract payable	77,500
Total current liabilities	695,885
Noncurrent liabilities:	
Compensated absences	10,893
Loan payable	246,201
Bonds payable	3,088,414
Contract payable	232,500
Total noncurrent liabilities	3,578,008
Total liabilities	4,273,893
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	18,557
Total deferred inflows of resources	18,557
NET POSITION	
Net investment in capital assets	4,742,387
Restricted	63,275
Unrestricted	3,310,692
Total net position	$ 8,116,354

The accompanying notes are an integral part of these financial statements.

CITY OF VENUS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water and sewer service	$ 4,651,119
Sanitation service	705,236
Miscellaneous	282,832
Total operating revenues	5,639,187
OPERATING EXPENSES	
Personnel services	865,424
Materials and supplies	212,696
Contractual services	4,806,254
Depreciation	323,000
Total operating expenses	6,207,374
Operating income (loss)	(568,187)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	30,814
Interest expense	(91,569)
Total nonoperating revenues	(60,755)
Change in net position	(628,942)
NET POSITION - BEGINNING	8,745,296
NET POSITION - ENDING	$ 8,116,354

CITY OF VENUS, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 6,176,894
Payments to suppliers	(5,020,754)
Payments to employees	(896,627)
Net cash provided (used) by operating activities	259,513
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(87,924)
Proceeds from issuance of long-term debt	1,442,239
Principal paid on bond maturities	(60,000)
Interest and fiscal charges paid on bonds	(70,699)
Principal paid on contract payable	(77,500)
Interest paid on contract payable	(12,752)
Principal paid on loan payable	(164,641)
Interest paid on loan payable	(12,359)
Net cash provided (used) by capital and related financing activities	956,364
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	30,814
Net cash provided (used) by investing activities	30,814
Net increase (decrease) in cash and cash equivalents	1,246,691
Cash and cash equivalents - beginning	598,706
Cash and cash equivalents - ending	$ 1,845,397

The accompanying notes are an integral
part of these financial statements.

CITY OF VENUS, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Fund Water and Sewer
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ (568,187)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	323,000
(Increase) decrease in accounts receivable	513,742
(Increase) decrease in net pension asset	(17,149)
(Increase) decrease in deferred outflows related to pensions	(12,645)
Increase (decrease) in accounts payable	(1,804)
Increase (decrease) in accrued liabilities	(12,682)
Increase (decrease) in customer deposits	23,965
Increase (decrease) in compensated absences	4,557
Increase (decrease) in deferred inflows related to pensions	6,716
Total adjustments	827,700
Net cash provided (used) by operating activities	$ 259,513

The accompanying notes are an integral part of these financial statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Venus, Texas (the "City") is a general law municipality and was incorporated in 1904. The City exercises all powers of self-government, and all power enumerated in Chapter 13, Title 28, Revised Civil Statutes of the State of Texas of 1925.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Blended component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body, and the Corporation is fiscally dependent on the City. The Corporation is reported as a blended component unit because the governing body is substantively the same as the governing body of the City.

The *Venus Community Service Development Corporation* (the "Corporation") is responsible for disbursing the one-fourth percent sales tax to be used for economic and industrial development within the City. The members of the Corporation's board are appointed by the City and are comprised of seven directors. At least four of the directors shall be members of the Venus City Council and the remaining three directors shall be persons who are not employees, officers or members of the governing body of the City. These three directors serve at the pleasure of the City Council. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year end.

Separate financial statements for the Corporation are not issued.

B. Basis of presentation - government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the City's enterprise fund. 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. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. 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. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the property taxes levied for the purposes of making debt service payments.

The *2020 CO Bonds Fund* is a capital projects fund used to account for improvements to streets from issuance of certificates of obligation.

The *2022 CO Bonds Fund* is a capital projects fund used to account for capital improvements from issuance of certificates of obligation.

The *2025 CO Bonds Fund* is a capital projects fund used to account for capital improvements from issuance of certificates of obligation.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for the activities of the sewage collection system, the water distribution system, and sanitation services.

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. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

D. Measurement focus and basis of accounting

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

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

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

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

3. Receivables and allowances for doubtful accounts

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	5-40
Machinery and equipment	5-10
Infrastructure	20-50
Water rights	37

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include:

- Deferred outflows of resources for contributions made to the City’s defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City’s fiscal year, and

- Deferred outflow of resources related to the differences between the projected and actual investment earnings for the City's multiple employer defined benefit plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for:

- Deferred inflows of resources for differences between expected and actual experience data used by the actuary,

- Deferred inflows of resources for differences between projected and actual investment earnings, and

- Deferred inflows of resources for changes in actuarial assumptions and other inputs.

In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

7. Long-term obligations

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

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

8. Leases

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

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

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

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

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

9. Pensions

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

10. Net position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

Net investment in capital assets — This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position — This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position — This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

11. Fund balance

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance — amounts that are not in spendable form (such as inventories and prepaid items) or are required to be maintained intact.

Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance — amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

Assigned fund balance — amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance — amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

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

F. <u>Revenues and expenditures/expenses</u>

12. <u>Program revenues</u>

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

13. <u>Property taxes</u>

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Central Appraisal District of Johnson County as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Johnson County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

14. <u>Compensated absences</u>

The City's policy permits employees to accumulate earned but unused vacation and sick benefits. The City recognizes a liability for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. Based on historical experience and management's evaluation, a portion of accumulated vacation and sick leave is considered more likely than not to be used or paid; therefore, a liability for such leave (including applicable payroll-related costs) has been recorded in the government-wide and proprietary fund financial statements.

15. <u>Proprietary funds operating and nonoperating revenues and expenses</u>

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund 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.

16. Change in accounting principle

During fiscal year 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning certain previously required disclosures.

17. Use of Estimates

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and investments

Investments - Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of, or guaranteed by governmental entities, (2) certificates of deposit and share certificates, (3) repurchase agreements, (4) banker's acceptances, (5) commercial paper, (6) mutual funds, (7) investment pools, and (8) existing investments of the Government Code and any other investment authorized by the State of Texas for cities.

The City's investments for the year ended September 30, 2025 are as follows:

Investment Type	Reported Value	Weighted Average Maturity
TexPool	$ 13,330,182	44
TexSTAR	4,678,515	50
Total	$ 18,008,697	
Portfolio Weighted Average Maturity		47

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes as of September 30, 2025. At year end, the bank balance of the City's deposits were covered by collateral pledged in the City's name.

Generally, *credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2025, the City's investment in external investment pools were rated AAAm by Standard & Poor's.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool and TexSTAR are considered cash equivalents on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

B. Receivables

Receivables as of year-end for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General Fund	Debt Service	Nonmajor Governmental	Water and Sewer	Totals
Accounts	$ 1,472,331	$ -	$ -	$ 243,867	$ 1,716,198
Taxes & assessments	322,498	25,990	117,155	-	465,643
Gross receivables	1,794,829	25,990	117,155	243,867	2,181,841
Less: allowance for uncollectibles	(1,267,899)	(3,808)	-	(55,425)	(1,327,132)
Total receivables, net	$ 526,930	$ 22,182	$ 117,155	$ 188,442	$ 854,709

C. Capital assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 4,858,732	$ -	$ -	$ 4,858,732
Construction in progress	302,243	-	-	302,243
Total capital assets, not being depreciated	5,160,975	-	-	5,160,975
Capital assets, being depreciated:				
Buildings	2,879,129	-	-	2,879,129
Machinery and equipment	1,493,677	-	-	1,493,677
Infrastructure	3,873,053	-	-	3,873,053
Right to use asset	175,474	-	-	175,474
Total capital assets, being depreciated	8,421,333	-	-	8,421,333
Less: accumulated depreciation				
Buildings	(601,969)	(89,660)	-	(691,629)
Machinery and equipment	(1,167,040)	(136,427)	-	(1,303,467)
Infrastructure	(1,434,671)	(187,272)	-	(1,621,943)
Right to use asset	(102,361)	(43,869)	-	(146,230)
Total accumulated depreciation	(3,306,041)	(457,228)	-	(3,763,269)
Total capital assets being depreciated, net	5,115,292	(457,228)	-	4,658,064
Governmental activities capital assets, net	$10,276,267	$ (457,228)	$ -	$ 9,819,039

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 25,270	$ -	$ -	$ 25,270
Construction in progress	1,419,329	22,562	-	1,441,891
Total capital assets, not being depreciated	1,444,599	22,562	-	1,467,161
Capital assets, being depreciated:				
Buildings	71,099	-	-	71,099
Machinery and equipment	436,746	58,950	-	495,696
Improvements & infrastructure	10,345,409	-	-	10,345,409
Water rights	2,014,700	-	-	2,014,700
Total capital assets, being depreciated	12,867,954	58,950	-	12,926,904
Less: accumulated depreciation				
Buildings	(21,329)	(1,777)	-	(23,106)
Machinery and equipment	(410,323)	(13,098)	-	(423,421)
Improvements & infrastructure	(3,579,843)	(218,066)	-	(3,797,909)
Water rights	(1,413,687)	(90,059)	-	(1,503,746)
Total accumulated depreciation	(5,425,182)	(323,000)	-	(5,748,182)
Total capital assets being depreciated, net	7,442,772	(264,050)	-	7,178,722
Business-Type activities capital assets, net	$ 8,887,371	$ (241,488)	$ -	$ 8,645,883

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Government activities:	
General government	$ 76,346
Public safety	144,401
Public works	183,587
Economic development	52,894
Total	$ 457,228
Business-type activities:	
Water and sewer	$ 323,000
Total	$ 323,000

D. Long-term debt

Certificates of obligation

The City issues certificates of obligation to provide funds for the acquisition and construction of major capital projects. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding as of September 30, 2025 are as follows:

	Issue Amount	Maturity Date	Interest Rate	Ending Balance
Governmental activities:				
Certificates of Obligation, Series 2018	$ 2,450,000	6/13/2018	2.00-4.00%	$ 1,895,000
Certificates of Obligation, Series 2020	4,175,000	2/15/2045	2.00-4.00%	3,440,000
Certificates of Obligation, Series 2022	8,000,000	2/15/2037	2.00-4.00%	7,375,000
Certificates of Obligation, Series 2025	4,830,000	2/15/2048	2.00-4.00%	4,830,000
Total				$ 17,540,000
Business-type activities:				
Certificates of Obligation, Series 2018	$ 1,950,000	6/13/2018	2.00-4.00%	$ 1,660,000
SIB Loan, 2025	1,442,239	5/9/2045	2.00-4.00%	1,442,239
Total				$ 3,102,239

The debt service requirements for the City's certificates of obligation are as follows:

	Governmental Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 425,000	$ 575,525	$ 1,000,525
2027	440,000	588,489	1,028,489
2028	505,000	573,079	1,078,079
2029	535,000	555,214	1,090,214
2030	610,000	536,271	1,146,271
2031-2035	4,960,000	2,273,976	7,233,976
2036-2040	4,875,000	1,252,134	6,127,134
2041-2045	2,430,000	779,950	3,209,950
2046-2050	2,760,000	303,238	3,063,238
Total	$ 17,540,000	$ 7,437,876	$ 24,977,876

	Business-type Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 90,159	$ 92,863	$ 183,022
2027	116,779.0	116,564.0	233,343.0
2028	123,792.0	111,851.0	235,643.0
2029	130,883.0	106,860.0	237,743.0
2030	133,055.0	101,688.0	234,743.0
2031-2035	750,931.0	423,985.0	1,174,916.0
2036-2040	919,396.0	261,320.0	1,180,716.0
2041-2045	837,244.0	73,972.0	911,216.0
Total	$ 3,102,239	$ 1,289,103	$ 4,391,342

Contract payable

On October 28, 2009, the City entered into a contract with Trinity River Authority (TRA) to become a Contracting Party of the Mountain Creek Regional Wastewater System. The City agreed to a system contribution buy-in amount of $1,550,000 payable in 20 annual installments of $77,500 plus 5.5% interest on the unpaid balance. The annual payments, beginning December 2009, are to be allocated to the original Contracting Parties, based upon flow rates of the current year and each subsequent year.

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

	Business-type Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 77,500	$ 17,050	$ 94,550
2027	77,500	12,788	90,288
2028	77,500	8,525	86,025
2029	77,500	4,263	81,763
Total	$ 310,000	$ 42,626	$ 352,626

Loan Payable

In March 2021, the City entered into a loan agreement to finance equipment and infrastructure to be used in the construction on the Brahman Ranch wastewater treatment plan. The loan requires monthly payments of $14,750 from the date the assets are delivered, and bears interest of 2.045%. The assets were delivered an payments began in April 2023 to mature in March 2028. The loan is secured by the financed assets.

Debt service requirements to maturity on the loan are as follows:

	Business-type Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 168,721	$ 8,279	$ 177,000
2027	172,901	4,099	177,000
2028	73,300	450	73,750
Total	$ 414,922	$ 12,828	$ 427,750

Leases

The outstanding leases at September 30, 2025 are as follows:

Governmental activities:	Amount Payable
Building Inspection vehicle payable in monthly installments of $698, including interest of 2.00%, with final payment due in March 2026.	$ 4,850
Police vehicle payable in monthly installments of $929, including interest of 2.00%, with final payment due in April 2026.	6,462
Police vehicle payable in monthly installments of $1,204, including interest of 2.00%, with final payment due in April 2026.	8,375
Police vehicle payable in monthly installments of $976, including interest of 2.00%, with final payment due in June 2026.	6,785
Total	$ 26,472

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

	Governmental Activities		
Fiscal Year	Principal	Interest	Total
2026	$ 26,472	$ 177	$ 26,649
Total	$ 26,472	$ 177	$ 26,649

Compensated absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Sewer Fund based on the assignment of an employee at termination.

Changes in the City's long-term liabilities for the year ended September 30, 2025 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	$ 13,125,000	$ 4,830,000	$ (415,000)	$ 17,540,000	$ 425,000
Premium on debt	217,557	24,725	(10,867)	231,415	-
Leases payable	71,140	-	(44,668)	26,472	26,472
Compensated absences	90,742	120,562	-	211,304	52,826
Total	$ 13,504,439	$ 4,975,287	$ (470,535)	$ 18,009,191	$ 504,298

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Certificates of obligation	$ 1,720,000	$ 1,442,239	$ (60,000)	$ 3,102,239	$ 90,159
Premium on debt	80,575	-	(4,241)	76,334	-
Contract payable	387,500	-	(77,500)	310,000	77,500
Loan payable	579,563	-	(164,641)	414,922	168,721
Compensated absences	9,967	4,557	-	14,524	3,631
Total	$ 2,777,605	$ 1,446,796	$ (306,382)	$ 3,918,019	$ 340,011

E. Defined benefit pension plan – Texas Municipal Retirement System

Plan description

The City participates as one of 919 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.org.

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.

Starting in 2007, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, in 2010, the City adopted a modification to its annually repeating (automatic) basis cost of living adjustments (COLA) for retirees to 70% of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	41
Active employees	52
Total	112

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 10.69% and 11.21% in calendar years 2024 and 2025, respectively. The City's total contributions to TMRS for the year ended September 30, 2025, were $426,032, and were equal to the required contributions.

Net pension liability (asset)

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

Within the governmental activities, the General Fund generally liquidates the net pension liability (asset). In the business-type activities, the net pension liability (asset) is liquidated by the Water and Sewer Fund.

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for 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, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.1%
Core fixed income	6.0%	5.0%
Non-core fixed income	6.0%	6.8%
Hedge funds	5.0%	6.4%
Private equity	13.0%	8.5%
Private debt	13.0%	8.2%
Real estate	12.0%	6.7%
Infrastructure	6.0%	6.0%
Other public and private mark	4.0%	7.3%
Total	100.0%	

Discount rate

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

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c)
Balance at 12/31/23	$ 3,496,255	$ 3,581,675	$ (85,420)
Changes for the year:			
Service cost	596,090	-	596,090
Interest	251,379	-	251,379
Difference between expected and actual experience	5,524	-	5,524
Changes of assumptions	-	-	-
Contributions - employer	-	346,693	(346,693)
Contributions - employee	-	227,020	(227,020)
Net investment income	-	374,031	(374,031)
Benefit payments, including refunds of employee contributions	(140,327)	(140,327)	-
Administrative expense	-	(2,387)	2,387
Other changes	-	(56)	56
Net changes	712,666	804,974	(92,308)
Balance at 12/31/24	$ 4,208,921	$ 4,386,649	$ (177,728)

Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	$ 558,268	$ (177,728)	$ (759,619)

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.

Pension expense and deferred outflows and inflows of resources related to pensions

For the year ended September 30, 2025, the City recognized pension expense in the governmental activities and business-type activities of $63,817 and $23,078, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,316	$ 45,033
Changes in actuarial assumptions	-	12,213
Difference between projected and actual investment earnings		60,059
Contributions subsequent to the measurement date	335,219	-
Total	$ 339,535	$ 117,305

$335,219 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and 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:

For the Year Ended September 30,	
2026	$ (31,551)
2027	9,016
2028	(64,689)
2029	(25,765)

F. Interfund balances

Interfund balances as of September 30, 2025 consisted of the following:

Due To	Due From	Amount
General	Water and sewer	$ 1,632,500
Nonmajor governmental	General	47,380
Total		$ 1,679,880

G. Commitments and contingencies

Litigation

The City is often a defendant in lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Federal and state grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amounts which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates the amounts, if any, will be immaterial.

Raw water

The City has entered into a contract with the City of Midlothian, Texas whereby Midlothian agrees to sell raw water to the City. The contract requires the City to purchase a minimum amount of water on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of thirty-five years commencing January 4, 2005 and ending January 1, 2040. Purchases for the year ended September 30, 2025 were $1,297,987.

Wastewater treatment

On December 1, 2009, the City entered into a contract with the Trinity River Authority – Mountain Creek Regional Wastewater System ("System") to obtain wastewater treatment services in effect for the entire useful life of the System. The City is obligated to pay minimum fees of the System's annual operation and maintenance costs equivalent to 61.32 million gallons of flow. Actual payments for the year ended September 30, 2025 were $2,396,156. Complete separate financial statements for TRA may be obtained at Trinity River Authority of Texas, P.O. Box 60, Arlington, Texas 76004.

Bluestem Hills PID

On January 14, 2019, the City created Bluestem Hills Public Improvement District No. 1 (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed $1,700,000 from special assessments levied and collected within the District. As of September 30, 2025, no reimbursements were due to the Developer.

Patriot Estates PID

On November 9, 2020, the City created Patriot Estates Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with LGI Homes-Texas, LLC (the "Developer") was executed on November 9, 2020. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed $6,977,464 from special assessments levied and collected within the District. As of September 30, 2025, no reimbursements were due to the Developer.

Brahman Ranch PID

On January 15, 2021, the City created Brahman Ranch Public Improvement District (the "District") to fund certain public improvements within the District. A development agreement with Bluestem Ellis Partners, LLC (the "Developer") was executed on April 26, 2019. The City shall reimburse the Developer for budgeted public improvement construction costs in an amount not to exceed $1.7 million, from special assessments levied and collected within the District. As of September 30, 2025, no reimbursements were due to the Developer.

H. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

I. Accounting Changes

Change in Accounting Principle

During fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard did not result in a restatement of beginning balances.

J. New Accounting Guidance

Significant new accounting guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of subsequent events. This Statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued and clarifies the categories of subsequent events, when recognition is required, and when note disclosure is required. This Statement will become effective for reporting periods beginning after June 15, 2026, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VENUS, TEXAS

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

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes and assessments	$ 3,556,235	$ 3,556,235	$ 3,533,098	$ (23,137)
Sales taxes	961,865	961,865	1,140,857	178,992
Franchise taxes	164,555	164,555	148,402	(16,153)
Licenses and permits	588,635	588,635	386,238	(202,397)
Fines and forfeitures	92,445	92,445	148,083	55,638
Charges for service	39,690	39,690	37,224	(2,466)
Intergovernmental	885,960	885,960	829,801	(56,159)
Contributions and donations	45,000	45,000	10,570	(34,430)
Investment earnings	130,259	130,259	188,865	58,606
Miscellaneous	5,450	5,450	100,138	94,688
Total revenues	6,470,094	6,470,094	6,523,276	53,182
EXPENDITURES				
Current:				
General government	1,629,156	1,629,156	1,587,624	41,532
Public safety:				
Fire	1,134,500	1,180,750	1,219,959	(39,209)
Police	2,500,730	2,454,480	2,318,555	135,925
Municipal court	123,562	123,562	122,257	1,305
Public works	365,615	365,615	341,758	23,857
Economic development	365,535	365,535	324,323	41,212
Capital outlay	10,000	10,000	-	10,000
Debt service:				
Principal	327,183	327,183	207,893	119,290
Total expenditures	6,456,281	6,456,281	6,122,369	333,912
Excess (deficiency) of revenues over expenditures	13,813	13,813	400,907	387,094
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	12,830	12,830
Total other financing sources (uses)	-	-	12,830	12,830
Net change in fund balance	13,813	13,813	413,737	399,924
FUND BALANCE - BEGINNING	3,569,668	3,569,668	3,569,668	-
FUND BALANCE - ENDING	$ 3,583,481	$ 3,583,481	$ 3,983,405	$ 399,924

Budgets and Budgetary Accounting

An annual budget for the general fund is adopted on the modified accrual basis. Appropriations lapse at the end of the fiscal year. An annual adopted budget is not available for the Grant Fund, a major special revenue fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF VENUS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement date December 31,	**2015**	**2016**	**2017**	**2018**
Total pension liability				
Service Cost	$ 122,666	$ 147,811	$ 161,586	$ 194,975
Interest	91,101	88,713	99,640	113,540
Changes of benefit terms	-	6,433	-	-
Differences between expected and actual experience	(132,315)	(14,918)	(10,387)	30,003
Assumption changes	12,187	-	-	-
Benefit payments, including refunds of employee contributions	(129,047)	(70,599)	(62,615)	(60,599)
Net change in total pension liability	(35,408)	157,440	188,224	277,919
Total pension liability - beginning	1,304,634	1,269,226	1,426,666	1,614,890
Total pension liability - ending (a)	$ 1,269,226	$ 1,426,666	$ 1,614,890	$ 1,892,809
Plan fiduciary net position				
Contributions - employer	$ 83,505	$ 96,357	$ 98,912	$ 121,386
Contributions - member	51,820	61,043	64,194	78,438
Net investment income	1,777	81,713	190,996	(50,015)
Benefit payments	(129,047)	(70,599)	(62,615)	(60,599)
Administrative expense	(1,083)	(925)	(990)	(966)
Other	(53)	(50)	(50)	(50)
Net change in plan fiduciary net position	6,919	167,539	290,447	88,194
Plan fiduciary net position - beginning	1,204,548	1,211,467	1,379,006	1,669,453
Plan fiduciary net position - ending (b)	$ 1,211,467	$ 1,379,006	$ 1,669,453	$ 1,757,647
Net pension liability (asset) - ending (a) - (b)	$ 57,759	$ 47,660	$ (54,563)	$ 135,162
Plan fiduciary net positon as a percentage of the total pension liability (asset)	95.45%	96.66%	103.38%	92.86%
Covered payroll	$ 740,288	$ 872,040	$ 917,058	$ 1,120,544
Net pension liability (asset) as a percentage of covered payroll	7.80%	5.47%	-5.95%	12.06%

	2019	2020	2021	2022	2023	2024
	$ 223,903	$ 249,939	$ 293,254	$ 394,090	$ 527,425	$ 596,090
	130,503	145,638	162,550	185,650	214,852	251,379
	-	-	-	-	-	-
	(25,397)	(31,738)	(17,526)	(51,902)	(52,803)	5,524
	12,664	-	-	-	(21,228)	-
	(142,778)	(118,145)	(151,765)	(141,185)	(182,555)	(140,327)
	198,895	245,694	286,513	386,653	485,691	712,666
	1,892,809	2,091,704	2,337,398	2,623,911	3,010,564	3,496,255
	$ 2,091,704	$ 2,337,398	$ 2,623,911	$ 3,010,564	$ 3,496,255	$ 4,208,921
	$ 137,647	$ 151,054	$ 176,151	$ 236,145	$ 320,191	$ 346,693
	91,504	100,320	116,107	154,632	207,531	227,020
	272,037	160,726	314,431	(209,387)	337,268	374,031
	(142,778)	(118,145)	(151,765)	(141,185)	(182,555)	(140,327)
	(1,535)	(1,039)	(1,452)	(1,805)	(2,136)	(2,387)
	(46)	(40)	10	2,156	(14)	(56)
	356,829	292,876	453,482	40,556	680,285	804,974
	1,757,647	2,114,476	2,407,352	2,860,834	2,901,390	3,581,675
	$ 2,114,476	$ 2,407,352	$ 2,860,834	$ 2,901,390	$ 3,581,675	$ 4,386,649
	$ (22,772)	$ (69,954)	$ (236,923)	$ 109,174	$ (85,420)	$ (177,728)
	101.09%	102.99%	109.03%	96.37%	102.44%	104.22%
	$ 1,297,991	$ 1,433,138	$ 1,658,675	$ 2,209,027	$ 2,964,731	$ 3,243,149
	-1.75%	-4.88%	-14.28%	4.94%	-2.88%	-5.48%

CITY OF VENUS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal year ending September 30,	**2016**	**2017**	**2018**	**2019**
Actuarially determined contribution	$ 90,452	$ 91,937	$ 118,665	$ 132,270
Contributions in relation to the actuarially determined contributions	90,452	91,937	118,665	132,270
Contribution excess (deficiency)	-	-	-	-
Covered payroll	$ 815,090	$ 850,004	$ 1,093,819	$ 1,247,062
Contributions as a percentage of covered payroll	11.10%	10.82%	10.85%	10.61%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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	25 years
Asset valuation method	10 year smoothed fair value; 12% soft corridor
Inflation	
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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generated basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee tale used for females. The rates are projected on a fully generational basis with scale UMP.
Other information	There were no benefit changes during the year.

2020	2021	2022	2023	2024	2025
$ 146,811	$ 168,818	$ 225,298	$ 305,565	$ 332,777	$ 426,032
146,811	168,818	225,298	305,565	332,777	426,032
-	-	-	-	-	-
$ 1,376,629	$ 1,592,770	$ 2,110,543	$ 2,835,238	$ 3,105,645	$ 3,839,873
10.66%	10.60%	10.67%	10.78%	10.72%	11.09%

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COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Grant Fund - This fund is used to account for the proceeds of grants that are restricted to expenditures for specific purposes.

Brahman Ranch PID Fund - This fund is used to account for the operating costs of the Brahman Ranch Public Improvement District.

Venus Community Services Development Corporation – This fund is used to account for a half cent sales tax collection restricted for economic development.

Special Events Fund - This fund accounts for various community events funded by the City.

Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, computers and any other technology items needed for the court.

Court Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Truancy Prevention Fund – This fund is used to account for necessary costs relating to the position of a juvenile case manager in accordance with Article 45.056, Code of Criminal Procedure.

Street Tax Fund – This fund is used to account for a quarter cent sales tax collection restricted for street improvement projects in the City.

Blue Stem PID Fund – This fund is used to account for the operating costs of the Blue Stem Public Improvement District.

PID Funds – This fund is used to account for the operating costs of the multiple smaller Public Improvement Districts.

TIRZ #1 Fund – This fund is used to account for the operating costs of the City’s Tax Increment Reinvestment Zone #1.

Allied PID Fund – This fund is used to account for the operating costs of the Allied Public Improvement District.

Capital Projects Funds account for the cost of planned current and future major projects for the acquisition and construction of buildings, infrastructure, and related improvements, and traffic and environmental projects.

Street Improvements Fund – This fund is used to account for street improvement projects in the City.

2018 CO Bonds Fund – This fund is used to account for improvements made to existing street and utility infrastructure and facilities.

CITY OF VENUS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue					
	Grants	Brahman Ranch PID	Venus Community Services Development Corporation	Special Events	Court Technology	Court Security
ASSETS						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Restricted cash and cash equivalents	135,605	16,860	1,039,552	-	10,078	18,452
Receivables (net of allowance)	-	-	78,104	-	-	-
Prepaid items	-	-	-	2,500	-	-
Total assets	135,605	16,860	1,117,656	2,500	10,078	18,452
LIABILITIES						
Accounts payable	-	2,481	-	181	-	-
Accrued liabilities	-	-	927	-	-	-
Due to other funds	-	-	-	21,042	-	-
Unearned revenue	135,605	2,551	-	-	-	-
Total liabilities	135,605	5,032	927	21,223	-	-
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	10,078	18,452
Streets	-	-	-	-	-	-
Capital improvements	-	11,828	-	-	-	-
Economic development	-	-	1,116,729	-	-	-
Committed for:						
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	(18,723)	-	-
Total fund balances	-	11,828	1,116,729	(18,723)	10,078	18,452
Total liabilities and fund balances	$ 135,605	$ 16,860	$ 1,117,656	$ 2,500	$ 10,078	$ 18,452

Special Revenue						Capital Projects		
Truancy Prevention	Street Tax	Blue Stem PID	PID Funds	TIRZ #1	Allied PID	Street Improvements	2018 CO Bonds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 260,000	$ -	$ 260,000
15,356	225,434	40,975	-	787,724	-	-	-	2,290,036
-	39,051	-	-	-	-	-	-	117,155
-	-	-	-	-	-	-	-	2,500
15,356	264,485	40,975	-	787,724	-	260,000	-	2,669,691
-	-	86,710	-	-	-	-	-	89,372
-	-	-	-	-	-	-	-	927
-	-	-	7,735	-	4,712	-	13,891	47,380
-	-	35,727	1,287	-	-	-	-	175,170
-	-	122,437	9,022	-	4,712	-	13,891	312,849
15,356	-	-	-	-	-	-	-	43,886
-	264,485	-	-	-	-	-	-	264,485
-	-	-	-	787,724	-	-	-	799,552
-	-	-	-	-	-	-	-	1,116,729
-	-	-	-	-	-	260,000	-	260,000
-	-	(81,462)	(9,022)	-	(4,712)	-	(13,891)	(127,810)
15,356	264,485	(81,462)	(9,022)	787,724	(4,712)	260,000	(13,891)	2,356,842
$ 15,356	$ 264,485	$ 40,975	$ -	$ 787,724	$ -	$ 260,000	$ -	$ 2,669,691

CITY OF VENUS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue					
	Grants	Brahman Ranch PID	Venus Community Services Development Corporation	Special Events	Court Technology	Court Security
REVENUES						
Property taxes and assessments	$ -	$ -	$ -	$ -	$ -	$ -
Sales taxes	-	-	456,343	-	-	-
Fines and forfeitures	-	-	-	-	3,754	4,526
Intergovernmental	78,352	-	-	-	-	-
Contributions and donations	-	241	-	-	-	-
Investment earnings	-	-	8,245	-	-	-
Total revenues	78,352	241	464,588	-	3,754	4,526
EXPENDITURES						
Current:						
General government	78,352	-	-	-	-	-
Public works	-	8,147	-	-	-	-
Economic development	-	-	141,350	-	-	-
Capital outlay	-	-	41,742	-	-	-
Total expenditures	78,352	8,147	183,092	-	-	-
Net change in fund balances	-	(7,906)	281,496	-	3,754	4,526
FUND BALANCE - BEGINNING	-	19,734	835,233	(18,723)	6,324	13,926
FUND BALANCE - ENDING	$ -	$ 11,828	$ 1,116,729	$ (18,723)	$ 10,078	$ 18,452

Special Revenue						Capital Projects		
Truancy Prevention	Street Tax	Blue Stem PID	PID Funds	TIRZ #1	Allied PID	Street Improvements	2018 CO Bonds	Total Nonmajor Governmental Funds
$ -	$ -	$ 75,478	$ -	$ 220,784	$ -	$ -	$ -	$ 296,262
-	228,171	-	-	-	-	-	-	684,514
2,253	-	-	-	-	-	-	-	10,533
-	-	-	-	-	-	-	-	78,352
-	-	-	594	-	-	-	-	835
-	-	-	-	-	-	-	-	8,245
2,253	228,171	75,478	594	220,784	-	-	-	1,078,741
-	-	-	-	-	-	-	-	78,352
-	249,756	69,174	8,715	-	-	-	-	335,792
-	-	-	-	-	-	-	-	141,350
-	-	-	-	-	-	-	-	41,742
-	249,756	69,174	8,715	-	-	-	-	597,236
2,253	(21,585)	6,304	(8,121)	220,784	-	-	-	481,505
13,103	286,070	(87,766)	(901)	566,940	(4,712)	260,000	(13,891)	1,875,337
$ 15,356	$ 264,485	$ (81,462)	$ (9,022)	$ 787,724	$ (4,712)	$ 260,000	$ (13,891)	$ 2,356,842

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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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*

Honorable Mayor and Members
of City Council
City of Venus, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Venus, Texas (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Venus, Texas' 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 the City of Venus, Texas' 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.*

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 26, 2026

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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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 VENUS, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2026
DATED AUGUST 1, 2026 IN THE PRINCIPAL AMOUNT OF $5,470,000

AS BOND COUNSEL FOR THE CITY OF VENUS, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds, Taxable Series 2026, 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. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (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 except as may be limited by laws applicable to the Issuer relating to governmental immunity, 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 OUR OPINION THAT THE BONDS are not obligations described in Section 103(a) of the Internal Revenue Code of 1986.

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.

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 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.

Very truly yours,

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 VENUS, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $11,945,000

AS BOND COUNSEL FOR THE CITY OF VENUS, TEXAS (the “Issuer”) in connection with the issuance of the Certificates of Obligation 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 pledge of the 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

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Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

8 Greenway Plaza
Suite 1025
Houston, Texas 77046
T 713.980.0500
F 713.980.0510

112 East Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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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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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

ASSURED GUARANTY INC.

By ____________________________________
Authorized Officer

Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions