NEW ISSUE
BOOK-ENTRY-ONLY

OFFICIAL STATEMENT
October 14, 2026

Ratings:
S&P Insured: "AA"
S&P Underlying: "AA-"
(See "RATINGS" and "BOND INSURANCE" herein.)

In the opinion of Bond Counsel, as more fully described herein, under existing law and assuming continuing compliance by the City (hereinafter defined) with certain tax covenants the interest on the Certificates is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Certificates is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

$11,675,000
CITY OF BEAUMONT, TEXAS
(A political subdivision of the State of Texas located within Jefferson County, Texas)
CERTIFICATES OF OBLIGATION, SERIES 2026

Dated: October 15, 2026 (Interest to accrue from the Delivery Date) **Due: March 1, as shown on page ii**

The City of Beaumont, Texas (the "City") is issuing its $11,675,000 Certificates of Obligation, Series 2026 (the "Certificates"). The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, an ordinance adopted by the City Council of the City on July 21, 2026 and a pricing certificate executed on the date of sale of the Certificates as authorized pursuant to such ordinance (collectively, such ordinance and pricing certificate are referred to herein as the "Ordinance"). See "THE CERTIFICATES – Authorization" herein.

The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City. The Certificates will further be payable from a junior and subordinate pledge of the net revenues of the City's waterworks and sewer system but only to the extent of and in an amount not in excess of $10,000. See "THE CERTIFICATES - Source of Payment."

Interest on the Certificates will accrue from their date of delivery and will be paid semiannually on March 1 and September 1 of each year, commencing March 1, 2027, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. See "THE CERTIFICATES – Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.

The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Principal of the Certificates will be payable by the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Houston, Texas, to Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer relating to the Certificates. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein. So long as the Certificates are in Book-Entry-Only form, and DTC is the securities depository therefor, Cede & Co., as nominee for DTC, will be the registered owner of the Certificates and references herein to registered owners shall mean Cede & Co. and not the beneficial owners of the Certificates.

Proceeds from the sale of the Certificates will be used to pay for: (1) the construction and improvement of parks and park facilities, roads, traffic signals and traffic operations equipment, drainage system, increasing storage capacity and security for law enforcement, and any items related thereto, and (2) to pay the costs of issuance of the Certificates. See "THE CERTIFICATES – Use of Proceeds".

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by **BUILD AMERICA MUTUAL ASSURANCE COMPANY** ("BAM") (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" and "APPENDIX D - Specimen Municipal Bond Insurance Policy" herein).

SEE MATURITY SCHEDULE ON PAGE ii

The Certificates are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Holland & Knight LLP, Houston, Texas, Bond Counsel for the City, as to the validity of the issuance of the Certificates under the Constitution and laws of the State of Texas. See "LEGAL MATTERS." Certain legal matters will be passed upon for the Underwriters listed below by their co-counsel Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas and West & Associates, L.L.P., Houston, Texas. Delivery of the Certificates through DTC is expected to be on or about November 10, 2026 (the "Delivery Date").

TRB SECURITIES, LLC

BOK FINANCIAL SECURITIES, INC. **FHN FINANCIAL CAPITAL MARKETS**

MATURITY SCHEDULE
Base CUSIP No: 074510[1]

$11,675,000
CERTIFICATES OF OBLIGATION, SERIES 2026

Maturity Date (3/1)	Principal Amount	Interest Rate	Yield	CUSIP No. Suffix[1]
2027	$305,000	5.00%	3.56%	CB2
2028	365,000	5.00	3.63	CC0
2029	385,000	5.00	3.69	CD8
2030	405,000	5.00	3.78	CE6
2031	425,000	5.00	3.92	CF3
2032	445,000	5.00	4.02	CG1
2033	470,000	5.00	4.15	CH9
2034	495,000	5.00	4.20	CJ5
2035	520,000	5.00	4.29	CK2
2036	545,000	5.00	4.41	CL0
2037	575,000	5.00	4.52[2]	CM8
2038	605,000	5.00	4.68[2]	CN6
2039	635,000	5.00	4.78[2]	CP1
2040	665,000	5.25	4.95[2]	CQ9
2041	705,000	5.25	5.06[2]	CR7
2042	740,000	5.25	5.14[2]	CS5
2043	780,000	5.25	5.20[2]	CT3
2044	825,000	5.25	5.27	CU0
2045	870,000	5.25	5.32	CV8
2046	915,000	5.25	5.40	CW6

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates maturing March 1, 2037 and thereafter, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof (and if within a maturity by lot) on March 1, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions" herein).

[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. Neither the Underwriters, the City nor the Municipal Advisor is 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 March 1, 2036, the first optional call date for such Certificates, at a redemption price of par plus accrued interest to the date of redemption.

USES OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City to give any 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, which includes the cover page and Appendices hereto, is not to be used in an offer to sell or the solicitation of an offer to buy in any state or other jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained 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 condition of the City or other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NEITHER THE CITY, THE MUNICIPAL ADVISOR, THE UNDERWRITERS NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS OFFICIAL STATEMENT FOR PURPOSES OF, AND AS THAT TERM IS DEFINED IN RULE 15C2-12.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX D - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The City	The City of Beaumont, Texas (the "City") is a home rule city of the State of Texas located within Jefferson County, Texas. The City operates under the Council/Manager form of government where the Mayor and six Council members are elected for two-year terms. The City Council formulates operating policies for the City while the City Manager is the Chief Administrative Officer. See "ADMINISTRATION OF THE CITY" herein. The City had a 2020 U.S. Census population of 115,282 and an estimated 2025 population of 112,893.
The Certificates	City of Beaumont, Texas $11,675,000 Certificates of Obligation, Series 2026, dated October 15, 2026, maturing as described on page ii of this Official Statement.
Redemption	The Certificates are issued in fully registered form in integral multiples of $5,000. The Certificates maturing on and after March 1, 2037 are subject to redemption, at the option of the City, at a price of the par value thereof plus accrued interest from the most recent Interest Payment Date to the date of redemption, on March 1, 2036 or any date thereafter. See "THE CERTIFICATES - Redemption Provisions."
Paying Agent/Registrar	The initial paying agent/registrar is UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). The City intends to use the book-entry-only system of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of the DTC to discontinue such system. See "THE CERTIFICATES - Book-Entry-Only System."
Source of Payment	The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City. The Certificates will further be payable from a junior and subordinate pledge of the net revenues of the City's waterworks and sewer system but only to the extent of and in an amount not in excess of $10,000. See "THE CERTIFICATES –Source of Payment".
Use of Proceeds	Proceeds from the sale of the Certificates will be used to pay for: (1) the construction and improvement of parks and park facilities, roads, traffic signals and traffic operations equipment, drainage system, increasing storage capacity and security for law enforcement, and any items related thereto, and (2) to pay the costs of issuance of the Certificates. See "THE CERTIFICATES – Use of Proceeds".
Tax Exemption	In the opinion of Bond Counsel, as more fully described herein, under existing law and assuming continuing compliance by the City with certain tax covenants the interest on the Certificates is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Certificates is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.
Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.
Ratings	S&P Global Ratings (Insured) ..... "AA" S&P Global Ratings (Underlying) ..... "AA-"

OFFICIAL STATEMENT RELATING TO

$11,675,000
CITY OF BEAUMONT, TEXAS
(A political subdivision of the State of Texas located within Jefferson County)
CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including Appendices A and B, has been obtained from the City of Beaumont, Texas (the "City") in connection with the offering by the City of its $11,675,000 Certificates of Obligation, Series 2026 (the "Certificates") identified on the cover page hereof.

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

There follows in this Official Statement descriptions of the Certificates and Ordinance (as defined herein) and certain other information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained during the offering period from the City's Municipal Advisor, RBC Capital Markets, LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215.

This Official Statement speaks only as of its date and the information contained herein is subject to change. An electronic version of this Official Statement will be deposited with the Municipal Securities Rulemaking Board ("MSRB"), at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

Description

The Certificates are dated October 15, 2026 and bear interest from the Delivery Date at the stated interest rates indicated on page ii hereof, which interest is payable initially on March 1, 2027, and each March 1 and September 1 (the "Interest Payment Date" as referenced in the Ordinance) thereafter until the earlier of maturity or prior redemption. The Certificates are issued in fully registered form in denominations of $5,000 each or any multiple thereof. Principal of the Certificates is payable to the principal payment office of UMB Bank, N.A., Houston, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). Interest on the Certificates will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. The Certificates initially will be registered only to Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry-Only System described below.

In the event the Book-Entry-Only System is discontinued, the Certificates may be transferred and exchanged on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Certificates are exchangeable for an equal principal amount of Certificates of the same maturity in any authorized denomination upon surrender of the Certificates to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the City may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. It will be required that all transfers be made within three (3) business days after request and presentation.

The record date (the "Record Date") for the interest payable on any Interest Payment Date means the 15th day of the month next preceding such Interest Payment Date.

The City has agreed to replace mutilated, destroyed, lost or stolen Certificates upon surrender of the mutilated Certificates, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity to keep them harmless. The City may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authorization

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code,

as amended, an ordinance adopted by the City Council of the City on July 21, 2026 and a pricing certificate executed on the date of sale of the Certificates as authorized pursuant to such ordinance (collectively, such ordinance and pricing certificate are referred to herein as the "Ordinance").

Source of Payment

The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City. The Certificates will further be payable from a junior and subordinate pledge of the net revenues of the City's waterworks and sewer system but only to the extent of and in an amount not in excess of $10,000.

Use of Proceeds

Proceeds from the sale of the Certificates will be used to pay for: (1) the construction and improvement of parks and park facilities, roads, traffic signals and traffic operations equipment, drainage system, increasing storage capacity and security for law enforcement, and any items related thereto, and (2) to pay the costs of issuance of the Certificates.

Redemption Provisions

The Certificates maturing on March 1, 2037 and thereafter are subject to optional redemption prior to maturity, in whole or in part, on March 1, 2036, or any date thereafter, at the option of the City at a price equal to the principal amount thereof plus accrued interest from the most recent Interest Payment Date to the date of redemption.

The Certificates may be redeemed only in integral multiples of $5,000. If a Certificate is subject to redemption and is in a denomination larger than $5,000, a portion of such Certificate may be redeemed, but only in multiples of $5,000. If less than all of the Certificates are redeemed within a stated maturity at any time, the City shall direct the Paying Agent/Registrar to select by lot the particular Certificates or portions thereof to be redeemed.

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Certificates or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Certificates have been called for redemption in whole or in part and due provision has been made to redeem the same, the Certificates or portions thereof shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the registered owners to collect interest which would have otherwise accrued after the redemption date on any Certificates or portion thereof called for redemption shall terminate on the date fixed for redemption.

So long as the Book-Entry-Only System is used for the Certificates, any notice of redemption will only be sent to DTC. Any failure by DTC to advise any DTC participants, or of any DTC participant or indirect participant to notify the beneficial owner of the Certificates, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice.

Defeasance

The Ordinance provides for the defeasance of the Certificates in any manner permitted by law, which includes when the payment of the principal of and premium, if any, on the Certificates, plus interest therein to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized bank in trust (1) money sufficient to make cash payment or (2) pursuant to an escrow or trust agreement, funds or direct U.S. or U.S. guaranteed obligations in such amounts to insure availability of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent and, if applicable, the escrow agent for the Certificates, provided that if any such Certificates to be defeased are to be redeemed prior to maturity, provision shall have been made for giving the required notice for redemption. Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid.

Amendment of Ordinance

The Ordinance provides that owners of at least 51% of the aggregate principal amount of the outstanding Certificates may approve amendments by the City of the Ordinance other than amendments to (1) change maturities, (2) reduce the rate of interest, (3) reduce the amount of principal payable, (4) modify or condition the terms of payment, (5) affect less than all outstanding Certificates, or (6) change the percentage necessary for monetary consent. Other amendments are permitted without such consent provided they do not adversely affect the interests of the owners of the Certificates.

Book-Entry-Only System

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Municipal Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Municipal Advisor and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with 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 Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 industries. 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 United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized

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

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

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Information concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor, the Underwriter, or Bond Counsel.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in 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 Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only-System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a qualified bank, trust company, financial institution or other agency legally authorized to serve and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar

for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation at the designated payment office of the Paying Agent/Registrar. Interest on the Certificates will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the bond register, or by other such method acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day which is not a Saturday, Sunday, or legal holiday on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Successor Paying Agent/Registrar

Provisions are made in the Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other agency legally qualified to serve and perform the duties of the Paying Agent/Registrar for the Certificates.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied as follows:

SOURCES OF FUNDS:	
Principal Amount of the Certificates	$11,675,000.00
Net Premium	222,130.75
Total Sources of Funds	$11,897,130.75
USES OF FUNDS	
Deposit to the Certificates' Project Fund	$11,692,000.00
Expenses:	
Underwriters' Discount	72,478.93
Other Issuance Expenses, and excess proceeds	132,651.82
Total Uses of Funds	$11,897,130.75

Future Debt

The City has approximately $19,412,200 of voter-authorized but unissued debt. The City may issue more tax supported debt in the next twelve months.

Remedies in the Event of Default

The Ordinance does not establish any specific remedies in the event of default with respect to the Certificates. Under Texas law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis and would be subject to judicial discretion, sovereign police powers and the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors in general and creditors of political subdivisions generally.

It is unclear whether or not the *Tooke* ruling described below will be construed to have any effect with respect to the remedy of mandamus or any injunctive relief, though not at issue in that case. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court 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. Effective September 1, 2005, the Texas Legislature amended Chapter 271 of the Local Government Code to waive immunity to suit of municipalities to adjudication of claims regarding written agreements for providing goods or services subject to stated limitations. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or covenants of the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the pledge of the pledged revenues to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates which have sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

Neither the City or underwriters listed on the cover page hereof (the "Underwriters") have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of BAM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Under Texas 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 of Texas 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas 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 the National Credit Union Share Insurance Fund or their respective successors; (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 City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025 of the Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(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 City'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 City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the 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 or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas 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 of Texas that is selected by the City; (iii) 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; (iv) 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 (v) the City appoints the depository institution selected under (ii) 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 issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted under the Public Funds Investment Act, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party 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 (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; 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) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. 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 below.

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with 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 fund's investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and 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) Texas law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an 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 said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy; (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority); and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves or funds held for debt service in such mutual funds; (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.

Current Investments

The City's investment balances on September 30, 2025 were as follows:

	Face Amount
Government Investment Pools	$ 1,476,089
Bank Deposits	76,010,741
CDs	45,166,619
Total Portfolio	$122,653,449

Source: Annual Comprehensive Financial Reports of The City of Beaumont.

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CITY TAX DEBT

General

The following tables and calculations relate to the Certificates and to all other tax supported debt of the City. In addition to outstanding tax-supported debt the City has also issued revenue bonds and has incurred contractual obligations and other indebtedness and liabilities which are not included below. The City and various other political subdivisions of government which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by ad valorem taxation against all or a portion of property within the City.

Bonded Indebtedness

2026 Certified Assessed Valuation (100% of market value)	$11,354,798,325	(a)
Direct Debt:		
Outstanding Ad Valorem Tax Debt (as of October 1, 2026)	$ 225,770,000	
Plus: The Certificates	11,675,000	
Total Direct Ad Valorem Tax Debt	$ 237,445,000	
Less: Self-Supported Debt	$ 472,290	(b)
Total Direct Ad Valorem Tax Supported Debt	$ 236,972,710	
Interest & Sinking Fund Balance (As of September 30, 2025)	$ 2,901,146	

(a) As certified by the Jefferson County Appraisal District on July 20, 2026. See "TAX DATA."
(b) Certain tax debt of the City is being paid from revenues other than ad valorem taxes. See "CITY TAX DEBT - Revenue Support of Ad Valorem Tax Debt."

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Tax Supported Debt Service Schedule

The following sets forth the principal and interest on the City's Outstanding Tax Supported Debt, plus the principal and interest on the Certificates.

Fiscal Year Ended 9/30	Current Outstanding Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Total	Total Outstanding Debt Service
2026	$ 20,013,479				$ 20,013,479
2027	22,814,988	$ 305,000	$ 475,354	$ 780,354	23,595,342
2028	23,165,700	365,000	573,125	938,125	24,103,825
2029	23,190,369	385,000	554,375	939,375	24,129,744
2030	23,191,916	405,000	534,625	939,625	24,131,541
2031	23,196,941	425,000	513,875	938,875	24,135,816
2032	23,205,437	445,000	492,125	937,125	24,142,562
2033	23,213,660	470,000	469,250	939,250	24,152,910
2034	17,681,973	495,000	445,125	940,125	18,622,098
2035	15,566,051	520,000	419,750	939,750	16,505,801
2036	15,562,506	545,000	393,125	938,125	16,500,631
2037	15,558,815	575,000	365,125	940,125	16,498,940
2038	11,499,153	605,000	335,625	940,625	12,439,778
2039	9,436,900	635,000	304,625	939,625	10,376,525
2040	9,443,025	665,000	271,294	936,294	10,379,319
2041	7,107,125	705,000	235,331	940,331	8,047,456
2042	5,077,375	740,000	197,400	937,400	6,014,775
2043	5,078,375	780,000	157,500	937,500	6,015,875
2044	5,074,750	825,000	115,369	940,369	6,015,119
2045	5,076,000	870,000	70,875	940,875	6,016,875
2046	2,658,500	915,000	24,019	939,019	3,597,519
2047	2,659,875	-	-	-	2,659,875
2048	2,656,000	-	-	-	2,656,000
2049	2,656,625	-	-	-	2,656,625
2050	2,656,375	-	-	-	2,656,375
2051	2,659,875	-	-	-	2,659,875
TOTAL	**$320,101,787**	**$ 11,675,000**	**$ 6,947,892**	**$ 18,622,892**	**$ 338,724,679**

Average Annual Requirements (2026-2051)..... $13,027,872

Maximum Annual Requirement (2033) $24,152,910

Revenue Support of Ad Valorem Tax Debt

Certain tax bonds and certificates of obligation of the City are being paid from revenues other than ad valorem taxes. As of the fiscal year ended September 30, 2025, the City had a total of $472,290 of such bonds and certificates of obligation which are presently outstanding. The following is a schedule of revenues used by the City to pay debt service on certain of its tax obligations in the years 2021 through 2025. The City has a policy of recording bonds and certificates of obligation associated with enterprise fund activities in the appropriate enterprise funds. The debt service of these bonds and certificates of obligation are paid directly from such funds.

	2025	2024	2023	2022	2021
Debt Service paid from Enterprise Funds	$131,440	$131,433	$131,577	$127,175	$79,398

Source: The City of Beaumont, Tax Department.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. The information is based upon data secured from individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Debt as of 09/30/2026	Overlapping Percent	Overlapping Amount
Beaumont Independent School District	$153,290,000	59.08%	$90,563,732
Jefferson County	6,435,000	24.72	1,590,732
Jefferson County Navigation District #7	9,725,000	1.48	143,930
Port of Beaumont Navigation District	61,750,000	60.44	37,321,700
Sabine-Neches Navigation District	186,945,000	24.72	46,212,804
TOTAL ESTIMATED OVERLAPPING DEBT			$175,832,898
The City			$236,972,710(a)
TOTAL DIRECT AD VALOREM TAX SUPPORTED AND ESTIMATED OVERLAPPING DEBT			$412,805,608

(a) Includes the Certificates.

Debt Ratios

	Direct Ad Valorem Tax Supported Debt	Direct Tax Supported and Overlapping Debt
Per 2026 Taxable Valuation ($11,354,798,325[(a)])	2.09%	3.64%
Per Capita (112,893)	$2,103	$3,657

(a) As certified by the Jefferson County Appraisal District on July 20, 2026.

TAX DATA

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.

Regular and Special Legislative Sessions

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The City cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

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

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

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (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 (collectively, the "Appraisal Cap"). 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. For the 2026 tax year, the maximum property value was increased to $5,320,000.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the 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. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1), above, that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

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

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX DATA – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX DATA – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

Chapter 380 Agreements

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

Temporary Exemption For Qualified Property Damaged By A Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

Debt Tax Rate Limitations

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

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

Levy and Collection of Taxes

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 "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for 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.

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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 (i) zero; or (ii) the rate expressed in dollars per $100 of taxable value calculated by dividing (a) the sum of the foregone revenue amount for each of the preceding three tax years by (b) the “current total value” as defined in Section 26.012 of the Property Tax Code.

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

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

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

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

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

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

signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

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

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

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

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

City Application of Property Tax Code

The City does not grant a local option exemption of the market value of all residence homesteads.

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not tax Freeport Property.

The City has taken action to tax Goods-in-Transit.

The City does participate in a TIRZ.

The City does offer tax abatements.

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- Collection Ratios -

Tax Year	Assessed Valuation	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	% Tax Collections Current Year	% Tax Collections Current and Prior Years	Fiscal Year Ended 9-30
2006	$4,890,473,995	$0.659	$32,035,224	97.88%	99.41%	2007
2007	5,587,189,473	0.654	36,363,713	97.92	99.25	2008
2008	6,332,199,832	0.640	40,390,005	97.19	99.30	2009
2009	6,556,908,133	0.640	41,652,488	97.46	99.21	2010
2010	6,808,190,820	0.640	44,224,825	97.91	99.05	2011
2011	6,753,396,435	0.640	43,087,639	97.95	98.82	2012
2012	6,785,451,898	0.640	43,431,623	98.12	98.44	2013
2013	6,748,564,770	0.690	46,628,688	97.26	99.44	2014
2014	6,871,823,695	0.690	47,415,985	97.17	100.53	2015
2015	6,935,933,700	0.690	47,921,399	97.48	98.73	2016
2016	7,209,192,016	0.690	49,743,425	97.35	98.48	2017
2017	7,426,450,815	0.710	49,689,267	97.35	99.98	2018
2018	7,479,895,163	0.710	52,875,927	97.42	98.51	2019
2019	7,669,216,149	0.710	54,114,828	97.42	99.21	2020
2020	7,883,980,469	0.710	55,614,862	97.79	99.61	2021
2021	8,820,063,981	0.705	61,692,377	97.36	99.89	2022
2022	9,477,688,929	0.695	65,578,196	96.94	99.89	2023
2023	10,517,778,004	0.681	70,807,463	96.74	99.89	2024
2024	10,987,681,470	0.659	72,481,669	96.31	98.13	2025
2025	11,214,668,919	0.659	73,979,021	(under collection)		2026

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Jefferson County Appraisal District, State Comptroller's Office, Property Tax Division, and information supplied by the City.

- Tax Rate Distribution -

	Tax Year 2026	2025	2024	2023	2022
General Fund	$0.46876	$0.47863	$0.48764	$0.49148	$0.51457
Interest & Sinking Fund	0.21417	0.18104	0.17202	0.19001	0.18043
Total	$0.68293	$0.65966	$0.65966	$0.68149	$0.69500

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Analysis of Tax Base

- Tax Base Distribution -

Type of Property	2026 Tax Roll (a) Amount	2026 Tax Roll (a) %	2025 Tax Roll (a) Amount	2025 Tax Roll (a) %
Residential	$ 7,460,993,055	51.84%	$ 7,110,167,495	49.41%
Commercial and Industrial	4,228,220,242	29.38%	4,186,639,937	29.09%
Utilities	483,973,067	3.36%	447,448,284	3.11%
Vacant Lots/Tracts/Acreage	446,996,969	3.11%	229,476,340	1.59%
Minerals	288,305	0.00%	557,698	0.00%
Other Personal	1,770,634,774	12.30%	1,733,843,749	12.05%
Gross Assessed Value	14,391,106,412	100.00%	13,708,133,503	95.25%
Less: Exemptions	3,036,308,087		2,493,464,584	
Net Assessed Value	$ 11,354,798,325		$ 11,214,668,919	

Type of Property	2024 Tax Roll (a) Amount	2024 Tax Roll (a) %	2023 Tax Roll (a) Amount	2023 Tax Roll (a) %
Residential	$ 7,043,086,526	51.38%	$ 6,512,965,886	48.39%
Commercial and Industrial	4,197,774,086	30.62%	4,080,336,496	30.31%
Utilities	411,744,665	3.00%	392,594,800	2.92%
Vacant Lots/Tracts/Acreage	235,964,211	1.72%	236,653,166	1.76%
Minerals	409,117	0.00%	423,628	0.00%
Other Personal	1,571,344,646	11.46%	1,534,621,602	11.40%
Gross Assessed Value	13,460,323,251	98.19%	12,757,595,578	94.78%
Less: Exemptions	2,472,641,781		2,239,817,574	
Net Assessed Value	$ 10,987,681,470		$ 10,517,778,004	

(a) These values may differ from those shown elsewhere in this document due to subsequent additions, deletions and adjustments to the tax roll.

Source: The Jefferson County Appraisal District, State Comptroller's Office, Property Tax Division, and information supplied by the City.

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- Principal Taxpayers -

Taxpayer	Tax Year 2025 Taxable Assessed Valuation (a)	Tax Year 2025 % Total Assessed Valuation	Tax Year 2024 Taxable Assessed Valuation (a)	Tax Year 2024 % Total Assessed Valuation	Tax Year 2023 Taxable Assessed Valuation (a)	Tax Year 2023 % Total Assessed Valuation
Entergy Texas, Inc.	$266,152,693	2.37%	246,344,486	2.24%	$239,735,790	2.28%
Enterprise Beaumont Marine	115,698,470	1.03%	117,753,495	1.07%	114,610,684	1.09%
American Valve & Hydrant Mfg.	90,741,863	0.81%	89,324,167	0.81%	89,180,150	0.85%
Parkdale Mall Associates	54,833,133	0.49%	57,446,248	0.52%	71,090,027	0.68%
Premcor Refining Group, Inc.	51,756,285	0.46%	69,175,916	0.63%	70,876,870	0.67%
Edison Plaza Partners LLC	48,060,735	0.43%	47,605,865	0.43%	44,735,842	0.43%
West End Lodge Beaumont LLC	44,894,680	0.40%	44,731,268	0.41%	51,302,025	0.49%
LPI Beaumont LLC	41,075,779	0.37%	45,008,456	0.41%	43,948,769	0.42%
South Bow (USA) LP	39,684,601	0.35%	(b)	(b)	(b)	(b)
Stoneleigh on Major LLC	38,619,134	0.34%	41,500,058	0.38%	(b)	(b)
Goodyear Tire and Rubber	(b)	(b)	(b)	(b)	45,297,735	0.43%
Transcanada Keystone Pipeline	(b)	(b)	39,025,189	0.36%	40,436,745	0.38%
	$791,517,373	7.06%	$797,915,148	7.26%	$811,214,637	7.71%

(a) Source: The City of Beaumont, Tax Department.
(b) Not a top taxpayer in a given year.

- Tax Adequacy -

Average Annual Debt Service Requirements (2026-2051)	$13,027,872(a)
Maximum Annual Debt Service Requirements (2033).....	$24,152,910(a)
Tax Rate of $0.21706 per $100 assessed valuation against the 2026 Certified Assessed Valuation at 98% collection produces	$24,153,791

(a) Includes the Certificates.

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Sales Tax

- Authority -

The City has adopted the provisions of Section 321.001 et seq. of the Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% sales tax. The City may not pledge the proceeds from the sales tax as security for the Certificates.

- Sales Tax Option -

In 1986 the Texas Legislature passed a statute giving Texas cities the option of assessing a 1/2 cent sales tax, in addition to the 1% sales tax authorized under Section 321.001 of the Texas Tax Code that is discussed above. The sales tax must be approved by a majority of a city's voters in a local option election and, if the tax is approved, then the city must reduce its ad valorem tax property levy by the estimated sales tax revenues.

The City had a special election of the City's voters on August 8, 1987, approving the one-half cent sales tax.

- Collection History -

The State Comptroller, after deduction of a 2% service fee, currently remits the City's portion of sales tax collections monthly. By statute the Comptroller is required to remit at least twice annually, or as often as feasible. The following is an analysis of the collection history of the City's sales tax:

		Ad Valorem Taxation Comparisons		
Fiscal Year Ended 9-30	Sales Tax Receipts	Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2006	$36,984,234	(2005)	$0.662	114.22%
2007	35,913,802	(2006)	0.734	111.87
2008	38,134,102	(2007)	0.683	104.36
2009	40,099,811	(2008)	0.633	99.28
2010	33,779,627	(2009)	0.515	81.10
2011	34,619,069	(2010)	0.508	78.28
2012	35,399,926	(2011)	0.524	82.16
2013	40,448,273	(2012)	0.596	93.13
2014	37,803,568	(2013)	0.560	81.07
2015	38,035,367	(2014)	0.553	80.22
2016	39,590,496	(2015)	0.571	82.72
2017	38,954,160	(2016)	0.540	81.34
2018	45,789,127	(2017)	0.617	92.15
2019	45,695,020	(2018)	0.611	86.42
2020	43,247,238	(2019)	0.564	79.92
2021	45,632,813	(2020)	0.579	82.05
2022	52,198,175	(2021)	0.592	84.61
2023	53,789,014	(2022)	0.568	82.02
2024	55,796,905	(2023)	0.531	78.80
2025	59,332,332	(2024)	0.540	82.32

Source: Annual Comprehensive Financial Reports of The City of Beaumont.

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Industrial District Contracts

The City has created within its extraterritorial jurisdiction, but outside of the City limits, Industrial Districts and has entered into contracts with the industries within such districts. There were no significant changes to the terms of the contracts for 2023-2029. The contracts specify payments to be made in lieu of ad valorem taxes and protect the industries from annexation by the City during the term of the respective contracts. Such revenues are not pledged to the payment of the Certificates.

Industries with contracts with the City and payments are as follows:

Industrial District	2025	2024	2023
Air Liquide	$ 152,590	$ 159,569	$ 161,344
Arkema, Inc.	535,359	594,843	660,937
Atlantic Trading and Marketing	-	55,888	-
BP Products North American Inc.	616,852	73,944	24,404
Centana Interstate Pipeline	264,059	293,399	299,620
Chemtrade Refining Services	187,073	216,938	197,216
DCP Southeast Texas Plant	4,835	5,372	5,969
DOW Chemical	309,963	276,330	251,209
Energy Transfer Spindletop	172,539	188,047	207,339
Entergy Texas	334,416	371,573	349,303
Enterprise 312 Abatement	161,544	161,544	161,544
Enterprise Pilot for 380 Abatement	139,327	139,327	139,327
Enterprise Refined Products	1,506,066	1,652,188	1,693,218
Exxon Mobil Oil Corporation	11,000,000	11,000,000	11,000,000
Exxon Enterprise Inventory	660,738	447,637	-
Federal Correctional Complex	6,000	3,000	-
Goldent Triangle Storage	291,174	354,046	-
Goodyear Tire & Rubber Co.	1,118,456	1,016,778	924,344
Gulfman Energy	-	34,026	-
IBEW Local	6,107	6,988	5,560
Jefferson Terminal South	15,511	16,339	-
Koch Fertilizer, LLC	-	75,547	90,863
Marathon Petroleum	210	1,579	4,810
Martin Operating Partnership	287,326	294,768	295,389
Nat Gasoline	381,003	400,325	379,599
OCI Beaumont LLC	665,885	471,278	520,143
OCI Clean Ammonia	326,683	65,107	-
OCI Methanol	18,865	6,706	-
OCI 1 Mill	1,000,000	1,000,000	-
Saconix	267	290	416
Slamback Partners	7,747	7,043	6,403
Tenasks Gas Storage	29,997	45,757	1,129
Total Gas & Power	28,375	1,830	-
Total Petrochemical	-	76,263	97,021
Valero Marketing & Supply Co.	85,176	66,996	39,402
Vitol Inc.	-	14,947	23,099
Total	**$ 20,314,143**	**$ 19,596,212**	**$ 17,539,608**

Total revenue to the City from these contracts is summarized and compared to ad valorem taxation in the table below:

Fiscal Year Ended 9-30	Revenues from Industrial District Contracts	Ad Valorem Taxation Comparisons		
		Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2006	$11,491,345	(2005)	$0.2339	35.80%
2007	12,081,915	(2006)	.2470	33.06
2008	13,178,802	(2007)	.2359	36.07
2009	16,102,794	(2008)	.2543	38.88
2010	14,745,496	(2009)	.2249	35.40
2011	13,220,777	(2010)	.1942	29.89
2012	13,434,606	(2011)	.1989	31.18
2013	14,926,084	(2012)	.2200	34.37
2014	16,095,254	(2013)	.2384	34.52
2015	16,496,988	(2014)	.2401	34.79
2016	16,690,939	(2015)	.2410	34.88
2017	17,935,064	(2016)	.2488	36.06
2018	19,825,025	(2017)	.2670	39.90
2019	18,531,573	(2018)	.2478	35.05
2020	18,510,634	(2019)	.2414	34.21
2021	18,316,845	(2020)	.2323	32.94
2022	17,907,217	(2021)	.2030	29.03
2023	17,539,608	(2022)	.1851	26.75
2024	19,596,212	(2023)	.1863	27.68
2025	20,314,143	(2024)	.1849	28.18

(a) Source: The City of Beaumont, Tax Department.

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SELECTED FINANCIAL DATA

Historical Operations of the City

- General Fund -

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years. The inclusion of the following table is not intended to imply that any revenues of the City, other than receipts from ad valorem taxes as provided in the Ordinance, are pledged to pay principal and interest on the Certificates and the City's Outstanding Tax Supported Debt.

	Fiscal Years Ended September 30:				
	2025	**2024**	**2023**	**2022**	**2021**
Revenues:					
Property Taxes	$ 52,251,791	$ 49,494,443	$ 47,571,558	$ 44,642,148	$ 39,636,480
Gross Receipts Taxes	8,968,161	8,986,300	9,227,177	9,185,031	9,088,459
Sales and Use Taxes	55,972,015	52,386,522	50,729,017	52,198,175	45,632,813
Industrial Payments	20,345,586	19,599,385	18,633,827	18,377,610	18,316,845
License and Permits	3,719,553	2,441,616	2,687,654	2,316,952	2,671,944
Charges for Services	6,714,201	5,706,747	5,388,461	4,286,662	4,078,460
Fines and Forfeits	1,743,694	1,560,501	1,438,496	1,634,796	1,650,277
Recreational Activities	2,277,413	2,125,851	2,064,593	2,238,835	1,125,952
Intergovernmental	168,703	637,411	803,228	7,000,000	8,270,320
Interest	1,995,387	2,350,142	2,092,936	433,701	362,133
Miscellaneous	983,989	1,066,423	972,306	1,190,263	2,008,300
Total Revenues	**$ 155,140,493**	**$ 146,355,341**	**$ 141,609,253**	**$ 143,504,173**	**$ 132,841,983**
Expenditures:					
General Government	$ 21,147,473	$ 20,378,713	$ 19,421,500	$ 17,100,652	$ 16,056,241
Public Safety	95,330,056	93,469,946	87,564,947	80,151,358	71,247,931
Public Works	21,984,668	22,816,893	22,972,088	20,857,898	20,598,458
Health and Welfare	2,209,542	2,477,800	2,374,143	2,001,160	7,456,174
Culture & Recreational	12,556,933	11,803,856	11,742,898	10,605,116	9,941,356
Housing and economic development	4,739,745	4,543,218	4,398,356	4,035,740	3,602,860
Debt Service	72,825	72,163	74,001	-	-
Capital Outlay	7,827	9,691	205,173	31,766	30,651
Total Expenditures	**$ 158,049,069**	**$ 155,572,280**	**$ 148,753,106**	**$ 134,783,690**	**$ 128,933,671**
Excess/(Deficiency) of Revenues Over Expenditures	$ (2,908,576)	$ (9,216,939)	$ (7,143,853)	$ 8,720,483	$ 3,908,312
Other Financing Sources	10,907,827	14,136,177	11,121,474	10,500,000	10,500,000
Other Financing Uses	(10,290,000)	(8,447,700)	(9,954,000)	(18,476,600)	(12,150,737)
Beginning Fund Balance	$ 44,062,729	$ 47,591,191	$ 53,567,570	$ 52,823,687	$ 50,566,112
Prior Period Adjustment					
Residual Equity Transfers In/(Out)	-	-	-	-	-
Ending Fund Balance - Sept. 30	**$ 41,771,980**	**$ 44,062,729**	**$ 47,591,191**	**$ 53,567,570**	**$ 52,823,687**

Source: Annual Comprehensive Financial Reports of The City of Beaumont.
Note: The City's estimated General Fund balance for the Fiscal Year Ending on September 30, 2026 is $36,439,619.

Financial Statements

A copy of the City's Audited Financial Statements for the fiscal year ended September 30, 2025, is attached hereto in "APPENDIX B." Copies of such statements for preceding years are available, for a fee, upon request.

ADMINISTRATION OF THE CITY

Policy-making and legislative functions are the responsibility of and are vested in the Mayor and City Council under provisions of the "Charter of The City of Beaumont" (the "Charter") approved by the electorate December 6, 1947, and last amended in 2021. The City Council is composed of seven members, including the Mayor. The Mayor and two (2) Councilmembers are elected at-large. Four (4) Councilmembers are elected only by the qualified voters residing in the ward from which each such ward councilmember is elected. All members are elected in odd numbered years and serve two-year terms. The Mayor is entitled to vote on all matters before the City Council, but has no power to veto City Council action. Members of the City Council are described below:

Council Members	Position	Term Expires	Occupation
Roy West	Mayor	May 2027	Business Owner
Albert Turner	Mayor Pro-Tem	May 2027	President: AJ Turner Enterprise LLC
Cory Crenshaw	Councilmember, Ward 1	May 2027	Attorney at Law
Joseph Hilliard	Councilmember, Ward 2	May 2027	Business Owner
LaDonna Sherwood	Councilmember, Ward 3	May 2027	Business Owner
Charles Durio	Councilmember, Ward 4	May 2027	Retired
Mike Williams	Councilmember, At Large	May 2027	Business Owner

Administrative Staff

Under provisions of the Charter, the City Council enacts local legislation, adopts budgets, determines policies and appoints the City Manager, who is charged with the duties of executing the laws and administering the government of the City. As the chief executive officer and head of the administrative branch of the City government, the City Manager is given the power and duties to:

(1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;

(2) Prepare the budget annually, submit it to City Council, and be responsible for its administration;

(3) Prepare and submit to City Council a complete report on the finances and administrative activities of the City;

(4) Keep City Council advised of the financial condition and future needs of the City and make appropriate recommendations; and

(5) Perform such other necessary duties as prescribed by the Charter or required by City Council.

Members of the administrative staff are described below:

Staff Member	Position	Years in Position	Years of Experience
Chris Boone	City Manager	3 months	30
Laura Clark	Deputy City Maanger	1 month	20
Bridgette Evick	Chief Financial Officer	7 months	11
Sharae Reed	City Attorney	3	14
Tina Broussard	City Clerk	18	23
Tim Ocnaschek	Police Chief	1	39
Earl White	Fire Chief	7	44

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Certain of these consultants are identified below:

Bond Counsel ..... Holland & Knight LLP
Houston, Texas

Auditors ..... Patillo, Brown & Hill, LLP
Waco, Texas

Municipal Advisor ..... RBC Capital Markets, LLC
San Antonio, Texas

OTHER CONSIDERATIONS

Pension Fund

The City participates in two pension plans for its employees. The Texas Municipal Retirement System (TMRS), an agent multi-employer defined contribution plan, covers all eligible employees except firefighters. Firefighters are covered by the Beaumont Firemen's Relief and Retirement Fund, a single-employer defined benefit plan. Both plans are created under Texas statutes which establish each plan's provisions. The City's contributions to the pension plans are actuarially determined and established in a collective bargaining agreement, respectively.

The City contributes 14% of covered payroll for all eligible civilian employees and police officers. All employees, civilian and police, have a 7% contribution rate. The City's unfunded pension obligation for this plan totaled $54,605,336 at the December 31, 2024 valuation date, which will be amortized over 30 years.

Under the Firefighter's Relief and Retirement Fund, the City contributes 18.25% and firefighters contribute 18% of covered payroll in accordance with the collective bargaining agreement effective October 1, 2022.

For more information regarding the TMRS, the assumptions used in calculations, and the City's estimated contributions and unfunded liability, reference is made to the website of the TMRS at www.tmrs.org and the latest valuation report as of December 31, 2025 thereon. There can be no assurance that the assumptions used in calculating the City's unfunded liabilities with respect to its pension plans and the Other Post-Employment Benefits discussed below, including but not limited to estimates regarding the value of funded assets, earnings thereon, and benefits payable, will prove correct, and the liability could be greater than estimated. Minor changes in such estimates can materially change the City's annual and long-term liabilities. Whether correct or not, there can be no assurance that the City will be able to satisfy such existing and future unfunded liabilities or to make currently estimated or future annual contributions toward their payment without raising taxes or cutting services.

Other Post-Employment Benefits (OPEB)

The City offers post employment health insurance to its retirees until age 65. The retiree and the City share in the cost based on a percentage applied to the plan the retiree is on. The City's actuarial unfunded liability, as required by GASB 75, is $30,173,303, as of the valuation at December 31, 2024. The City no longer offers subsidized rates to employees hired as of January 1, 2017 upon their retirement.

Collective Bargaining

Police officers and firemen employed by the City have collective bargaining rights under the Texas Fire and Police Employees Relations Act. Neither the police officers nor the firemen have the right to strike, but under the Texas Local Government Code firemen may submit any unsettled issues relating to compensation or other conditions of employment to a state district court to be resolved, while the policemen may submit such issues to a factfinder with a referendum election finally determining all unresolved issues. The current labor agreement with police officers expires September 30, 2026. The current labor agreement with the firemen expires September 30, 2027.

Litigation

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; other lawsuits and claims alleging unlawful employment practices and certain civil rights violations arising under Federal Law 42 U.S.C. §1983; various claims from contractors for additional amounts under construction contracts; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort

Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such suits. The City typically utilizes its general liability fund to liquidate claims and judgments; however, the City may, at its option, issue tax-supported bonds to pay any final, unappealable judgments and settlements resulting from lawsuits against the City. See Note III to the Financial Statements for Fiscal Year 2025 in APPENDIX B.

In the opinion of the City, it is improbable that the lawsuits now outstanding and the claims now pending against the City could become final in a time and manner as to have a material impact upon the City or its ability to repay the Certificates.

Risk Management/Self Insurance

The City's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the State. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the City. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declarations of Coverage for that fund year.

The City has purchased commercial property and casualty insurance on its real property and associated improvements with a deductible of $50,000 per occurrence. There is a $50,000 deductible on all perils not specified with other deductible amounts. The deductible for loss due to a flood is $50,000, except in the case of a named storm where the deductible is 2% with a $50,000 minimum. Subject to the deductible, the insurance provides for payment of replacement cost.

The City retains all risks associated with the employee indemnity health program up to $150,000 per person. Risks associated with workers' compensation are retained by the City up to $500,000 per incident. The City purchases commercial insurance to cover losses beyond the retained risk. Transactions related to employee health claims (including the prescription drug program), workers' compensation claims, dental insurance premiums and the administration of these programs are recorded in the Employee Benefits Fund. Contributions are made to this fund by all appropriate City funds based on the amounts needed for prior, current and estimated future claims. As of September 30, 2025, the City reported its liability for claims incurred in the fund to be $5,784,058, and on the same day, the fund had net unrestricted assets of (-$7,662,267).

RISKS OF HURRICANES AND RECENT WEATHER-RELATED EVENTS

The City is located near the United States Gulf Coast and is subject to hurricanes, tropical storms and other weather events that can cause damage to property through strong winds, storm surges and flooding. Such events may cause a reduction in the taxable assessed valuation of the City, which may exist for several years or longer. Consequently, the ability of the City to raise revenue through its ad valorem taxes could be negatively impacted.

The City experienced a substantial natural disaster in August 2017, when Hurricane Harvey struck the Texas coast and during which the City experienced rainfall measuring up to 55 inches in some areas that caused major flooding in portions of the City. Damaged property included residential and commercial properties, as well as numerous City-owned facilities and City-owned vehicles. Damage to City-owned facilities and infrastructure was approximately $60,000,000 and damage to City-owned vehicles was approximately $250,000. There was no material impact on water/sewer revenue. As a result of the flooding, the City incurred disaster-related expenses, including debris removal, police, firefighter and emergency personnel overtime and emergency repairs to City facilities in the approximate amount of $15,000,000. Most of the damages and disaster related expenses were covered and reimbursed by either flood insurance maintained by the City or by FEMA, but the City had to use cash reserves of approximately $5,000,000 to pay for damages and disaster expenses not covered by insurance and not reimbursed by FEMA.

The City again experienced substantial flooding in September 2019, when it was struck by Tropical Storm Imelda. This storm resulted in more than 40 inches of rain in the City. Fortunately, the damage to City owned facilities, infrastructure and vehicles were not severe and the City had to only use approximately $3,000,000 in cash reserves to pay for damages and disaster related expenses not covered by insurance and not reimbursed by FEMA.

Hurricane Laura struck the Texas and Louisiana Coast in August 2020. Hurricane Laura was a large-scale Category 3 Hurricane, but most of the damage occurred in Louisiana in Calceseiu and Cameron Parishes which are located East of the City. The City only experienced minor wind damage that was not substantial.

The City does not anticipate that any of the past weather events will negatively impact the City's ability to pay debt service on the Certificates or any of its outstanding obligations. However, if a major weather event should strike the City in the future that causes widespread damage from storm surge, wind or flooding, then such damage could negatively affect property tax values and have an adverse effect on the City's ability to raise revenue from taxes and to pay its outstanding tax supported and revenue supported debt obligations. The City is actively pursuing mitigation grants to help mitigate flooding and the damages it causes.

CYBERSECURITY RISKS

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

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Beaumont area has been affected by adverse conditions in the oil and gas industry that, combined with spillover effects into other industries, adversely impacted the businesses of ad valorem property taxpayers and the property values in the City, resulting in a reduction in property tax revenue. The Certificates are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates.

LEGAL MATTERS

Legal Opinions

The delivery of the Certificates is subject to the approving opinions of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of a continuing ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and the approving legal opinion of Holland & Knight LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Certificates, Bond Counsel has represented only the City. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is payable only upon the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriters listed below by their co-counsel Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas and West & Associates, L.L.P., Houston, Texas.

Bond Counsel has reviewed the information appearing in the Official Statement under "THE CERTIFICATES" (except for "Book - Entry - Only System," "Sources and Uses of Funds," and "Remedies in the Event of Default"), "TAX DATA – Debt Tax Rate Limitation (except for the last sentence)," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings "), "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE ," and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person or entity is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of

the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Certificates, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the City subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, as more fully described below, under existing law and assuming continuing compliance by the City with certain tax covenants, the interest on the Certificates is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals under the Code; however, the interest on the Certificates is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code.

The foregoing opinions of Bond Counsel are subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements.

The scope of the foregoing opinions of Bond Counsel is limited to matters addressed above and no opinion is expressed by Bond Counsel regarding other federal income tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. In rendering such opinions, Bond Counsel further assumes and relies upon (i) without undertaking to verify the same by independent investigation, the accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact of the City with respect to matters affecting the excludability of interest on the Certificates from gross income for federal income tax purposes under the Code; and (ii) continuing compliance by the City with the applicable requirements of the Code as to such tax matters and certain procedures, agreements and covenants that must be met subsequent to the issuance of the Certificates in order that interest on the Certificates be and remain excludable from gross income for federal income tax purposes.

Bond Counsel has not been engaged or retained to monitor post-issuance compliance. Failure of the City to comply with such requirements may cause the interest on the Certificates to not be excludable from gross income for federal income tax purposes retroactively to the date of issuance of the Certificates irrespective of the date on which such noncompliance occurs or is ascertained.

Bond Counsel's opinions set forth above are based upon current facts and circumstances, and upon existing law and interpretations thereof, as of the date such opinions are delivered and Bond Counsel assumes no affirmative obligation to update, revise or supplement such opinions to reflect any action thereafter taken or not taken or if such facts or circumstances, or laws or interpretations thereof, change after the date of such opinions, including, without limitation, changes that adversely affect the excludability of interest on the Certificates, even if such actions, inactions or changes come to Bond Counsel's attention. Further, such opinions are limited solely to the matters stated therein, and no opinion is to be implied or is intended beyond the opinions expressly stated therein. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed or of a particular result, and is not binding on the Internal Revenue Service (the "IRS") or the courts. See also "LEGAL MATTERS" herein.

Prospective purchasers of the Certificates should also be aware that ownership of the Certificates may result in adverse tax consequences under the laws of various states and local jurisdictions. Bond Counsel expresses no opinion regarding any state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates. Prospective purchasers of the Certificates should consult their tax advisors as to any state and local tax consequences to them of owning the Certificates.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "Appendix C – Form of Bond Counsel Opinion" for the complete text thereof.

Certain Collateral Federal Income Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Certificates. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of any Certificates. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Certificates.

Prospective purchasers of the Certificates should be aware that ownership of, receipt or accrual of interest on, or disposition of, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income" and foreign corporations subject to the branch profits tax, individuals eligible to receive the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Certificates.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Certificates, under certain circumstances, will be subject to "backup withholding" with respect to payments on the Certificates and proceeds from the sale of the Certificates. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Certificates. This withholding generally applies if the owner of the Certificates (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding.

Prospective purchasers of the Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

Original Issue Premium

The Certificates maturing on March 1 in the years 2027 through and including 2043,(the "Premium Certificate[s]") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering at the price for that Premium Certificate who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated. Purchasers of Premium

Certificates should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of, Premium Certificates.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates which are not purchased in the initial offering may be determined according to rules which differ from those described above.

Original Issue Discount

The Certificates maturing on March 1 in the years 2044 through and including 2046 (the "Discount Certificate[s]") were sold at prices less than the stated principal amounts thereof. The difference between the principal amount of the Discount Certificates and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Certificates of the same maturity was sold, is "original issue discount." Original issue discount represents interest which is excluded from gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to stated interest on the Certificates. Such interest is taken into account for purposes of determining the alternative minimum tax liability, and other collateral tax consequences, although the owner of such Discount Certificates may not have received cash in such year. Original issue discount will accrue over the term of a Discount Certificate at a constant interest rate compounded on interest payment dates. A purchaser who acquires a Discount Certificate in the initial offering at a price equal to the initial offering price thereof will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Certificate and will increase its adjusted basis in such Discount Certificate by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Certificate.

Purchasers of Discount Certificates should consult their own tax advisors regarding the treatment for federal income tax purposes of interest accrued upon sale, redemption or the disposition of Discount Certificates, including various special rules relating thereto, and the state and local tax consequences, in connection with the acquisition, ownership, accrual of discount on, sale, exchange or other disposition of, Discount Certificates.

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

Miscellaneous

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law or that otherwise become effective, will not cause the interest on the Certificates to be subject, directly or indirectly, to federal income taxation or otherwise prevent the Certificateholders from realizing the full current benefit of the tax status of the interest on the Certificates. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Certificates. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced that, if enacted, could change the federal tax consequences of owning the Certificates and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Certificates are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of 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. Purchasers of the Certificates at other than their original issuance at the respective prices indicated on the [inside] cover of this Official Statement should consult their own tax advisors regarding other tax considerations.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE CERTIFICATES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE CERTIFICATEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE CERTIFICATEHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as "APPENDIX C - Form of Bond Counsel Opinion" for the complete text thereof. See also "LEGAL MATTERS" herein.

RATINGS

S&P Global Ratings ("S&P") has assigned a rating of "AA" (Stable Outlook) to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by BAM. The Certificates have been rated "AA-" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the views of S&P, and the City makes no representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This updated information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City undertakes and agrees for the benefit of the Certificateholders to provide annually to the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized in the Ordinance (i) under the headings "INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY", "CITY TAX DEBT" (except under the heading "- Estimated Overlapping Debt"), "TAX DATA", "SELECTED FINANCIAL DATA", and in APPENDIX B. The information to be provided in APPENDIX B shall include the financial statements of the City prepared in accordance with the accounting principles the City may be required to employ from time to time pursuant to State law or regulation and audited, if the audit is completed within the period during which they must be provided. If the audit of such financial statements is not completed within such period, then the City shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report on such statement becomes available. The City will provide the updated information to the MSRB via EMMA.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section 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, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the United States Securities and Exchange Commission (the "SEC") as permitted by Rule 15c2-12, as amended (the "Rule"). The City's current fiscal year end is September 30.

Notice of Occurrence of Certain Events

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificate, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name

of the paying agent/registrar, if material; (15) incurrence of a "Financial Obligation" of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described under "Annual Reports". Neither the Certificates nor the Ordinance make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves.

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

Availability of Information

The City has agreed to provide the foregoing information only to the MSRB via EMMA. The information will be available to the public at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any material breach, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, of its continuing disclosure agreement or from any statement made pursuant to its agreement. Holders or beneficial owners of Certificates may seek as their sole remedy a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a material breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The City may amend its continuing disclosure agreement 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, but only if, (i) the agreement, as so amended, would have permitted a purchaser to purchase or sell the Certificates in the offering made hereby 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 (2) either (a) the holders of a majority in aggregate amount of the outstanding Certificates consent to such amendment or (b) a person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the City may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the Underwriters from purchasing the Certificates in the offering described herein in compliance with the Rule. If the City amends the agreement, it has agreed to include with any financial information or operating data next 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

The City has made a continuing disclosure agreement and, except as noted below, has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

A Notice of Defeasance was not filed after the bonds refunding the Waterworks and Sewer System Revenue and Refunding Bonds, Series 2014A were issued on March 31, 2022. Subsequently, a Notice of Defeasance was filed on January 25, 2023, and is available on EMMA. In addition, a Notice of Defeasance was not filed after the bonds refunding the Waterworks and Sewer System Revenue Bonds, Series 2012 (the "Series 2012 Bonds") were issued on October 29, 2020. However, the Series 2012 Bonds have since been redeemed and are, therefore, no longer outstanding.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments 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 of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with a capital of two million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

UNDERWRITING

The Underwriters have agreed to purchase the Certificates from the City for $11,824,651.82 (being the principal amount of the Certificates, plus a net premium on the Certificates of $222,130.75 and less an Underwriters' discount of $72,478.93), plus no accrued interest.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

MUNICIPAL ADVISOR

RBC Capital Markets, LLC is employed as Municipal Advisor to the City. The fees paid to the Municipal Advisor for services rendered in connection with the issuance and sale of the Certificates are based on the amount of Certificates actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. The summaries of the statutes, orders, ordinances and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The information contained in this Official Statement in the section entitled "APPENDIX B – Audited Financial Statements of the City" has been provided by Patillo, Brown & Hill, LLP, Waco, Texas and has been included herein in reliance upon their authority as an expert in the fields of auditing and accounting.

Forward-Looking Statements

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

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

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived from the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as or as part of a contract with the original or subsequent owners of the Certificates.

This Official Statement has been duly authorized and approved by the City Council of The City of Beaumont, Texas as of the date specified on the cover page hereof.

THE CITY OF BEAUMONT, TEXAS

/s/ Roy West
Mayor
The City of Beaumont, Texas

ATTEST:

/s/ Tina Broussard
City Clerk
The City of Beaumont, Texas

APPENDIX A

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

General

The Third Congress of the Republic of Texas chartered the City of Beaumont on December 16, 1838. Beaumont, however, came of age January 10, 1901, when the first great oil well in the world, the Anthony F. Lucas Gusher, blew in at Spindletop. At the turn of the century the population was approximately 8,500; within 30 days after the discovery of oil at Spindletop, the population increased to approximately 30,000 people. With a population of over 100,000, Beaumont is the major city in an area with more than 400,000 residents.

The City of Beaumont, the county seat of Jefferson County, is located ninety miles east of Houston and approximately 35 miles north of the Gulf of Mexico on the banks of the Neches River. The area is a natural resource basin producing oil, gas sulfur and salt; a healthy agricultural economy includes rice, soybeans, blueberries, crawfish, wheat, corn, grain, sorghum and livestock.

Financing in the Beaumont area is available from a number of sources. Beaumont's financial community strongly supports economic development efforts and demonstrates flexibility and creativity in meeting corporate needs for new facilities and business expansion. Banks represented in Beaumont are as follows: Chase Bank, N.A.; Capital One Bank N.A.; Stellar Bank; PNC Bank; Bank of America, N.A.; Third Coast Bank; Wells Fargo Bank N.A.; Prosperity Bank, Hancock Whitney Bank, First Financial Bank, N.A., Woodforest National Bank, First State Bank of Texas and First Security Bank.

The following information has been derived from various sources, including the Texas Almanac, Texas Municipal Reports, U.S. Census data, The City of Beaumont Chamber of Commerce, Texas Bureau of Labor Statistics and City officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

- Beaumont -
- Major Employers -

According to The City of Beaumont and Texas Workforce Commission, the following is a listing of some of the largest employers in the area, in terms of employment and relevant product.

Name	Product
Beaumont Independent School District	Education
ExxonMobile Corporation	Chemical/Energy
Christus St. Elizabeth Hospital	Health Care
Memorial Hermann Baptist Hospital	Health Care
Lamar University	Education
The City of Beaumont	Government
County of Jefferson	Government
Wal-Mart SuperCenter	Retailer
Goodyear	Tire Manufacturer

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- Beaumont, Port Arthur, Orange MSA -
- Major Employers -

1000+ Employees

Beaumont Independent School District	Education
City of Beaumont	Government
Christus St. Elizabeth Hospital	Medical
Entergy Gulf States Inc.	Public Utilities
Jefferson County	Government
Lamar University	Education
Texas Department Criminal Justice	Mark Stiles State Prison
Memorial Hermann Baptist Hospital	Medical
Signal International	Ship Builders
Wholesale Electric Supply Co.	Electric Equipment and Sales

500-999 Employees

Ameripol-Synpol	Synthetic Rubber Manufacturing
ENGlobal Engineering	Engineering Services
Goodyear Tire & Rubber Co.	Rubber Manufacturers
Huntsman Corporation	Petrochemical Manufacturing
Matrix Engineering	Engineering Services
Motiva Enterprises	Petrochemical Manufacturing
Valero Port Arthur Refinery	Petrochemical Manufacturing
Walmart Supercenter	Department Store
West Corp.	Communications Services
West Orange-Cove ISD	Education
Xerox Corporation	Copy Machines

Source: The City of Beaumont, Texas Workforce Commission.

-Port of Beaumont -

Beaumont's water resources mean much more than water sports and outdoor recreation. Beaumont's rivers have deep-and-wide commercial transportation value that continues to enrich our communities.

The Sabine-Neches Waterway serves the greater Beaumont area ports of Beaumont, Port Arthur, Orange, and Sabine Pass. The federally maintained deep-water channel from the Gulf of Mexico to the Port of Beaumont – the inland port the greatest distance from the gulf – is ranked first in the nation in strategic importance. The waterway averages 4,000 vessels a year, about 87 million tons annually, including military and strategic fuels cargoes. The port handles ten percent of our nation's gasoline and 20 percent of its jet fuel. At least 30 percent of all military equipment – 800,000 tons – rolled through the port coming or going on 100 ships during Operation Iraqi Freedom and Enduring Freedom.

The Port of Beaumont maintains complete facilities to handle a variety of cargo, including, but not limited to – forest products, grains, project cargo, military, bagged goods, aggregate, metals, and wood chips. In addition to the deep-water channel to the gulf, the Intracoastal Waterway and Mississippi River connect Beaumont with a vast inland waterway system serving such cities as Minneapolis, Chicago, St. Louis, Kansas City, Louisville, Omaha and Memphis.

- Lamar University -

Lamar University is a regional, comprehensive university and a member of the Texas State University System. The Texas State University System consists of seven flagship institutions, located on 15 campuses across the State. In addition, three two-year institutions belong to the System-Lamar State College-Port Arthur, Lamar State College-Orange and the Lamar Institute of Technology.

Lamar University is located in Beaumont-the industrial center of Southeast Texas. The university's assets to area industry include the faculty, division of continuing education, research centers, computer center and the Gray Library with over a million volumes. Lamar University has over 13,000 students and five academic colleges.

Lamar University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award degrees at the associate, baccalaureate, master's and doctoral levels. Several of the university's colleges and degree programs are accredited as well. Lamar offers 63 undergraduate (bachelor's) degrees in 76 fields of study, 47 master's degrees and nine doctoral degrees in arts and sciences, business, education and human development, engineering, fine arts and communication.

- Building Permits -
(Source: The City of Beaumont)

	Commercial		Residential	
Year	Number of Permits	Value	Number of Permits	Value
2006	411	$ 67,008,358	357	$40,226,543
2007	242	132,869,780	446	51,659,666
2008	333	145,372,719	345	39,958,046
2009	607	204,297,987	480	41,622,697
2010	323	212,579,555	1,278	43,709,109
2011	208	115,549,763	1,262	48,621,171
2012	191	93,508,061	381	63,171,407
2013	37	94,134,538	160	67,782,376
2014	45	56,176,095	344	44,679,716
2015	35	52,401,755	195	29,117,125
2016	49	48,917,584	166	33,723,231
2017	38	45,664,992	127	23,724,169
2018	47	47,814,990	150	23,811,167
2019	35	23,874,960	232	28,686,550
2020	38	118,296,450	234	30,346,880
2021	69	144,477,444	534	92,625,218
2022	58	123,257,801	419	84,915,957
2023	233	99,161,851	1,150	51,721,168
2024	379	117,330,974	1,371	77,722,941
2025	364	184,257,441	1,536	46,998,275

- Growth Indicators -
(Source: Local Utility Providers)

	1970	1980	1990	2000	2010	2020
Electric Meters (a)	42,835	44,859	53,310	52,374	55,905	62,986
Water Meters	37,975	41,423	44,844	48,000	42,389	43,228
Population	117,548	118,102	114,323	113,866	118,296	115,282

(a) Provided by Entergy Corporation.

- Employment Information -
(Source: Texas Workforce Commission)

Jefferson County

	2026[1]	2025	2024	2023	2022
Labor Force	115,838	115,135	113,810	103,246	101,423
Employed	108,199	108,549	107,142	96,784	95,037
Unemployed	7,639	6,586	6,668	6,462	9,386
Unemployed Rate	6.6%	5.7%	5.9%	6.3%	6.3%

City of Beaumont

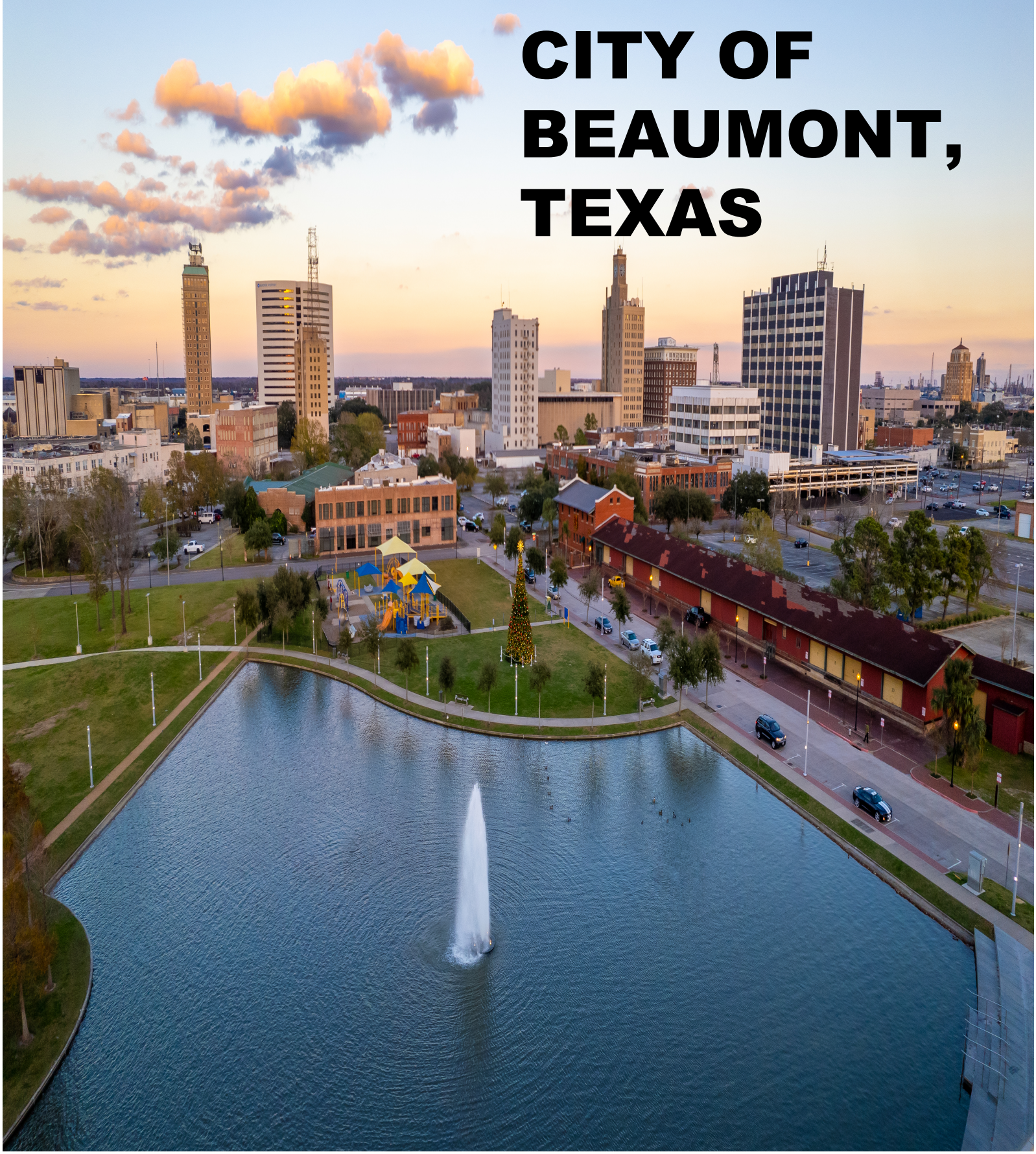
	2026[1]	2025	2024	2023	2022
Labor Force	55,234	55,008	54,476	49,376	48,481
Employed	51,992	52,160	51,664	46,675	45,832
Unemployed	3,242	2,848	2,812	2,701	2,649
Unemployed Rate	5.9%	5.2%	5.2%	5.5%	5.5%

[1] As of July 2026.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

CITY OF BEAUMONT, TEXAS



BEAUMONT
TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2025

City of Beaumont, Texas

Annual Comprehensive Financial Report

For the Fiscal Year ended September 30, 2025

Prepared by the
Finance Department

Bridgette Evick, CPA, Chief Financial Officer
Katrina Jones, Financial Controller

Janice Ridley, Grants Manager

Angie Breeden, Senior Accountant
Betty Strong, Accountant
Bailey Thompson, Grants Accountant
Debbie Meaux, Fiscal Assistant

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CITY OF BEAUMONT, TEXAS

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INTRODUCTORY SECTION

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March 27, 2026

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Beaumont as of and for the year ended September 30, 2025. This report was prepared by the Finance Department, in accordance with the City Charter, and in compliance with State law, to provide citizens, investors, grantor agencies and other interested parties with reliable financial information about the City.

The report consists of management's representations concerning the finances of the City of Beaumont. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Beaumont has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Beaumont's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Beaumont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Beaumont's financial statements have been audited by Pattillo, Brown & Hill LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beaumont for the fiscal year ended September 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Beaumont's financial statements for the fiscal year ended September 30, 2025, and that those statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Beaumont was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements,

but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Beaumont's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Beaumont's MD&A can be found immediately after the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Beaumont, Texas, incorporated in 1838, is located in the southeast corner of the state and is the seat of Jefferson County. With a population of 115,282 in the 2020 Census, the City occupies a land area of 84.01 square miles. The City has a major interstate highway dividing it and is serviced by a major port, a regional airport and three railroad lines. This City is empowered to levy a property tax on both real and personal properties located within its boundaries and collects sales tax revenues on taxable sales and purchases. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City has a Council-Manager form of government. It is governed by an elected Council composed of a Mayor and six council members, who each serve two-year terms. Four council members serve a separate ward district, and two serve at-large. They are charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the City Manager, City Attorney, City Clerk and City Magistrate. The City Manager is the chief administrative and executive officer of the City, and implements the City Council's directives and policies, administers the fiscal affairs, and is responsible for the administration of the municipal operations.

The City of Beaumont provides a full range of services, including police and fire protection; construction and maintenance of streets and other infrastructure; recreational activities; health and welfare services; and cultural events.

The annual budget serves as the foundation for the City of Beaumont's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in mid-May of each year. The City Manager uses these requests as the starting point for developing a proposed budget which is presented to the City Council for review in August. The City Council is required to hold a public hearing on the proposed budget and to adopt a final City budget in accordance with the Texas Local Government Code. The appropriated budget is prepared by fund, function, (e.g. public safety), and department (e.g. police). Transfers between expenditure accounts within a department may occur with the approval of the Department Director and review of the Budget Officer. Upon the recommendation of the City Manager, the City Council may transfer any unencumbered appropriation balance or portion thereof from one office, department, or agency to another

in the manner provided by law. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 61 of the required supplementary information section of the report. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 85.

History

In 1835, Henry Millard, Joseph Pulsifer and Thomas Huling visited two small communities located on the banks of the Neches River with the hopes of starting a mercantile business. Given a tour of the riverfront property, Millard and his partners recognized its potential and purchased the property for $500, naming the town "Beaumont" after his late wife "Mary Beaumont." However, plans for the development of the new town were abruptly halted by the onset of the Texas Revolution.

Returning from war, Millard continued his quest to establish the settlement. On December 16, 1838, by an act of the Third Congress of the Republic of Texas, the City of Beaumont received its charter. By August 1840, the first elected officials were sworn in. Order of business was promptly addressed with passage of the first ordinance establishing a liability for removing carcasses of cattle that drowned while being driven across the Neches. By the early 1900's Beaumont came of age when the first great oil well of the world, the Anthony F. Lucas Gusher, blew in at Spindletop. With the discovery of oil at Spindletop, Beaumont's population exploded.

The early 1920's were hard and the citizens of Beaumont were met with many adversities. They fought an epidemic of the bubonic plague brought on by one of the ships docked in the port and had to replace the wooden streets with asphalt and concrete after the town was destroyed by a flood. By the latter part of the decade, the City enjoyed an economic growth spurred by the growing oil economy. Good times were short-lived, however, because in 1929 the stock market crashed and started the Great Depression. During World War II, wartime changes again brought prosperity to Beaumont. Local industries such as oil refining and manufacturing and shipbuilding experienced increased production which caused an expanded population.

The 1960's and 1970's were years of both torment and triumph. The area, now referred to as the Golden Triangle, had become the petrochemical complex of Southeast Texas. In 1971, Beaumont approved its first bond issue since 1921, totaling $12 Million. By 1975, the economy had progressed so far that the nationwide recession had little effect on the area. In 1978, Beaumont was named by *Money* magazine as the town with the most potential for growth in the entire country. During 1982, the local economy began to slide into the deepest recession since the Great Depression. Tens of thousands of jobs in the chemical, petroleum, shipbuilding, and oil drilling industries were lost. By 1987, the recession reached its deepest point, and a steady sustainable recovery had begun and continued through the early 2000's.

In the summer of 2005, as Beaumont was assisting with the housing of evacuees from Hurricane Katrina, the City was dealt a major blow of its own when it took a direct hit from Hurricane Rita. Many homes and businesses suffered major damage or were completely destroyed by winds and downed trees. Most of the electrical utility grid and telecommunications throughout the area were destroyed and had to be rebuilt. Thousands of workers from other parts of the country descended on the area to help rebuild. Residential and commercial construction was soon at an all-time high for hotels and new and remodeled homes, with a need not only to accommodate the increasing labor force, but to replace those structures that had been destroyed. Businesses flourished with renewed activity. As the area attempted to return to a normal life, we were soon forced to deal with the arrival of Hurricanes Humberto in 2007 and Gustav and Ike in 2008. While Humberto was a relatively minor storm, and Gustav skirted the eastern edge of the area, Ike was a completely different story. As one of the largest and most devastating storms in history, encompassing the entire Gulf of Mexico at one point, the storm surge completely obliterated some areas around Beaumont. While the damage in the City itself was not as severe as with Rita, many residents had to relocate, businesses were closed, and the rebuilding began again. Nine years later in August 2017, Hurricane Harvey, a category 4 hurricane, made landfall on the Texas gulf coast. After striking land, Harvey weakened to a tropical storm and for about two days stalled over Southeast Texas dropping very heavy rainfall and causing widespread flooding. Two years later in September 2019, Tropical Storm Imelda made landfall causing devastating and record-breaking floods in the City of Beaumont. One year later in August 2020, Hurricane Laura, a category 4 hurricane, made landfall in southeast Louisiana, causing substantial damage to our surrounding area.

While striving to return to pre-storm conditions, the City of Beaumont is committed to future development city-wide.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The City, its area residents, and local businesses continue their recovery efforts from the impact of Hurricane Harvey in August 2017, Tropical Storm Imelda in September 2019, and Hurricane Laura in August 2020. This restoration has been a combination of repairs to return structures to pre-storm conditions and major renovations. As a result of this activity, Beaumont did experience an increase in sales tax revenue. However, in 2020 the Coronavirus Pandemic hit the nation, which created many uncertainties and negative financial impacts for the City.

Although Beaumont's economy continues to be dominated by the petrochemical industry, employment trends show a shift to service-oriented jobs. This shift from manufacturing is consistent with national trends. Area chemical plants continue to upgrade and expand their facilities to meet increased product demand and stricter environmental controls. Multibillion-dollar investments in local energy projects have provided employment for thousands of temporary workers for several years, as well as adding hundreds of permanent positions. New multibillion-dollar expansion projects are also being planned for the area. This will have a direct impact on the housing, retail, and service markets as well.

Lamar University and Lamar Institute of Technology, both a part of the Texas State University System, are dedicated to providing a quality education for all who seek it. Satisfying the demand for qualified labor has become a top priority for both, and enrollment has steadily increased over the past several years. With workers needed for construction and the ensuing permanent positions, many of the specialized fields of education are tailored to meet the needs of area businesses. Lamar University has some of the best MBA and chemical engineering programs in the county, with plans for a new degree program in energy engineering.

Beaumont has much to offer. City officials and the Greater Beaumont Chamber of Commerce continue to aggressively market our community to business and industry. A four-year university and one of the fastest-growing technical colleges in Texas provide the basis for an educated and skilled workforce to meet the requirements of companies competing in a global economy.

Long-term financial planning

By charter, the City of Beaumont maintains a five-year Community Investment Plan (CIP) which serves as its planning document to ensure that its facilities, streets, drainage, and water and sewer infrastructure are well maintained. The Community Investment Plan is prepared annually to provide for both short- and long-range physical development within the City. As included in the 2026-2030 Community Investment Plan, there are approximately $161.6 million of street/drainage, water/sewer and facility improvements in the design or construction phase for fiscal year 2026, and $757 million for fiscal years 2027-2030.

Economic Development and Tax Abatement Programs

The City utilizes tax abatement and industrial district agreements as part of its economic development strategy to encourage capital investment and support growth of the local industrial base. These agreements, authorized under Chapters 380 and 312 and Section 42.044 of the Texas Local Government Code, require participating entities to make payments in lieu of taxes based on a percentage of appraised value (generally 80% during the initial term and 75% in later years), providing a competitive incentive for development while maintaining a stable and predictable revenue stream.

For fiscal year 2025, approximately $1.99 million, or 8.84% of the total property tax levy, was abated under these agreements. The City believes the long-term benefits of increased private investment, expansion of the industrial tax base, and related economic activity outweigh the short-term reduction in tax revenues. Agreements also include recapture provisions in the event of noncompliance, protecting the City's financial interests.

Relevant Financial Policies

The City of Beaumont has adopted a comprehensive set of financial policies to guide its fiscal management. The City maintains a policy requiring that any budget amendments

involving new fund appropriations in excess of available unencumbered fund balances receive approval from the City Council.

During fiscal year 2025, in order to support planned capital and infrastructure needs, the City Council approved budget amendments for the following funds: approximately $1.55 million to the Capital Reserve Fund, $1.17 million to the Street Rehabilitation Fund, and $1.01 million to the Water Utilities Fund.

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaumont for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. This was the thirty-eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Annual Comprehensive Financial Report was made possible by the dedicated service and hard work of the entire staff of the Finance Department. The professional expertise and commitment of Bridgette Evick, Chief Financial Officer, Katrina Jones, Financial Controller, Janice Ridley, Grants Manager; Staff Accountants, Angie Breeden, Betty Strong & Bailey Thompson; and Debbie Meaux, Fiscal Assistant made this presentation possible.

Appreciation is also expressed to the staff of the operating departments for their cooperation and contribution, to the firm of Pattillo, Brown & Hill, LLP for their professional assistance and to City Council for their interest and support.

Respectfully submitted,

Kenneth R. Williams
City Manager

Bridgette Evick, CPA
Chief Financial Officer

City of
Beaumont, Texas

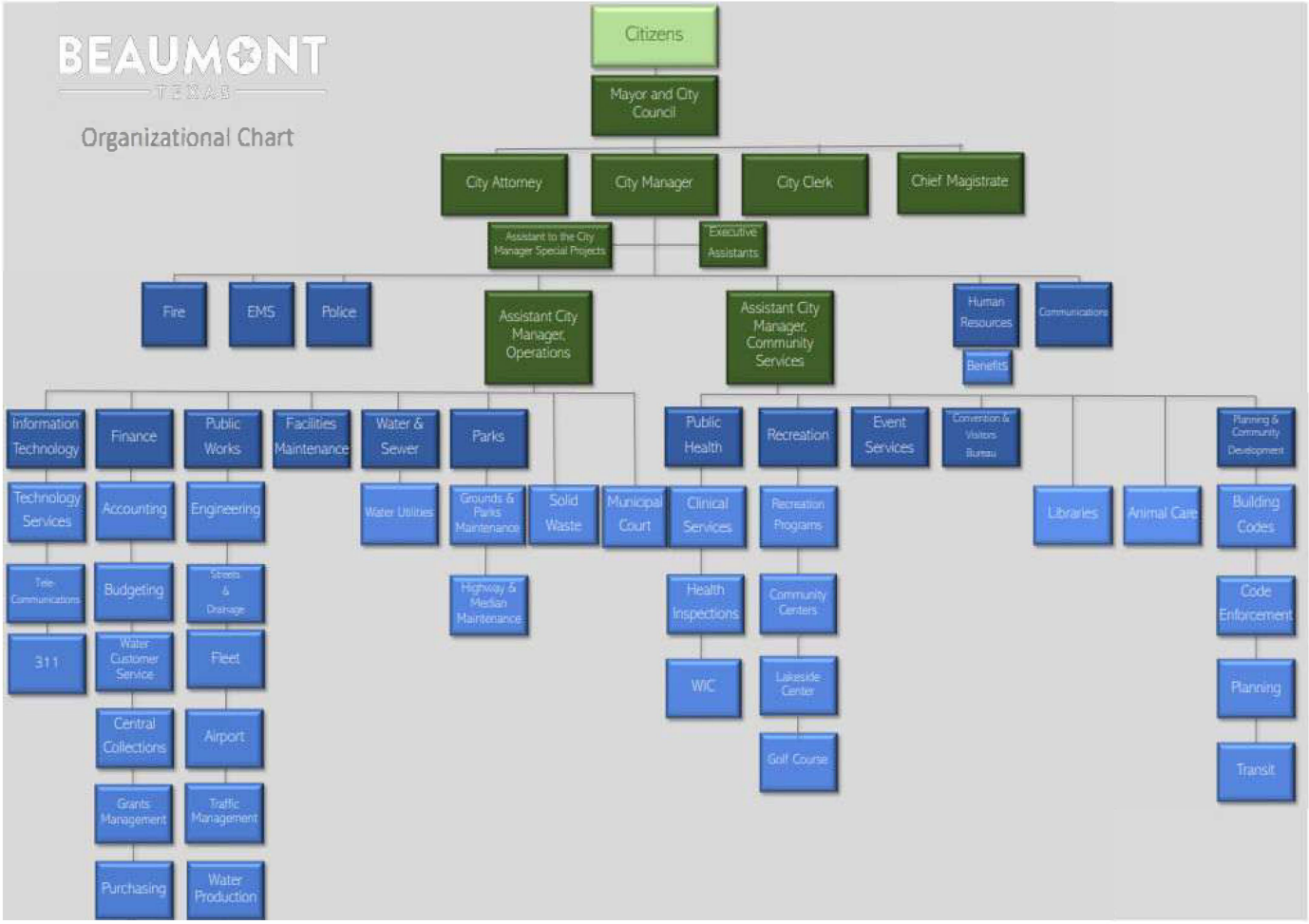
List of Principal Officials

as of September 30, 2025

Roy West, *Mayor*

Albert "AJ" Turner, Mayor Pro Tempore, At Large
Mike Williams, *At Large*
Cory Crenshaw, *Ward I*
Joseph Hilliard, *Ward II*
LaDonna Sherwood, *Ward III*
Charles Durio, *Ward IV*

Kenneth R. Williams, *City Manager*
June Ellis, *Assistant City Manager, Operations*
Christopher S. Boone, *Assistant City Manager, Community Services*


BEAUMONT
TEXAS
Organizational Chart
Citizens
Mayor and City Council
City Attorney
City Manager
City Clerk
Chief Magistrate
Assistant to the City Manager Special Projects
Executive Assistants
Fire
EMS
Police
Assistant City Manager, Operations
Assistant City Manager, Community Services
Human Resources
Communications
Benefits
Information Technology
Finance
Public Works
Facilities Maintenance
Water & Sewer
Parks
Public Health
Recreation
Event Services
Convention & Visitors Bureau
Planning & Community Development
Technology Services
Accounting
Engineering
Water Utilities
Grounds & Parks Maintenance
Solid Waste
Municipal Court
Clinical Services
Recreation Programs
Libraries
Animal Care
Building Codes
Tele Communications
Budgeting
Streets & Drainage
Highway & Median Maintenance
Health Inspections
Community Centers
Code Enforcement
311
Water Customer Service
Fleet
WIC
Lakeside Center
Planning
Central Collections
Airport
Golf Course
Transit
Grants Management
Traffic Management
Purchasing
Water Production

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beaumont
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

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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

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit and the report of the other auditors, 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.

We did not audit the financial statements of the Beaumont Firemen's Relief and Retirement Fund (the "Fund"), which represents 61.7 percent and 89.1 percent, respectively, of the assets and net position of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fund, is based solely on the report of the other auditors.

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.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA
GAQC Member

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 27, 2026

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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CITY OF BEAUMONT, TEXAS

Management's Discussion and Analysis

As management of the City of Beaumont (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $267.6 million at the close of 2025. Of this amount, $398.1 million represents the City's net investment in capital assets, and unrestricted net position is ($157.8) million.

- Total net position increased by $20.9 million in 2025. The underlying reason for the increase in net position related to governmental activities was due to a significant decrease in the City's pension deferred inflows and a decrease in the pension liabilities. The primary reasons for the increase in net position in the business-type activities are due to an increase in utility receipts due to higher usage and an increase in utility rates for the fiscal year.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $47.9 million. Approximately $22.9 million of the $47.9 million fund balance is considered unassigned at September 30, 2025.

- The City's total liabilities decreased by $29.2 million during the current fiscal year. The main causes for decrease was due to large decreases to the City's pension liability, unearned revenue, and long-term debt.

- The General Fund reported a fund balance of $41.8 million at the end of the current fiscal year. The unassigned fund balance for the General Fund was $36.4 million or 23.0% of total General Fund expenditures (excluding transfers out).

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference 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 government'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 the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business- type activities). The governmental activities of the City include general government, public works, public safety, health and welfare, culture and recreation, and housing and economic development. The business-type activities of the City include two enterprise activities: a water and sewer system, and a solid waste system.

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 the *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 33 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 and the Street Improvement Fund. Data from the other 31 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Beaumont adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found immediately following the basic financial statements.

Proprietary funds. The City maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and solid waste operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions including employee benefits, self-insurance, fleet management, capital reserve and general liability. The services provided by these funds predominantly benefit the governmental rather than the business-type functions. They have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste operations. However, the Water Fund is only considered to be a major fund of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. The Beaumont Firemen's Relief and Retirement Fund is being reported as a blended component unit. The Other Postemployment Benefits Trust Fund is being reported to account for assets held by the City in a trustee capacity.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the 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 also presents certain *required supplementary information* concerning the City of Beaumont's progress in funding its obligation to provide pension benefits to its employees, other post-employment benefits and the General Fund's budgetary information.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by $267.6 million at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, construction in progress, buildings, improvements other than buildings, equipment, infrastructure, and right to use assets); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, 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 needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The City's deferred outflows and inflows of resources changed significantly from the prior year mainly due to investment experience as well as changes in assumptions in the Beaumont Firemen's Relief and Retirement Fund.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 109,663,291	$ 108,037,340	$ 99,934,840	$ 107,016,754	$ 209,598,131	$ 215,054,094
Capital assets	453,153,372	453,632,765	311,386,287	297,810,841	764,539,659	751,443,606
Total assets	562,816,663	561,670,105	411,321,127	404,827,595	974,137,790	966,497,700
Total deferred outflows of resources	91,488,178	125,743,753	5,133,816	8,075,901	96,621,994	133,819,654
Long-term liabilities	427,674,917	435,015,104	223,352,070	240,556,643	651,026,987	675,571,747
Other liabilities	14,416,805	14,080,882	19,120,109	24,113,512	33,536,914	38,194,394
Total liabilities	442,091,722	449,095,986	242,472,179	264,670,155	684,563,901	713,766,141
Total deferred inflows of resources	115,907,237	137,583,034	2,684,784	2,296,639	118,592,021	139,879,673
Net investment in capital assets	244,028,365	251,994,455	154,073,501	146,520,404	398,101,866	398,514,859
Restricted	13,411,049	14,177,148	13,875,009	9,762,556	27,286,058	23,939,704
Unrestricted	(161,133,532)	(165,436,765)	3,349,470	(10,346,258)	(157,784,062)	(175,783,023)
Total net position	$ 96,305,882	$ 100,734,838	$ 171,297,980	$ 145,936,702	$ 267,603,862	$ 246,671,540

An additional portion of the City's net position represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position may be used to meet the government's on-going obligations to citizens and creditors.

The City's net position increased by $20.9 million during the current fiscal year. Governmental activities decreased the City's net position by $4.4 million and the Business-Type activities increased by $25.4 million. The underlying reason for the decrease in net position related to governmental activities was due to a an excess of expenses over revenues as expenses related to general government, public safety and public works increased. The primary reasons for the increase in net position in the business-type activities are due to an increase in utility receipts due to higher usage and an increase in utility rates for the fiscal year.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 20,042,988	$ 14,251,267	$ 91,270,160	$ 76,785,835	$ 111,313,148	$ 91,037,102
Operating grants and contributions	18,464,981	17,254,395	-	-	18,464,981	17,254,395
Capital grants and contributions	-	-	5,169,450	12,187,781	5,169,450	12,187,781
General revenues:						
Property taxes	71,499,394	69,182,180	-	-	71,499,394	69,182,180
Industrial payments	20,345,586	19,599,385	-	-	20,345,586	19,599,385
Sales taxes	59,332,332	55,796,905	-	-	59,332,332	55,796,905
Franchise taxes	9,148,078	9,190,784	-	-	9,148,078	9,190,784
Investment earnings	2,918,903	3,955,689	3,366,367	2,119,546	6,285,270	6,075,235
Miscellaneous	1,468,019	2,383,933	538,664	392,984	2,006,683	2,776,917
Oil and gas royalties	4,678	5,861	-	-	4,678	5,861
Gain (loss) on disposal of assets	42,594	47,314	(955,779)	714,654	(913,185)	761,968
Total revenues	203,267,553	191,667,713	99,388,862	92,200,800	302,656,415	283,868,513
Expenses						
General government	24,957,724	21,906,006	-	-	24,957,724	21,906,006
Public safety	106,568,404	104,711,102	-	-	106,568,404	104,711,102
Public works	52,660,642	49,863,103	-	-	52,660,642	49,863,103
Health and welfare	3,585,693	4,182,855	-	-	3,585,693	4,182,855
Culture and recreation	16,807,516	18,094,812	-	-	16,807,516	18,094,812
Housing and economic development	7,930,188	6,870,708	-	-	7,930,188	6,870,708
Interest on long- term debt	6,386,342	6,441,030	-	-	6,386,342	6,441,030
Water	-	-	49,542,011	45,418,532	49,542,011	45,418,532
Solid waste	-	-	13,285,573	12,012,628	13,285,573	12,012,628
Total expenses	218,896,509	212,069,616	62,827,584	57,431,160	281,724,093	269,500,776
Increase (decrease) in net position before transfers	(15,628,956)	(20,401,903)	36,561,278	34,769,640	20,932,322	14,367,737
Transfers	11,200,000	11,200,000	(11,200,000)	(11,200,000)	-	-
Increase (decrease) in net position	(4,428,956)	(9,201,903)	25,361,278	23,569,640	20,932,322	14,367,737
Net position, beginning	100,734,838	109,936,741	145,936,702	122,367,062	246,671,540	232,303,803
Net position, ending	$ 96,305,882	$ 100,734,838	$ 171,297,980	$ 145,936,702	$ 267,603,862	$ 246,671,540

Primary reasons for significant changes in revenues and expenses for the year are as follows:

Revenues – The governmental activities experienced increased property and sales tax revenues due to increased assessed values and general economic growth in the City. The City experienced slight population growth during the year as well as significant industrial activity. Business-type activities charges for services also increased due to the usage increases discussed previously.

Expenses – Significant expense increases in the governmental activities primarily related to general government, public safety, and public works. These increases are primarily attributable to salary expenses increasing due to across-the-board salary increases included in the 2025 budget.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related 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 spending at the end of the fiscal year.

As of September 30, 2025 the City's governmental funds reported combined ending fund balances of $47.9 million, a decrease of $1.1 million in comparison with the prior year. Approximately $22.9 million of this amount constitutes *unassigned fund balance,* which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At September 30, 2025, unassigned fund balance of the General Fund was $36.4 million, while total fund balance was $41.8 million, a decrease of $2.3 million in comparison with the prior year. The decreased fund balance is mainly attributed to increases in spending related to the public safety and culture and recreational functions. 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 fund expenditures (excluding transfers out). Unassigned fund balance represents 23.0% of total General Fund expenditures (excluding transfers out), while total fund balance represents 26.4% of that same amount.

The Street Improvement Fund has a total fund balance of $4.5 million. The net decrease in fund balance during 2025 in this fund was approximately $1.4 million. Fund balance decreased due to spending on planned capital projects, offset by the issuance of bonds during the current fiscal year.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. This includes both enterprise funds and internal service funds.

Enterprise funds' net position at September 30, 2025, amounted to $172.9 million. The total increase in net position of $25.4 million was primarily due to increased operating revenues from charges to customers.

Internal service funds total net position decreased $7.5 million due to increases in insurance premiums and health benefit claims.

General Fund Budgetary Highlights

For the General Fund, the final budgeted amount for revenues was $153.1 million. This is unchanged from the original budget estimate. The final budgeted amount of total expenditures was $159.5 million. This is an increase of $396 thousand. The budget was amended for an increase in general government, public safety, cultural and recreational, and housing and economic development expenditures. Actual revenues were $6.5 million above the final budgeted amounts due to more industrial payments and other revenues than expected. Overall, ending fund balance in the General Fund was $8.4 million higher than budgeted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2025, amounted to $764.5 million (net of accumulated depreciation). This investment in capital assets includes land, right of use lease assets, buildings, improvements, equipment, streets and drainage systems and infrastructure. Significant transactions involving capital assets primarily consisted of capital infrastructure projects, including streets, drainage, and water/sewer projects, as well as machinery & equipment. Total additions to construction in progress were approximately $25.2 million, and approximately $24.8 million of infrastructure projects were completed and transferred to finished assets.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 55,803,819	$ 55,803,819	$ 3,390,347	$ 3,390,347	$ 59,194,166	$ 59,194,166
Right of use lease assets	1,818,791	2,120,092	859,171	829,901	2,677,962	2,949,993
Right of use software	289,526	458,176	4,285	14,568	293,811	472,744
Buildings	61,229,827	63,608,775	1,692,055	1,789,805	62,921,882	65,398,580
Improvements	14,613,967	15,341,423	220,545,257	232,361,629	235,159,224	247,703,052
Infrastructure	276,864,653	272,814,814	20,709,989	2,541,898	297,574,642	275,356,712
Machinery and equipment	17,584,160	18,971,757	7,573,995	7,824,974	25,158,155	26,796,731
Construction in progress	24,948,629	24,513,909	56,611,188	49,057,719	81,559,817	73,571,628
Total	$ 453,153,372	$ 453,632,765	$ 311,386,287	$ 297,810,841	$ 764,539,659	$ 751,443,606

Additional information on the City's capital assets can be found in Note III on pages 37-38 of this report.

Long-term debt. At September 30, 2025, the City, the primary government, had $380.0 million of long- term bonds and certificates of obligation outstanding. Of this amount, $197.8 million comprises bonds backed by the full faith and credit of the City and $182.2 million secured solely by specified revenue sources (i.e. revenue bonds).

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 135,825,150	$ 145,398,650	$ 539,850	$ 646,350	$ 136,365,000	$ 146,045,000
Certificates of obligation	61,465,000	43,775,000	-	-	61,465,000	43,775,000
Revenue bonds	-	-	182,175,000	196,285,000	182,175,000	196,285,000
Total	$ 197,290,150	$ 189,173,650	$ 182,714,850	$ 196,931,350	$ 380,005,000	$ 386,105,000

Total long-term bonds and certificates outstanding at September 30, 2025 decreased by $6.1 million, a 1.6% decrease compared to September 30, 2024. This decrease resulted primarily from the refunding of $20.2 million in business type activities, and routine debt payments offset by the issuance of two new instruments, one in the governmental activities for $19.8 million, and the other in the business-type activities for $19.1 million.

The City's most recent bond ratings are shown in the following table.

	Standard & Poor's	Moody's Investor Services
General Obligation Debt	AA-	Aa3
Revenue Bonds	AA	A1

Additional information regarding the City's long-term debt can be found in Note II on pages 39-44 of this report.

Economic Factors and Next Year's Budgets and Rates

Sales tax is the largest single source of revenue for the General Fund representing 32% of total General Fund revenues for FY 2025. In FY 2025, sales tax revenues increased $3.59 million compared to the prior year, FY 2024. The FY 2026 Budget anticipates a 5.5% increase in sales tax revenue compared to the FY 2025 Budget.

The tax rate for FY 2025 is $0.659663 per $100 of assessed valuation, no change from FY 2024. The General Fund is allocated $0.487643 of the tax rate and $0.172020 to the Debt Service Fund. Property tax revenues account for 32.03% or $52.5 million of the revenues in the General Fund's FY 2025 Budget. Assessed values for tax year 2025 are 5.06% higher than the previous year.

Industrial payments account for 11.99% of the General Fund's overall revenue for FY 2025. The newest contracts call for payments based on 80% of the appraised value for the first three years and 75% of the value the last four years. Industrial payments are expected to be comparable in FY 2026.

Expenditures for FY 2026, including transfers, are expected to total $174.2 million. The budget allows for a 3% wage increase for civilian employees and an approximate 4% wage increase for all sworn personnel in the Police Department and in the Fire Department. The actual increase varies by position. The City is in negotiations with the Emergency Medical Services Department on their raises and the budget will be amended when those negotiations conclude. Overall budgeted General Fund expenditures, not including transfers, are expected to grow 3.6% over FY 2025, mostly attributable to salary increases.

The City is confident in its financial sustainability. The stable outlook reflects management's historical commitment to maintaining sound reserves, which provides stability during the time of economic uncertainty and downturn and allows the City to continue to provide service to all citizens and to enhance quality of life through new and renovated public facilities, improved city streets and beautification of the City.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Beaumont, Finance Department, P.O. Box 3827, Beaumont, Texas, 77704.

BASIC
FINANCIAL STATEMENTS

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CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 21,787,464	$ 15,551,531	$ 37,338,995
Investments	17,413,012	1,868,035	19,281,047
Receivables (net of allowances for uncollectibles)	62,505,824	18,407,846	80,913,670
Prepaid items	989,546	434,652	1,424,198
Inventories	1,243,592	3,363,222	4,606,814
Internal balances	1,571,991	(1,571,991)	-
Restricted assets:			
Cash and cash equivalents	979,137	26,156,942	27,136,079
Investments	3,172,725	35,724,603	38,897,328
Capital assets:			
Nondepreciable	80,752,448	60,001,535	140,753,983
Depreciable, net of accumulated depreciation	372,400,924	251,384,752	623,785,676
Total capital assets	453,153,372	311,386,287	764,539,659
Total assets	562,816,663	411,321,127	974,137,790
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	5,789,555	1,924,375	7,713,930
Pension - TMRS	12,207,256	2,540,848	14,748,104
Pension - BFRRF	69,981,243	-	69,981,243
Other post employment benefits	3,510,124	668,593	4,178,717
Total deferred outflows of resources	91,488,178	5,133,816	96,621,994
LIABILITIES			
Accounts payable	6,140,621	5,949,434	12,090,055
Accrued liabilities	5,119,484	739,226	5,858,710
Other liabilities	1,939,358	1,371,288	3,310,646
Unearned revenue	296,912	2,806,075	3,102,987
Accrued interest payable	920,430	649,930	1,570,360
Customer deposits	-	7,604,156	7,604,156
Noncurrent liabilities:			
Due within one year	17,811,836	15,547,812	33,359,648
Due in more than one year:			
Long-term debt	233,020,910	193,699,004	426,719,914
Net pension liability - TMRS	45,197,762	9,407,574	54,605,336
Net pension liability - BFRRF	106,981,589	-	106,981,589
Net OPEB liability	24,662,820	4,697,680	29,360,500
Total liabilities	442,091,722	242,472,179	684,563,901
DEFERRED INFLOWS OF RESOURCES			
Pension - TMRS	6,777,313	1,410,647	8,187,960
Pension - BFRRF	100,747,940	-	100,747,940
Other post employment benefits	6,689,224	1,274,137	7,963,361
Lease related	1,692,760	-	1,692,760
Total deferred inflows of resources	115,907,237	2,684,784	118,592,021
NET POSITION			
Net investment in capital assets	244,028,365	154,073,501	398,101,866
Restricted for:			
Debt service	4,467,882	13,875,009	18,342,891
General government	2,186,005	-	2,186,005
Public safety	815,345	-	815,345
Public works	4,142,831	-	4,142,831
Health and welfare	444,279	-	444,279
Culture and recreational	1,032,433	-	1,032,433
Housing and economic development	322,274	-	322,274
Unrestricted	(161,133,532)	3,349,470	(157,784,062)
Total net position	$ 96,305,882	$ 171,297,980	$ 267,603,862

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

CITY OF BEAUMONT, 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
Governmental activities:				
General government	$ 24,957,724	$ 195,976	$ -	$ -
Public safety	106,568,404	9,311,842	6,141,582	-
Public works	52,660,642	1,472,847	7,388,600	-
Health and welfare	3,585,693	6,228,766	2,622,806	-
Culture and recreation	16,807,516	2,833,557	252,179	-
Housing and economic development	7,930,188	-	2,059,814	-
Interest on long-term debt	6,386,342	-	-	-
Total governmental activities	218,896,509	20,042,988	18,464,981	-
Business-type activities:				
Water	49,542,011	74,019,731	-	5,169,450
Solid waste	13,285,573	17,250,429	-	-
Total business-type activities	62,827,584	91,270,160	-	5,169,450
Total primary government	$ 281,724,093	$ 111,313,148	$ 18,464,981	$ 5,169,450

General revenues:
- Taxes:
  - Property taxes
  - Industrial payments
  - Sales taxes
  - Franchise taxes
- Oil and gas royalties
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (24,761,748)	$ -	$ (24,761,748)
(91,114,980)	-	(91,114,980)
(43,799,195)	-	(43,799,195)
5,265,879	-	5,265,879
(13,721,780)	-	(13,721,780)
(5,870,374)	-	(5,870,374)
(6,386,342)	-	(6,386,342)
(180,388,540)	-	(180,388,540)
-	29,647,170	29,647,170
-	3,964,856	3,964,856
-	33,612,026	33,612,026
(180,388,540)	33,612,026	(146,776,514)
71,499,394	-	71,499,394
20,345,586	-	20,345,586
59,332,332	-	59,332,332
9,148,078	-	9,148,078
4,678	-	4,678
2,918,903	3,366,367	6,285,270
1,468,019	538,664	2,006,683
42,594	(955,779)	(913,185)
11,200,000	(11,200,000)	-
175,959,584	(8,250,748)	167,708,836
(4,428,956)	25,361,278	20,932,322
100,734,838	145,936,702	246,671,540
$ 96,305,882	$ 171,297,980	$ 267,603,862

CITY OF BEAUMONT, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Street Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 10,705,317	$ 3,961,151	$ 5,719,552	$ 20,386,020
Investments	8,099,443	3,308,855	6,004,714	17,413,012
Receivables, net				
Taxes - property	6,142,855	-	2,518,550	8,661,405
Taxes - other	9,701,589	-	-	9,701,589
Notes	-	-	322,274	322,274
Intergovernmental	-	-	24,566,855	24,566,855
Leases	1,775,843	-	-	1,775,843
Fines and fees	15,616,437	-	480,993	16,097,430
Other	259,580	10,033	59,420	329,033
Due from other funds	17,346,739	-	-	17,346,739
Restricted cash	-	-	979,137	979,137
Restricted investments	-	-	3,172,725	3,172,725
Inventories	-	-	403,298	403,298
Prepaid items	828,555	-	106,660	935,215
Total assets	70,476,358	7,280,039	44,334,178	122,090,575
LIABILITIES				
Accounts payable	1,295,138	2,798,895	1,213,413	5,307,446
Accrued liabilities	4,791,611	-	219,583	5,011,194
Due to other funds	-	-	14,034,891	14,034,891
Other liabilities	1,566,422	-	372,936	1,939,358
Unearned revenue	-	-	296,912	296,912
Total liabilities	7,653,171	2,798,895	16,137,735	26,589,801
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property tax	5,906,382	-	2,431,722	8,338,104
EMS fees	11,184,394	-	-	11,184,394
Gift cards	8,250	-	-	8,250
Demolition fees	1,133,210	-	-	1,133,210
Weed abatement fees	930,879	-	-	930,879
Forfeitures	195,332	-	-	195,332
Notes	-	-	322,274	322,274
Grants	-	-	23,299,192	23,299,192
Lease related	1,692,760	-	-	1,692,760
Total deferred inflows of resources	21,051,207	-	26,534,181	47,585,388
FUND BALANCES				
Nonspendable:				
Inventories	-	-	403,298	403,298
Prepaid items	828,555	-	106,660	935,215
Permanent fund principal	-	-	861,186	861,186
Restricted:				
Debt service	-	-	2,901,146	2,901,146
Culture and recreation	-	-	487,980	487,980
General government	-	-	2,186,005	2,186,005
Health and welfare	-	-	444,279	444,279
Public safety	-	-	815,345	815,345
Public works	-	4,481,144	4,129,246	8,610,390
Assigned:				
Culture and recreation	-	-	1,137,628	1,137,628
Public works	-	-	1,612,343	1,612,343
Next year's budget	4,576,612	-	-	4,576,612
Unassigned	36,366,813	-	(13,422,854)	22,943,959
Total fund balances	41,771,980	4,481,144	1,662,262	47,915,386
Total liabilities, deferred inflows of resources and fund balances	$ 70,476,358	$ 7,280,039	$ 44,334,178	$ 122,090,575

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

CITY OF BEAUMONT, TEXAS

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

SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	$ 47,915,386
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	453,153,372
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	
General obligation bonds and certificates of obligation	(197,290,150)
Leases and SBITAs	(2,090,269)
Financed purchases	(1,552,393)
Compensated absences	(25,690,117)
Claims payable	(6,198,525)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(920,430)
Premiums on bond issuances and deferred losses on bond refunding are recorded as other financing sources and uses when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements over the life of the bonds.	
Premiums	(18,011,292)
Deferred loss	5,789,555
Internal Service funds are used by the City's management to charge the costs of vehicle maintenance, health and workers' compensation claims, risk management, and vehicle replacement to the appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	666,142
Receivables from sources that are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.	45,892,628
Included in the items related to debt is the recognition of the City's net pension liability, net OPEB liability, and related deferred outflows and inflows of resources.	
Net pension liabilities	(152,179,351)
Deferred outflows related to pensions	82,188,499
Deferred inflows related to pensions	(107,525,253)
Net OPEB liability	(24,662,820)
Deferred outflows related to OPEB	3,510,124
Deferred inflows related to OPEB	(6,689,224)
Net Position of Governmental Activities	$ 96,305,882

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

CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Street Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 52,251,791	$ -		$ 18,478,329	$ 70,730,120
Sales	55,972,015	-		-	55,972,015
Gross receipts	8,968,161	-		3,540,234	12,508,395
Industrial payments	20,345,586	-		-	20,345,586
Licenses and permits	3,719,553	-		-	3,719,553
Charges for services	6,714,201	-		1,070,230	7,784,431
Fines and forfeitures	1,743,694	-		327,208	2,070,902
Recreational activities	2,277,413	-		-	2,277,413
Intergovernmental	168,703	684,828		12,897,936	13,751,467
Oil and gas royalities	-	-		4,678	4,678
Investment earnings	1,995,387	133,591		670,324	2,799,302
Contributions	-	-		265,634	265,634
Miscellaneous	983,989	-		25,099	1,009,088
Total revenues	155,140,493	818,419		37,279,672	193,238,584
EXPENDITURES					
Current:					
General government	21,147,473	-		127,385	21,274,858
Public safety	95,330,056	-		1,215,067	96,545,123
Public works	21,984,668	-		7,043,348	29,028,016
Health and welfare	2,209,542	-		1,496,252	3,705,794
Culture and recreational	12,556,933	-		2,870,103	15,427,036
Housing and economic development	4,739,745	-		2,656,151	7,395,896
Capital outlay	7,827	18,911,886		5,867,465	24,787,178
Debt service:					
Principal	71,673	-		11,721,764	11,793,437
Interest and fiscal charges	1,152	333,451		6,819,009	7,153,612
Total expenditures	158,049,069	19,245,337		39,816,544	217,110,950
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,908,576)	(18,426,918)		(2,536,872)	(23,872,366)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,900,000	-		1,900,000	12,800,000
Transfers out	(10,290,000)	-		(600,000)	(10,890,000)
Issuance of bonds	-	15,982,953		3,827,047	19,810,000
Premium on bonds issued	-	1,023,451		-	1,023,451
Leases issued	7,827	-		6,594	14,421
Sale of capital assets	-	-		42,594	42,594
Total Other Financing Sources	617,827	17,006,404		5,176,235	22,800,466
NET CHANGE IN FUND BALANCES	(2,290,749)	(1,420,514)		2,639,363	(1,071,900)
FUND BALANCES - BEGINNING, AS PREVIOUSLY REPORTED	44,062,729	5,901,658	2,707,027	(3,684,128)	48,987,286
ADJUSTMENTS					
Change to or within the financial reporting entity	-	-	(2,707,027)	2,707,027	-
FUND BALANCES, BEGINNING, AS ADJUSTED	44,062,729	5,901,658	-	(977,101)	48,987,286
FUND BALANCES, ENDING	$ 41,771,980	$ 4,481,144	$ -	$ 1,662,262	$ 47,915,386

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

CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net change in fund balances - total governmental funds (page 15)	$ (1,071,900)
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	25,366,179
Depreciation expense	(25,355,798)
The net effect of various miscellaneous transactions involving capital assets is to decrease net position.	(49,669)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,683,943
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of long-term debt	(20,847,872)
Principal paid on long-term debt	11,793,437
Amortization of bond premiums and deferred charges	991,816
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	3,624,744
Pension expense	(1,472,443)
OPEB expense	408,564
Interest payable	(46,534)
Internal Service Funds are used by management to charge the costs of certain capital assets and employee benefits to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities.	(7,453,423)
Change in net position of governmental activities (pages 11-12)	$ (4,428,956)

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 13,342,546	$ 2,208,985	$ 15,551,531	$ 1,401,444
Investments	-	1,868,035	1,868,035	-
Receivables (net of allowance for uncollectibles)				
Utilities	15,551,153	2,253,982	17,805,135	-
Other	133,884	468,827	602,711	1,051,395
Inventories	3,363,222	-	3,363,222	840,294
Prepaids	421,069	13,583	434,652	54,331
Restricted cash - construction	26,156,942	-	26,156,942	-
Restricted investment:				
Debt service	13,875,009	-	13,875,009	-
Construction	21,849,594	-	21,849,594	-
Total current assets	94,693,419	6,813,412	101,506,831	3,347,464
Noncurrent assets:				
Capital assets:				
Right of use lease assets	1,102,478	344,565	1,447,043	2,925,849
Right of use software	31,706	-	31,706	497,334
Land	507,509	2,882,838	3,390,347	321,414
Construction in progress	56,601,588	9,600	56,611,188	2,088,451
Buildings	3,925,872	513,572	4,439,444	17,613,940
Improvements	427,261,086	2,062,681	429,323,767	-
Equipment	22,206,077	20,540,448	42,746,525	68,891,294
Infrastructure	22,795,918	261,462	23,057,380	1,035,058
Total capital assets	534,432,234	26,615,166	561,047,400	93,373,340
Less accumulated depreciation	(230,167,471)	(18,878,349)	(249,045,820)	(66,821,648)
Less accumulated amortization	(515,366)	(99,927)	(615,293)	(1,426,578)
Total capital assets, net of accumulated depreciation and amortization	303,749,397	7,636,890	311,386,287	25,125,114
Total noncurrent assets	303,749,397	7,636,890	311,386,287	25,125,114
Total assets	398,442,816	14,450,302	412,893,118	28,472,578
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	1,924,375	-	1,924,375	-
Pension - TMRS	1,799,275	741,573	2,540,848	341,706
Other post employment benefits	459,658	208,935	668,593	125,362
Total deferred outflows of resources	4,183,308	950,508	5,133,816	467,068

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	$ 5,862,478	$ 86,956	$ 5,949,434	$ 833,175
Accrued payroll	535,694	203,532	739,226	108,290
Accrued interest payable	649,085	845	649,930	55,444
Customer utility deposits payable	7,604,156	-	7,604,156	-
Due to other funds	-	-	-	3,311,848
Other liabilities	1,149,151	222,137	1,371,288	-
Unearned revenue	2,806,075	-	2,806,075	-
Estimated claims liability	-	-	-	414,467
Compensated absences	47,133	134,307	181,440	-
Leases payable	196,805	63,997	260,802	550,718
SBITA payable	-	-	-	100,911
Financed purchase arrangements	-	-	-	435,053
Bonds payable	15,105,570	-	15,105,570	-
Total current liabilities	33,956,147	711,774	34,667,921	5,809,906
Noncurrent liabilities:				
Estimated claims liability	-	-	-	5,784,058
Compensated absences	1,011,722	361,922	1,373,644	264,857
Leases payable	438,922	186,939	625,861	1,247,586
SBITA payable	-	-	-	105,074
Financed purchase arrangements	-	-	-	1,117,340
Bonds payable	186,926,255	-	186,926,255	-
Net pension liability - TMRS	6,661,873	2,745,701	9,407,574	1,265,178
Net OPEB liability	3,229,655	1,468,025	4,697,680	880,815
Accrued landfill closure costs	-	4,773,244	4,773,244	-
Total noncurrent liabilities	198,268,427	9,535,831	207,804,258	10,664,908
Total liabilities	232,224,574	10,247,605	242,472,179	16,474,814
DEFERRED INFLOWS OF RESOURCES				
Pension - TMRS	998,934	411,713	1,410,647	189,711
Other post employment benefits	875,970	398,167	1,274,137	238,901
Total deferred inflows of resources	1,874,904	809,880	2,684,784	428,612
NET POSITION				
Net investment in capital assets	146,687,547	7,385,954	154,073,501	21,130,415
Restricted for:				
Debt service	13,875,009	-	13,875,009	-
Other	-	-	-	63,460
Unrestricted	7,964,090	(3,042,629)	4,921,461	(9,157,655)
Total net position	$ 168,526,646	$ 4,343,325	$ 172,869,971	$ 12,036,220

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

	(1,571,991)
Net position of business-type activities (page 10)	$ 171,297,980

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

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CITY OF BEAUMONT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	$ 74,019,731	$ 17,250,429	$ 91,270,160	$ 37,632,793
Miscellaneous	538,664	-	538,664	329,489
Total operating revenues	74,558,395	17,250,429	91,808,824	37,962,282
OPERATING EXPENSES				
Personnel services	14,305,287	5,624,552	19,929,839	2,877,832
Other operating expenses	17,957,600	5,086,718	23,044,318	11,551,823
Landfill closure costs	-	141,723	141,723	-
Health and life insurance premiums	-	-	-	32,048,771
Other insurance premiums	425,482	13,725	439,207	2,089,511
Damage claims	-	-	-	593,587
Depreciation	8,699,977	2,300,545	11,000,522	5,057,380
Amortization	225,473	86,048	311,521	683,331
Total operating expenses	41,613,819	13,253,311	54,867,130	54,902,235
OPERATING INCOME (LOSS)	32,944,576	3,997,118	36,941,694	(16,939,953)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	3,262,178	104,189	3,366,367	119,601
Interest expense	(7,390,149)	(14,235)	(7,404,384)	(178,012)
Gain/loss on sale of equipment	(977,879)	22,100	(955,779)	182,831
Other nonoperating expenses	(483,960)	-	(483,960)	-
Net nonoperating revenues (expenses)	(5,589,810)	112,054	(5,477,756)	124,420
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	27,354,766	4,109,172	31,463,938	(16,815,533)
Capital contributions - intergovernmental	5,169,450	-	5,169,450	-
Transfers in	-	-	-	9,290,000
Transfers out	(8,500,000)	(2,700,000)	(11,200,000)	-
CHANGE IN NET POSITION	24,024,216	1,409,172	25,433,388	(7,525,533)
TOTAL NET POSITION - BEGINNING	144,502,430	2,934,153		19,561,753
TOTAL NET POSITION - ENDING	$ 168,526,646	$ 4,343,325		$ 12,036,220

Some amounts reported for business-type activities in the statement of net position are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	(72,110)
Change in net position of business-type activities (pages 11-12)	$ 25,361,278

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		Business-Type Activities - Enterprise Funds	Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 71,502,382	$ 16,772,981	$ 88,275,363	$ 5,446,661
Cashed received from interfund charges for services	-	-	-	36,094,882
Cash payments for goods and services	(23,124,375)	(5,934,490)	(29,058,865)	(45,438,202)
Cash payments to employees	(14,086,095)	(5,833,622)	(19,919,717)	(2,766,023)
Net cash provided (used) by operating activities	34,291,912	5,004,869	39,296,781	(6,662,682)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	-	-	-	9,290,000
Cash paid to other funds	(8,500,000)	(2,700,000)	(11,200,000)	-
Net cash provided (used) by noncapital financing activities	(8,500,000)	(2,700,000)	(11,200,000)	9,290,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	114,818	3,998	118,816	69,750
Proceeds from issuance of bonds	20,523,615	-	20,523,615	-
Proceeds from capital contributions	154,065	-	154,065	-
Payments for capital acquisitions	(19,468,620)	(1,777,597)	(21,246,217)	(4,078,267)
Principal payments on long-term debt	(33,532,252)	(53,476)	(33,585,728)	(1,093,937)
Interest paid and fiscal charges	(9,202,116)	(13,409)	(9,215,525)	(139,137)
Net cash provided (used) by capital and related financing activities	(41,410,490)	(1,840,484)	(43,250,974)	(5,241,591)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	2,819,568	-	2,819,568	-
Purchase of investments	-	(362,745)	(362,745)	-
Receipt of interest	3,262,178	104,189	3,366,367	118,509
Net cash provided (used) by investing activities	6,081,746	(258,556)	5,823,190	118,509
NET INCREASE (DECREASE) IN CASH	(9,536,832)	205,829	(9,331,003)	(2,495,764)
CASH AND CASH EQUIVALENTS:				
BEGINNING OF YEAR	49,036,320	2,003,156	51,039,476	3,897,208
END OF YEAR	$ 39,499,488	$ 2,208,985	$ 41,708,473	$ 1,401,444
Restricted	26,156,942	-	26,156,942	-
Unrestricted	13,342,546	2,208,985	15,551,531	1,401,444

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities - Enterprise Funds		Business-Type Activities - Enterprise Funds	Governmental Activities
	Water	Solid Waste	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 32,944,576	$ 3,997,118	$ 36,941,694	$ (16,939,953)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,925,450	2,386,593	11,312,043	5,740,711
Landfill closure costs	-	141,723	141,723	-
(Increase) decrease in assets and deferred outflows:				
Accounts and other receivable	(3,483,504)	(477,448)	(3,960,952)	267,413
Inventory	(382,418)	-	(382,418)	(62,824)
Prepaid items	(421,069)	(13,583)	(434,652)	1,260,702
Deferred outflows related to pensions	1,790,984	731,203	2,522,187	42,330
Deferred outflows related to OPEB	155,211	70,551	225,762	378,741
Increase (decrease) in liabilities and deferred inflows:				
Accrued payroll	60,299	31,238	91,537	22,183
Claims liability	-	-	-	(406,344)
Accrued compensated absences	98,174	(289,132)	(190,958)	144,476
Accounts payable	(3,937,806)	(820,464)	(4,758,270)	53,956
Other liabilities	213,280	15,021	228,301	-
Due to other funds	-	-	-	3,311,848
Net pension liability	(2,075,513)	(838,501)	(2,914,014)	(488,130)
Net OPEB liability	(87,696)	(39,862)	(127,558)	(23,917)
Deferred inflows related to pensions	400,731	166,321	567,052	69,671
Deferred inflows related to OPEB	(122,998)	(55,909)	(178,907)	(33,545)
Customer deposits	214,211	-	214,211	-
Net cash provided (used) by operating activities	$ 34,291,912	$ 5,004,869	$ 39,296,781	$ (6,662,682)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Equipment acquired through financing arrangements	$ -	$ -	$ -	$ 808,958
Equipment acquired through leases	94,937	295,722	390,659	300,300
Accrual of capital related payables and retainage	4,325,208	-	4,325,208	-

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

DECEMBER 31, 2024

	Pension and Other Post-Employment Benefits Trust Funds
ASSETS	
Cash and cash equivalents	$ 1,180,631
Investments at fair value:	
Common stocks	22,638,503
Equity mutual funds	40,339,097
International equity funds	16,371,822
Domestic fixed income funds	16,093,411
Multisector fixed income funds	3,035,668
Private fixed income	3,761,683
Alternative funds	7,209,601
Real estate	8,625,332
Receivables:	
Investment interest and dividends	54,048
Leases receivable	26,888
Property and equipment, net	805,126
Total assets	120,141,810
LIABILITIES	
Accrued expenses	60,065
Total liabilities	60,065
DEFERRED INFLOWS OF RESOURCES	
Lease related	26,888
Total deferred inflows of resources	26,888
NET POSITION	
Restricted for pensions	119,242,053
Restricted for OPEB	812,804
Total net position	$ 120,054,857

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

CITY OF BEAUMONT, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2024

	Pension and Other Post-Employment Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 8,671,148
Plan members	4,861,223
Total contributions	13,532,371
Investment income:	
Net appreciation (depreciation)	
In fair value of investments	8,668,131
Interest	1,534,197
Dividends	3,090,233
Other	88,811
Total investment income	13,381,372
Less investment expense	(563,383)
Net investment income	12,817,989
Total additions	26,350,360
DEDUCTIONS	
Benefits paid	17,610,659
PROP withdrawals	4,163,969
Administrative expenses	372,878
Total deductions	22,147,506
NET INCREASE (DECREASE) IN NET POSITION	4,202,854
TOTAL NET POSITION - BEGINNING	115,852,003
TOTAL NET POSITION - ENDING	$ 120,054,857

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Beaumont, Texas (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the City.

A. Reporting Entity

The City is a municipal corporation operating under a Council-Manager form of government. It is governed by an elected board composed of a Mayor and six (6) Council members.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units is combined with data of the primary government.

Blended Component Units Reported with the Primary Government

Blended component units provide services exclusively, or almost exclusively, for the City, or their board of directors are substantially the same as the City Council. The following blended component units are reported:

The ***Beaumont Firemen's Relief and Retirement Fund*** (the "Plan") was created pursuant to the Texas Local Fire Fighters Retirement Act. The Plan provides pension, disability, death, and severance benefits to employees of the City's fire department pursuant to a single-employer defined benefit pension plan. The Fund is governed by a seven-member Board of Trustees (the "Board") consisting of three firefighter members (elected by the membership), one member representing the Mayor of the City of Beaumont, one member representing the City's Finance Officer and two residents of the City of Beaumont (non-employees of the City) who are elected by the previously defined five members of the Board. The City is obligated to make contributions to the plan. Thus, a financial benefit/burden relationship exists, and management has determined that the omission of the Plan would potentially make the City's financial statements misleading or incomplete. Thus, in accordance with Paragraph 6 of GASB 84, the Plan has been included as a fiduciary component unit and is presented as a pension trust fund. The fiduciary fund's fiscal year end is December 31, 2024.

The ***Beaumont Municipal Transit Corporation*** (the "Corporation") was established to provide certain transportation services to citizens within the City. The Corporation is governed by a board of directors that is substantively the same as the City Council, which approves the Corporation's budget and revenue rates. Additionally, the management of the City has operational responsibility for the Corporation. Thus, the Corporation has been included as a blended component unit and is presented as a special revenue fund.

Excluded From the Financial Reporting Entity

The following agencies were considered in the determination of component units of the City's financial reporting entity:

Beaumont Multi-Family Housing Corporation
Beaumont Industrial Development Corporation
Beaumont Health Facilities Development Corporation
Beaumont Housing Financing Corporation

Reporting Entity (continued)

The agencies were excluded due to the following criteria: separate corporate powers make them legally separate entities; the governing bodies are not appointed by the City; the City is not legally entitled to access the resources of the agencies; the City is not legally obligated and has not assumed the obligation to fund the deficits or provide financial support to the agencies and is not obligated for the debt of the agencies.

Related Organization

The Beaumont Housing Authority (Authority) is a legally separate organization formed to administer housing programs funded by the U. S. Department of Housing and Urban Development (HUD), which has a scope of public service within the geographic boundaries of the City. The City governing authority appoints a majority of the Authority members; however, the City's accountability does not extend beyond making the appointments, as the administration of the Authority is vested solely with its board, and there is no financial relationship between the Authority and the primary government.

B. Government-wide and Fund 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 activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental, special revenue and capital project funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is 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.

Property taxes, sales taxes, franchise taxes, industrial payments, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City has 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 ***Street Improvement Fund*** is a capital project fund used to account for the acquisition and construction of major street-related capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following proprietary funds:

The ***Water Fund*** accounts for the provision of water and sewer services to residents and commercial businesses in the City and proximate area. It is a major proprietary fund.

The ***Solid Waste Fund*** accounts for trash and brush collection, disposal services and the operations of the City landfill. It is a major proprietary fund.

Additionally, the government reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizenry.

Internal Service Funds account for employee benefits, risk management, fleet and other capital asset management services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, other governmental units, and other funds. The fiduciary fund statements have a year end of December 31.

As a general rule, the effect of interfund activity has been eliminated from the government- wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as *program revenue* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods regarding a proprietary fund's principal ongoing operation. The principal operating revenue of the Water Fund, of the Solid Waste Fund, and of the City's Internal Service Funds are charges to customers for sales and services.

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

1. Deposit and Investments

Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

State statutes and policies mandated by City Council authorize the City to invest in obligations of the U.S. Treasury, certificates of deposit, and certain investment pools.

Government agency securities are stated at fair value; TexasTERM is stated at net asset value; certificates of deposit and TexPool are stated at amortized cost.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances, outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the purchase method in both government-wide and fund financial statements.

4. Restricted Assets

Funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Additionally, cash received for utility deposits is restricted on the Water Fund statement of net position. Also, unspent bond proceeds are restricted in the Water Fund for construction projects.

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 government as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Right-to-use lease assets are recorded at the present value of the lease payments at the origination of the lease agreement.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Assets	(Years)
Buildings	15 - 50
Improvements other than buildings	10 - 50
Machinery and equipment	3 - 12
Infrastructure	12 - 50
Right to use:	
Leases	1 - 5
Sofware	1 - 5

6. Compensated Absences

The City's employees earn paid time off (PTO), sick leave, personal leave and short-term disability, all of which may either be taken or accumulated, up to certain amounts, until paid on termination or retirement. This liability reflects amounts attributable to cumulative employee services already rendered. Governmental funds report an expenditure and a fund liability of the only when those absences have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). Amounts for compensated absences that are not expected to be liquidated with expendable available financial resources are not reported in the Governmental Fund financial statements. In proprietary fund types, this liability is recorded as a current liability in the individual proprietary fund since payment of this liability will be made from resources of these funds.

Policies relating to the accrual and payment of these benefits are as follows:

Paid time off - Employees may earn from 4.62 to 12.92 hours of paid time off per pay period and may accrue up to 160 days (1,280 hours) to be used in future periods. Upon separation, employees are paid for accumulated leave if they have completed 12 consecutive months of service with the City. Fire Department employees are paid for this accumulation without a service waiting period.

Sick Leave - Police and Fire Department employees earn 1.25 days of sick leave for each month of service. Payment for accrued sick leave is limited to 90 days upon separation. Unlike Fire Department employees, who have no waiting period, Police Department employees must have two years of employment before qualifying to receive accumulated sick leave upon separation.

Personal Leave - Police Department personnel earn one day of personal leave per quarter up to a maximum of 32 hours. Fire Department personnel earn one day of personal leave per year for 10 years of service and 2 days per year for 20 years of service.

Short-term Disability (STD) - Employees other than Police and Fire earn 3.69 hours of short-term disability per pay period. Short-term disability leave may only be used after an employee has been absent five consecutive working days. Accrual of short-term disability leave is limited to 720 hours. Upon termination, employees are paid for unused STD hours accumulated prior to October 1, 1991, at the employee's rate of pay as of September 30, 1991. However, if the accumulated PTO leave exceeds 1,280 hours, the employee will not be paid for any STD. Upon termination, employees are not paid for accumulated STD leave earned on or after October 1, 1991.

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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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

8. Fund Balance Policies

The City classifies fund balances of governmental funds using the following classifications, which describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory, prepaid, and permanent fund principal items have been properly classified in the Governmental Funds Balance Sheet.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

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

Assigned fund balance – amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council authorized that the assignment of fund balance can be expressed by the City Manager through its fund balance policy. Additionally, the City Council can exercise its authority to assign fund balances when it adopts a budget for the General Fund with appropriations exceeding revenues for the next subsequent fiscal year, by which existing fund balance is assigned to fund expenditures in the next fiscal year.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial pension and OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Deferred charges on bond refunding – this amount related to bonds refunded in prior years is amortized over the shorter of the life of the new or refunded bonds and is recognized in interest expense.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

In addition to liabilities, the statement of net position and balance sheet 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 future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial pension and OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference between projected and actual investment pension earnings – This difference is deferred and amortized over a five-year period.

- Deferred inflows related to leases arise from the recognition of the discounted future lease payments on lessor agreements. These amounts are recognized in lease income straight-line over the assessed life of the lease.

- The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, grants, demolition fees, EMS billings, and certain other fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumptions

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

12. 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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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 Beaumont Firemen's Relief and Retirement Fund (BFRRF) and additions to/deductions from BFRRF's fiduciary net position have been determined on the same basis as they are reported by BFRRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Copies of the BFRRF's financial statements can be obtained by writing to 1515 Cornerstone Ct., Beaumont, TX 77706.

13. Leases

The City has entered into various lease agreements as both lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. 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 non-cancellable 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 or lease asset.

Lessee - The City is a lessee for noncancellable leases of vehicles and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. 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. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor - The City is a lessor of several buildings on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

14. Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon 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.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan and additions to/deduction from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. The OPEB Plan's investments are reported at fair value.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

17. Change in Accounting Principle

During fiscal year 2025, the City adopted the following new accounting guidance:

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 the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

After completing updated estimates of compensated absences under GASB 101, management determined that the estimated liability as of the beginning of fiscal year 2025 was not significantly different from the liability as previously reported. As such, the cumulative effect of the change was reported with salary expenditures rather than a restatement of beginning net position.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Negative Fund Balances/Net Position

Several funds ended the fiscal year with a negative fund balance or Net Position as follows:

The COVID-19 Recovery Fund had a negative fund balance in the amount of $5,962,289 due to timing of reimbursements related to expenditures.

The Laura Recovery Fund had a negative fund balance in the amount of $1,898,103 due to timing of reimbursements related to expenditures.

The Miscellaneous Grants Fund had a negative fund balance in the amount of $12,864 due to timing of reimbursements related to expenditures.

The Municipal Court Security Fund had a negative fund balance in the amount of $23,271 due to timing of reimbursements related to expenditures.

The Municipal Transit Fund had a negative fund balance in the amount of $619,193 due to timing of reimbursements related to expenditures.

The Police Grant Fund had a negative fund balance in the amount of $57,384 due to timing of reimbursement related to expenditures.

The General Improvement Fund had a negative fund balance in the amount of $4,380,541 due to timing of reimbursements related to expenditures.

The Fleet Internal Service Fund had a negative Net Position of $626,603 due to pension costs accrued due to GASB 68 as well as OPEB costs accrued due to GASB 75.

The Employee Benefits Internal Service Fund had a negative Net Position of $7,662,267 due to recognition of estimated claims payable.

III. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes and the City's investment policy as of September 30, 2025.

Investments - The City has a written investment policy regarding the investment of its funds. The investments of the City are in compliance with the investment policy, the City Charter, the Public Funds Investment Act (Chapter 2256 of the Government Code, as amended) and all other state and local statutes governing the investment of public funds. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized certificates of deposit, fully collateralized repurchase agreements, no load money market mutual funds and approved government investment pools.

Investments are reported at fair value, except for the City's position in investment pools, which are measured at net asset value per share, and nonparticipating certificates of deposit, which are measured at cost. The City reports the change in fair value as part of investment earnings (loss).

DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

The City's cash and investments are as follows:

	Reported Value 9/30/2025	Measurement Basis	Weighted Average Maturity (Days)
Money Market Accounts/Petty Cash	$ 76,010,741	Cost	1
Texas Class	1,475,151	NAV	84
Texas Range	356	NAV	46
TexPool	582	NAV	44
Certificates of Deposit	45,166,619	Cost	195
Total	$ 122,653,449		
Portfolio weighted average maturity			73

Interest Rate Risk - Fair value fluctuates with interest rates and increasing rates may cause fair value to decline below original cost. In compliance with the City's Investment policy, the City minimized interest rate risk by limiting the weighted average maturity of the portfolio to 365 days with a stated final maturity date not to exceed 3 years from the date of purchase. In addition, the portfolio is structured so that securities mature to meet cash flow requirements, thereby avoiding the need to sell securities prior to maturity and below the original cost.

Credit Risk - The City's investment policy requires approved investment pools to be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized agency. In compliance with the City's investment policy, as of September 30, 2025, all of the City's purchased investments in investment pools, TexPool, and Texas Range were rated AAAm by Standard & Poors and AAAmmf by Fitch, respectively.

Custodial Credit Risk **-** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the fair value. FNMA, GNMA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository.

Local Government Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2236 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principal, the PFIA requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City participates in TexPool, Texas Class, and Texas Range which are external investment pools. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management and accountability for fiscal matters. Texas Range is a public funds investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and is privately managed. TexPool reports investments in compliance with GASB 79 which permits the pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value when computing their net position and share price. Investments in Texas Range, a portfolio established by Texas Range, are measured using the net asset value per share practical expedient.

Interest income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

Investment in State Investment Pools

The City has no unfunded commitments related to its investments in Texas Class, Texas Range, or TexPool. These investments are redeemable daily with no advance notice required, and redemptions are permitted on the same day if currently eligible.

During the year, the City invested in multiple public fund investment pools, including TexPool, Texas Class, and Texas Range. The fair value of the position of the pools is measured at net asset value and is designed to approximate the share value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Interest income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

OPEB Trust Fund Investments

The City has contracted with ICMA-RC for trust administration, and the City's OPEB plan investments are held in a VantageCare Retirement Health Savings Plan Trust. This is an employer investment program designed to help meet public sector employers' retiree health obligations and ease administrative responsibilities. As of December 31, 2024, 100% of the City's OPEB plan investment assets were in a balanced mutual fund valued at $812,803. The City may change the allocation or transfer assets between investment funds at any time.

Property Taxes

Property appraisal within the City is the responsibility of the Jefferson Central Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City can appeal classes of appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the city's corporate limits. However, if the tax rate exceeds the no new revenue tax rate after certain adjustments for the previous year by more than three and one-half percent (3.5%), then an automatic election is triggered to determine whether to limit the tax rate to no more than three and one half percent (3.5%) above the no new revenue tax rate.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson Central Tax Assessor-Collector to bill and collect its taxes.

In the fund financial statements, property taxes that are measurable and available (collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as unavailable revenues in the year of levy. Such unavailable revenues are recognized as revenue in the fiscal year in which they become available.

DETAILED NOTES ON ALL FUNDS (continued)

Property Taxes (continued)

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2025 are as follows:

	General Fund	Other Governmental	Total
Property taxes receivable	$ 6,332,840	$ 2,596,443	$ 8,929,283
Less: allowance for doubtful accounts	(189,985)	(77,893)	(267,878)
Net property taxes receivable	6,142,855	2,518,550	8,661,405
Unavailable property taxes	$ 5,906,382	$ 2,431,722	$ 8,338,104

Receivables

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

	General	Street Improvements	Nonmajor Governmental	Water	Solid Waste	Internal Service	Total
Receivables:							
Interest	$ 47,846	$ 10,033	$ 6,505	$ 111,040	$ 4,545	$ 7,424	$ 187,393
Taxes - property	6,332,840	-	2,596,443	-	-	-	8,929,283
Taxes - other	9,701,589	-	-	-	-	-	9,701,589
Utilities	34,773	-	40	15,905,067	2,332,207	-	18,272,087
Notes	-	-	322,274	-	-	-	322,274
Leases	1,775,843	-	-	-	-	-	1,775,843
Intergovernmetal	-	-	24,566,855	-	-	-	24,566,855
Fines and fees	32,707,964	-	560,334	-	-	-	33,268,298
Other	259,580	-	52,013	22,844	465,408	1,043,971	1,843,816
Gross receivables	50,860,435	10,033	28,104,464	16,038,951	2,802,160	1,051,395	98,867,438
Less: allowance for uncollectibles	(17,364,131)	-	(156,372)	(353,914)	(79,351)	-	(17,953,768)
Net Total Receivables	$ 33,496,304	$ 10,033	$27,948,092	$15,685,037	$ 2,722,809	$ 1,051,395	$80,913,670

Lease Asset Receivables

On May 1, 2018, the City entered into a 30-year lease agreement as lessor for the use of 600 Marina Street. The lessee is required to make monthly fixed payments of $8,250 and will be adjusted every year thereafter based on the consumer price index. The lease has an interest rate of 4.59%.

On September 1, 2025, the City renewed its role as lessor under a 36-month agreement for the use of 2430 W Cardinal Drive, Suites C, D & E. The lessee is required to make monthly fixed payments totaling $4,696 for the duration of the lease. The lease has an interest rate of 4.59%.

A summary of the City's lease receivables as of September 30, 2025, is as follows:

Lease Description	Lease Begin Date	Lease End Date	Minimum Monthly Lease Payment	Lease Receivable 9/30/2025	Deferred Inflow of Resources 9/30/2025
600 Marina Street	5/1/2018	4/30/2048	$ 8,250	$ 1,622,266	$ 1,538,882
2430 W Cardinal Dr, Ste C-E	9/1/2025	8/31/2028	4,696	153,577	153,878
			$ 12,946	$ 1,775,843	$ 1,692,760

DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

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

	Beginning Balance,	Additions	Reclassifications/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 55,803,819	$ -	$ -	$ 55,803,819
Construction in progress	24,513,909	25,200,620	(24,765,900)	24,948,629
Total capital assets not being depreciated	80,317,728	25,200,620	(24,765,900)	80,752,448
Capital assets being depreciated and amortized:				
Right of use lease assets	2,884,622	365,262	(174,460)	3,075,424
Right of use software	710,649	-	-	710,649
Buildings	115,280,811	-	-	115,280,811
Improvements other than buildings	57,839,045	-	760,000	58,599,045
Infrastructure	565,512,264	471,200	24,005,900	589,989,364
Machinery and equipment	115,680,781	4,763,298	(1,999,346)	118,444,733
Total assets being depreciated	857,908,172	5,599,760	22,592,094	886,100,026
Less accumulated depreciation for:				
Right of use lease assets	(764,530)	(666,563)	174,460	(1,256,633)
Right of use software	(252,473)	(168,650)	-	(421,123)
Buildings	(51,672,036)	(2,378,948)	-	(54,050,984)
Improvements other than buildings	(42,497,622)	(1,487,456)	-	(43,985,078)
Infrastructure	(292,697,450)	(20,427,261)	-	(313,124,711)
Machinery and equipment	(96,709,024)	(5,985,992)	1,834,443	(100,860,573)
Total accumulated depreciation	(484,593,135)	(31,114,870)	2,008,903	(513,699,102)
Total capital assets being depreciated, net	373,315,037	(25,515,110)	24,600,997	372,400,924
Governmental activities capital assets, net	$ 453,632,765	$ (314,490)	$ (164,903)	$ 453,153,372

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,390,347	$ -	$ -	$ 3,390,347
Construction in progress	49,057,719	22,459,209	(14,905,740)	56,611,188
Total capital assets not being depreciated	52,448,066	22,459,209	(14,905,740)	60,001,535
Capital assets being depreciated:				
Right of use lease assets	1,187,884	196,353	62,806	1,447,043
Right of use software	31,706	-	-	31,706
Buildings and system	4,439,444	-	-	4,439,444
Improvements other than buildings	430,335,019	-	(1,011,252)	429,323,767
Infrastructure	8,151,640	-	14,905,740	23,057,380
Machinery and equipment	40,268,399	3,112,217	(634,091)	42,746,525
Total assets being depreciated	484,414,092	3,308,570	13,323,203	501,045,865
Less accumulated depreciation for:				
Right of use lease assets	(357,983)	(301,238)	71,349	(587,872)
Right of use software	(17,138)	(10,283)	-	(27,421)
Buildings and system	(2,649,639)	(97,750)	-	(2,747,389)
Improvements other than buildings	(201,572,087)	(7,206,423)	-	(208,778,510)
Infrastructure	(2,011,045)	(336,346)	-	(2,347,391)
Machinery and equipment	(32,443,425)	(3,360,003)	630,898	(35,172,530)
Total accumulated depreciation	(239,051,317)	(11,312,043)	702,247	(249,661,113)
Total capital assets being depreciated, net	245,362,775	(8,003,473)	14,025,450	251,384,752
Business-type activities capital assets, net	$ 297,810,841	$ 14,455,736	$ (880,290)	$ 311,386,287

DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets (continued)

Depreciation and amortization expense was charged to function/programs of the City as follows:

	Depreciation
Governmental activities:	
General government	$ 3,161,271
Public safety	852,547
Public works	26,895,694
Health and welfare	9,334
Culture and recreation	121,348
Housing and economic development	74,676
Total Governmental Activities	$ 31,114,870
Business-type activities:	
Water	$ 8,925,450
Solid Waste	2,386,593
Total Business-type Activities	$ 11,312,043

Construction and Other Significant Commitments

The City has active construction and other significant projects as of September 30, 2025. At year-end, the City's commitments are as follows:

Project	Expenditures to Date	Remaining Commitments
Governmental Activities:		
Riverfront Development	$ 288,175	$ 4,711,825
Stormwater Pipe Inspection and Point Repair	1,533,038	1,716,962
Laura Addition Drain Improvement	1,436,478	63,522
Citywide Ditching 2024	486,271	2,813,729
Phelps and Downs Road Drainage Impro	50,000	1,050,000
Parks Cameras	59,263	30,737
555 Main Street	3,896,976	353,024
CIVIC Center Restore	32,355	24,344
Pickleball Courts	17,250	324,750
Underpass Lighting Project	62,230	115,970
Scott Park Pavillion	13,612	146,388
Port Security Project	30,270	622,905
Underpass Pump	285,613	1,649,387
Highland Avenue Roadway	141,323	4,458,677
HSIP Signal Interconnects	23,000	716,020
Sidewalk Repair	732,514	267,486
West Lucas Drive Project	3,404,913	11,845,088
Municipal Court Third Floor Buildout	293,833	359,342
Street Rehab	8,133,737	10,866,263
Total Governmental Activities	$ 20,920,851	$ 42,136,419
Business-type Activities:		
Lawson's Raw Water Line	$ 835,611	$ 15,984,389
IH10/69 Eastex Interchange	761,745	15,638,255
Raw Water Delivery Line	7,970,597	9,329,403
23rd Street Sewer Trunk line rehab	119,789	4,780,211
IH10/69 Cardinal Interchange	246,078	4,753,922
Wastewater Treatment Plant Yard Piping Renewal	240,134	4,359,866
Lawson's Pump	47,000	2,553,000
Pine Street Water Production Plant Desludging	87,573	2,412,427
Wall & Ave. C Lift Station	19,307	2,180,693
Pine Street Water Production Plant Chlorine Dioxide	703,369	1,796,631
Water Line / Hydrant replacement	2,426,786	8,067,211
Water Production System repairs	890,331	1,909,669
Lead and Copper Rule Revision	623,129	576,871
Orange Avenue Water Main Rehab	219,325	630,675
Pine Street Water Plant South Basin Sludge	112,926	487,074
South Elevation Storage Tank Rehab	48,715	1,401,285
Lift Station Electrical Improvements	306,079	353,921
Itron Meter Replacement	466,266	33,734
Pine Street Water Resiliency Line Engineering	444,672	80,328
Harriott Lift Rehab	1,626	1,998,374
Wastewater Treatment Plant Generator	114,254	2,885,746
Lift Station Rehab	318,654	391,346
Pine Street Raw Water Delivery Line	9,322,045	539,672
Total Business-type Activities	$ 26,326,011	$ 83,144,703

DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2025, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 14,034,891
General Fund	Internal Service Funds	3,311,848
	Totals	$ 17,346,739

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made.

Interfund transfers:

Interfund transfers during the year ended September 30, 2025, were as follows:

Transfer From	Transfer To	Amount
General Fund	Nonmajor Governmental Funds	$ 1,900,000
General Fund	Internal Service Funds	8,390,000
Water Fund	General Fund	7,900,000
Water Fund	Internal Service Funds	600,000
Solid Waste Fund	General Fund	2,400,000
Solid Waste Fund	Internal Service Funds	300,000
Nonmajor Governmental Funds	General Fund	600,000
		$22,090,000

Transfers are primarily used to move funds from:

- The Proprietary Funds and Hotel Occupancy Tax Fund to the General Fund for payments in lieu of taxes.
- The General Fund to finance various programs in accordance with budgetary authorizations.

Long-Term Liabilities

The City issues general obligation bonds, certificates of obligation, revenue bonds, notes, leases, and financed purchase arrangements to finance various long-term projects of the City. These debt instruments are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general obligation bonds and certificates of obligation are paid through the Debt Service fund from property tax revenues. During the fiscal year, the City issued $19,810,000 in Certificates of Obligation, Series 2025 and $19,120,000 in Water Works and Sewer System Revenue Refunding Bonds, Series 2025.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

The following is a summary of changes in the City's governmental and business-type activity total long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General obligation bonds	$145,398,650	$ -	$ 9,573,500	$135,825,150	$ 10,087,300
Certificates of obligation	43,775,000	19,810,000	2,120,000	61,465,000	2,675,000
Issuance premiums	18,615,752	1,023,451	1,627,911	18,011,292	1,627,911
Total bonds payable	207,789,402	20,833,451	13,321,411	215,301,442	14,390,211
Lease payable	2,157,114	314,720	587,551	1,884,283	576,022
SBITA's	373,958	-	167,973	205,985	100,911
Financed purchase agreements	1,181,785	808,958	438,350	1,552,393	435,053
Claims payable	6,604,869	18,435,185	18,841,529	6,198,525	414,467
Compensated absences	29,170,385	-	3,480,267	25,690,118	1,895,172
Total governmental	$247,277,513	$ 40,392,314	$ 36,837,081	$250,832,746	$ 17,811,836
Business-type Activities					
Bonds Payable:					
Revenue and refunding bonds	$196,285,000	$ 19,120,000	$ 33,230,000	$182,175,000	$ 13,630,000
General obligation bonds	646,350	-	106,500	539,850	67,700
Issuance premiums	19,249,172	1,339,823	1,272,020	19,316,975	1,407,870
Total bonds payable	216,180,522	20,459,823	34,608,520	202,031,825	15,105,570
Lease payable	841,170	305,227	259,734	886,663	260,802
SBITA's	10,562	-	10,562	-	-
Compensated absences	1,746,042	-	190,958	1,555,084	181,440
Accrued landfill closure costs	4,631,521	141,723	-	4,773,244	-
Total business-type	$223,409,817	$ 20,906,773	$ 35,069,774	$209,246,816	$ 15,547,812

Compensated absences additions and reductions are netted in the schedule above.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. In general, the City uses the General Fund and the Debt Service Fund to liquidate governmental long-term liabilities. Compensated absences are typically liquidated by the General Fund. Long-term liabilities applicable to the City's proprietary funds are reported in the appropriate proprietary funds' financial statements and are accounted for using the accrual basis of accounting.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

Bonds and Certificates of Obligation Payable

A summary of the terms of general obligation bonds, certificates of obligation, and revenue bonds payable, as of September 30, 2025, are as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities				
General Obligation Bonds				
Series 2015 Refunding	$ 41,935,000	2030	4.41	$ 13,410,000
Series 2016 Refunding	41,658,000	2034	2.04	20,230,150
Series 2020A Refunding	28,590,000	2040	2.29	22,885,000
Series 2020B Refunding	81,100,000	2038	2.26	79,300,000
Total General Obligation Bonds				$ 135,825,150
Certificates of Obligation				
Series 2018	$ 9,260,000	2033	4.27	$ 5,745,000
Series 2021	28,150,000	2041	3.36	25,105,000
Series 2024	11,115,000	2045	5.00	10,805,000
Series 2025	19,810,000	2045	5.00	19,810,000
Total Certificates of Obligation				$ 61,465,000
Business- type Activities				
General Obligation Bonds				
Series 2016 Refunding	$ 1,112,000	2034	2.04	$ 539,850
Total General Obligation Bonds				$ 539,850
Revenue & Refunding Bonds				
Series 2014A Refunding	$ 69,300,000	2034	3.11	$ 4,050,000
Series 2015A Refunding	31,055,000	2036	3.69	7,305,000
Series 2017	18,550,000	2037	2.98	13,130,000
Series 2020A Refunding	37,170,000	2040	2.14	30,535,000
Series 2020B Refunding	13,420,000	2032	2.26	8,200,000
Series 2022	31,140,000	2033	2.88	22,805,000
Series 2023	23,305,000	2047	5.00	21,965,000
Series 2024	56,060,000	2049	5.00	55,065,000
Series 2025	19,120,000	2034	5.00	19,120,000
Total Revenue & Refunding Bonds				$ 182,175,000

The annual requirements to amortize general obligation bonds outstanding at September 30, 2025, are as follows:

Year Ending	Governmental Activities		Business- type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 10,087,300	$ 4,546,340	$ 67,700	$ 20,585
2027	10,574,150	4,050,675	70,850	17,475
2028	11,071,300	3,544,417	73,700	14,583
2029	11,588,200	3,038,721	76,800	11,573
2030	12,100,200	2,532,353	79,800	8,440
2031-2035	55,829,000	7,215,428	171,000	14,034
2036-2040	24,575,000	1,382,775	-	-
Total	$ 135,825,150	$ 26,310,709	$ 539,850	$ 86,690

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

The annual requirements to amortize governmental activity certificates of obligation outstanding at September 30, 2025, are as follows:

Certificates of Obligation

Year Ending September 30,	Governmental Activities Principal	Interest
2026	$ 2,675,000	$ 2,616,554
2027	2,770,000	2,521,700
2028	2,910,000	2,379,700
2029	3,065,000	2,230,325
2030	3,220,000	2,076,875
2031-2035	16,640,000	8,145,350
2036-2040	17,485,000	4,761,375
2041-2045	12,700,000	1,421,250
Total	$ 61,465,000	$ 26,153,129

Revenue Bonds

Requirements to amortize business-type activity revenue bonds outstanding as of September 30, 2025, are as follows:

Year Ending September 30,	Business- type Activities Principal	Interest
2026	$ 13,630,000	$ 7,744,491
2027	14,135,000	7,268,644
2028	14,705,000	6,716,243
2029	11,975,000	6,829,858
2030	12,305,000	5,727,808
2031-2035	48,165,000	21,647,016
2036-2040	29,290,000	12,927,975
2041-2045	20,785,000	7,235,300
Thereafter	17,185,000	1,994,950
Total	$ 182,175,000	$ 78,092,285

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. For fiscal year 2025, net revenue available for debt service was 3.93 times the average annual debt service requirement. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. The management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2025.

Issuance of Certificates

During fiscal year 2025, the City issued Certificates of Obligation, Series 2025 for $19,810,000 with an interest rate of 5.0% maturing in 2045. Proceeds from the sale of the Certificates will be used to fund construction for public works and machinery and for the payment of the costs associated with the issuance of the Certificates.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

Advance Refunding

During fiscal year 2025, the City issued Waterworks and Sewer System Revenue Bonds, Series 2025 for $19,120,000 with an interest rate of 5.0% maturing in 2034. The proceeds were used to advance refund $21,070,000 of outstanding Waterworks and Sewer System Revenue Refunding Bonds, Series 2015A which had interest rates ranging from 2.00% to 5.00%. The net proceeds of $20,523,615, including a $1,403,615 premium and after payment of $353,615 in underwriting fees and other issuance costs, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Waterworks and Sewer System Revenue Refunding Bonds, Series 2015A, are considered defeased and the liability for those bonds has been removed from the statement of net position.

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds, Housing Finance Corporation Bonds, Multi-Family Housing Finance Corporation Bonds, Housing Corporation Mortgage Bonds and Health Facilities Development Corporation Bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

There are no issues currently outstanding.

Financed Purchase Arrangements

The City has entered into certain financing arrangements to purchase various pieces of equipment. These obligations are paid out of the Capital Reserve Fund with interest rates ranging from 1.68% to 6.02% per annum.

Following is a summary of future payments outstanding as of September 30, 2025:

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2026	$ 435,053	$ 82,150	$ 517,203
2027	294,758	65,204	359,962
2028	312,030	47,932	359,962
2029	330,313	29,647	359,960
2030	180,239	10,292	190,531
Total	$ 1,552,393	$ 235,225	$ 1,787,618

Leases Payable

The City has entered into various lease agreements as lessee primarily for vehicles and office equipment. Certain leases require additional payments based on actual asset usage, which are expensed as incurred as variable lease payments. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate (4.59%) to discount the lease payments. The value of the right to use asset as of September 30, 2025 is $4,522,467 with accumulated amortization of $1,844,506.

DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

A summary of leases payable as of September 30, 2025, are as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current: Year	Amounts Outstanding 9/30/2025
Governmental Activities					
Copiers	4.59%	2019-2025	$ 390,447	$ 11,963	$ 304,187
Vehicles	4.59%	2021-2024	1,995,951	65,163	1,580,096
Total				$ 77,126	$ 1,884,283
Business-type Activities					
Copiers	4.59%	2020-2025	$ 36,811	$ 1,387	$ 30,224
Vehicles	4.59%	2021-2025	1,000,711	39,311	856,439
Total				$ 40,698	$ 886,663

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

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	$ 576,022	$ 63,842	$ 639,864	$ 260,802	$ 30,733	$ 291,535
2027	548,859	41,750	590,609	232,321	21,020	253,341
2028	478,847	20,894	499,741	233,600	11,342	244,942
2029	237,292	4,603	241,895	128,245	3,003	131,248
2030	43,263	825	44,088	31,695	498	32,193
Total	$ 1,884,283	$ 131,914	$ 2,016,197	$ 886,663	$ 66,596	$ 953,259

SBITA Payable

The City has entered into a subscription for the use of body camera software. As of September 30, 2025, the value of the subscription liability is $205,985. The City is required to make annual payments ranging from $107,791 to $107,856. As the interest rate implicit in the City's SBITA's is not readily determinable, the City utilizes its incremental borrowing rate (4.59%) to discount the SBITA payments. The value of the right to use asset as of September 30, 2025 is $742,355 with accumulated amortization of $448,544.

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2026	$ 100,911	$ 6,945	$ 107,856
2027	105,074	2,717	107,791
Totals	$ 205,985	$ 9,662	$ 215,647

Risk Management/Insurance Funds

Transactions related to the City's risk management program are recorded in two separate internal service funds - the Employee Benefits Fund and the General Liability Fund. The City's General, Water, Solid Waste, Hotel Occupancy Tax, Fleet and certain Grant Funds participate in the program and make contributions based on amounts needed to fund prior and current claims and to establish a reserve for unexpected and unusual claims. Employees of the City also participate in the form of contributions for coverage of dependents.

DETAILED NOTES ON ALL FUNDS (continued)

Risk Management/Insurance Funds (continued)

The Employee Benefits Fund records all transactions related to employee health claims, workers' compensation claims, dental insurance premiums and the administration of these programs. The program is managed by a benefit coordinator with necessary support staff. The City offers employees an indemnity health plan. Under the indemnity health plan, the City retains all risks associated with the employee health program up to $200,000 per person. Risks associated with workers' compensation liabilities are also retained by the City, up to $1,000,000 per incident. The City purchases commercial insurance to cover losses beyond coverage provided by the fund. The City has not incurred losses in excess of insurance coverage for the past three fiscal years. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). Claim liabilities are calculated considering recent claim settlement trends. Changes in the Employee Benefits Fund's claims liability (including an estimate for claims incurred, but not reported) were:

	Year Ended 9/30/2025	Year Ended 9/30/2024
Liability for claims, beginning of fiscal year	$ 5,828,018	$ 6,004,497
Incurred claims and changes in estimated	20,451,257	14,737,890
Claim payments	(20,495,217)	(14,914,369)
Liability for claims, end of fiscal year	$ 5,784,058	$ 5,828,018

The General Liability Fund accounts for the City's risk management activity related to torts and other statutory causes of action. The City retains all risks associated with torts and other statutory causes of action, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the laws of the State of Texas, claims for torts are limited to $250,000 per person and $500,000 per incident. This limit does not apply to claims arising from other causes of action. The General Liability Fund records a claim as payable when information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the General Liability Fund's claims liability were:

	Year Ended 9/30/2025	Year Ended 9/30/2024
Liability for claims, beginning of fiscal year	$ 776,851	$ 507,670
Incurred claims and changes in estimated	231,203	1,081,653
Claim payments	(593,587)	(812,472)
Liability for claims, end of fiscal year	$ 414,467	$ 776,851

Contingent Liabilities

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

Various claims and lawsuits are pending against the City. Those judgments which are considered "probable" and estimable are accrued as a legal claim liability. At September 30, 2025, approximately $414,467 has been recorded in the risk funds for claims and lawsuits considered to be probable. In the opinion of the City Attorney, this is the total of all such claims which represent probable loss to the City.

DETAILED NOTES ON ALL FUNDS (continued)

Defined Benefit Pension Plans

The City participates in two defined benefit pension plans, as described in the following pages. Aggregate amounts reported in the statement of net position for these two plans are as follows:

	TMRS	BFRRF	Total
Net pension liability	$ 54,605,336	$ 106,981,589	$ 161,586,925
Deferred outflows of resources	14,748,104	69,981,243	84,729,347
Deferred inflows of resources	8,187,960	100,747,940	108,935,900
Pension expense	15,068,339	9,069,055	24,137,394

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 942 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at *www.TMRS.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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City are as follows:

	Plan Year December 31, 2024
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 Retroactive Repeating
Supplement death benefit:	
Active employees	No
Retirees	No

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	1,037
Inactive employees entitled to but not yet receiving benefits	633
Active employees	1,014
Total	2,684

Texas Municipal Retirement System (TMRS) (continued)

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Beaumont were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Beaumont were 21.04% and 20.70% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $15,815,233, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

DETAILED NOTES ON ALL FUNDS (continued)

Texas Municipal Retirement System (TMRS) (continued)

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public & Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.0%	

Discount/Crediting Rates

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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. 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.

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

Changes in the Net Pension Liability

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 596,269,772	$ 522,067,732	$ 74,202,040
Changes for the year:			
Service cost	12,972,476	-	12,972,476
Interest	39,604,163	-	39,604,163
Difference between expected and actual experience	2,425,269	-	2,425,269
Contributions - employer	-	15,614,471	(15,614,471)
Contributions - employee	-	5,194,927	(5,194,927)
Net investment income	-	54,145,245	(54,145,245)
Benefit payments, including refunds of employee contributions	(32,055,338)	(32,055,338)	-
Administrative expense	-	(347,895)	347,895
Other changes	-	(8,136)	8,136
Net changes	22,946,570	42,543,274	(19,596,704)
Balance at 12/31/2024	$ 619,216,342	$ 564,611,006	$ 54,605,336

DETAILED NOTES ON ALL FUNDS (continued)

Texas Municipal Retirement System (TMRS) (continued)

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 132,962,117	$ 54,605,336	$ (10,436,295)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2025, the City recognized pension expense of $15,068,339. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,179,354	$ 884,580
Changes of assumptions	-	2,052,091
Difference between projected and actual investment earnings	-	5,251,289
Contributions subsequent to the measurement date	11,568,750	-
Total	$ 14,748,104	$ 8,187,960

$11,568,750 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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	$ 641,721
2027	6,424,198
2028	(8,293,390)
2029	(3,781,135)
Total	$ (5,008,606)

The City allocates pension items between governmental activities and business type activities on the basis of covered payroll of the respective activities.

Beaumont Firemen's Relief and Retirement Fund (BFRRF)

Plan Description

The Board of Trustees of the BFRRF is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. Firefighters in the Beaumont Fire Department are covered by the Beaumont Firemen's Relief and Retirement Fund.

DETAILED NOTES ON ALL FUNDS (continued)

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

The Fund is governed by a seven-member Board of Trustees (the "Board") consisting of three firefighter members (elected by the membership), one member representing the Mayor of the City of Beaumont, one member representing the City's Finance Officer and two residents of the City of Beaumont (non-employees of the City) who are elected by the previously defined five members of the Board. The Board has general powers and duties to administer the Fund, including appointing an administrator to carry out the business of the Board, investing the assets of the Fund, making expenditures from the Fund, and determining employees' eligibility for benefits.

Plan Membership as of the December 31, 2024 valuation and measurement date is as follows:

Retirees and beneficiaries currently receiving benefits	241
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	232
Total	473

Pension Plan Fiduciary Net Position

Information about the Plan's fiduciary net position can be found at www.beaumontfirepension.com.

Benefits Provided

The benefit provisions of this plan are authorized by the Texas Local Fire Fighter's Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. Amending the plan requires approval of any proposed change by: a) an eligible actuary and b) a majority of the participating members of the fund.

The plan provides retirement, termination, disability and death benefits.

Service Retirement:
Tier 1 (Hired Before January 1, 2022)
Date: Attainment of age 50 and 20 years of service.
Benefit: 63.15% of highest 60-month average salary plus a longevity benefit equal to $123 per month for each year of service in excess of 20 years (partial years prorated), subject to IRC Section 415 limits.

Tier 2 (Hired On or After January 1, 2022)
Date: Attainment of age 55 and 20 years of service.
Benefit: 60.00% of highest 60-month average salary plus a longevity benefit equal to $123 per month for each year of service in excess of 20 years (partial years prorated), subject to IRC Section 415 limits.

Early Retirement:
Date: Any time after termination of employment with attainment of 20 years of service prior to age 50.
Benefit: Actuarially equivalent reduced benefit equal to the normal service retirement benefit otherwise payable at age 50, based on pay and service at early retirement, using 8% interest and UP-1994 mortality.

Vesting:
Schedule: 100% after 20 years of service.
Benefit: Member will receive the accrued benefit deferred to age 50 (Tier 1) or age 55 (Tier 2). Non-vested members receive a refund of accumulated member contributions without interest.

Death Benefits:
Surviving Spouse of Member (eligible for service retirement): Monthly benefit the firefighter could have received on the date of death if the Joint and 100% Surviving Spouse option had been elected. The 5-year RETRO DROP is also available if the firefighter was eligible at death.

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

Surviving Spouse of Member (not eligible for service retirement): 47.36% of the member's highest 60-month average salary plus a longevity benefit equal to $92.25 per month for each year of service in excess of 20 years (partial years prorated).

Dependent Children of Member (with surviving spouse): Each child is entitled to 9.47% of the member's highest 60-month average salary, payable until age 18.

Dependent Children of Member (with no surviving spouse): Each child is entitled to 18.94% of the member's highest 60-month average salary, payable until age 18.

Maximum Death Benefit Payable: For a retired member or member who was not retired but was eligible for service retirement at time of death, the sum of death benefits being paid shall not exceed the benefit the member was receiving or would have received had the member retired on the date of death. For a member who was not retired and was not eligible for service retirement at time of death, the sum of death benefits being paid shall not exceed the disability retirement benefit that the member would have received had the member become disabled on the date of death.

Disability Retirement:

Eligibility: After the first year, to be eligible for disability benefits, the firefighter must be determined to be unable to (a) perform the duties of any occupation for which the firefighter is reasonable suited by education, training and experience and to (b) earn as much in his occupation as the firefighter would have earned if the firefighter would have continued in the former position with the fire department.

Benefit: Accrued benefit, as shown under the service retirement benefit provision

Deferred Retirement Option Program

5-Year Retro Deferred Retirement Option Program (DROP):
Eligibility: Attainment of age 50 and 20 years of Service. Participation Period: Not to Exceed 60 Months.

7-Year Retro Deferred Retirement Option Program (DROP):
Eligibility: Attainment of age 55 and 25 years of Service. Participation Period: Not to Exceed 84 Months.

Accumulation: Sum of the monthly Service Retirement benefit the Member would have received if had retired on the Retro DROP determination date plus an amount equal to the Member contributions deposited into the fund subsequent to the Retro DROP determination date.

Post Retirement Option Plan (PROP) Eligibility: Retro DROP Retiree.
Rate of Return: 2% less than the actuarial assumed investment return. The PROP balance as December 31, 2024 and 2023 is $19,838,042 and $23,462,690, respectively.

Contributions

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by BFRRF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Member contributions can be changed by a vote of the firefighters in accordance with section 29 of the TLFFRA. The City's contribution rate is determined periodically as a part of collective bargaining agreement between the City and the firefighters. Employees were required to contribute 18% of their annual gross earnings during the fiscal year. The contribution rate for the City was 20.00% in fiscal year 2025 and fiscal year 2024. The City's contributions to BFRRF for the year ended September 30, 2025 were $5,375,489 and were greater than the actuarially determined contribution by $5,170,589.

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

Net Pension Liability

The BFRRF's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The components of the NPL on December 31, 2024 were as follows:

Total Pension Liability	$ 226,223,642
Plan Fiduciary Net Pension	(119,242,053)
Sponsor's Net Pension Liability	$ 106,981,589
Plan Fiduciary Net Pension as a percentage of Total Pension Liability	52.71%

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of December 31, 2024 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	3.25% to 12.00%, including inflation
Discount Rate	7.25%
Investment Rate of Return	7.50%
Municipal Bond Rate	4.08%

Mortality rates were based on the PubS-2010 (public safety) total dataset tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2020.

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees on December 27, 2023, effective with the December 31, 2023 actuarial valuation. The updated assumptions and methods are based on the 2023 experience study covering the four-year period ending December 31, 2022.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. For 2024, the inflation rate assumption of the investment advisor was 3.0%. These ranges are combined to produce the long-term excepted rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities		
Domestic equity	50.00%	45.0% - 55.0%
International equity	15.00%	10.0% - 20.0%
Fixed Income		
Domestic fixed income	16.00%	11.0% - 21.0%
Multisector fixed income	2.50%	0.0% - 5.0%
Private debt	3.00%	0.0% - 5.0%
Cash	1.00%	0.0% - 5.0%
Real Estate		
Private real estate	7.50%	2.5% - 12.5%
Alternative		
Infrastructure	5.00%	0.0% - 10.0%
Total	100.00%	

DETAILED NOTES ON ALL FUNDS (continued)

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of December 31, 2024. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.08% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). Based on the stated assumptions and the projection of cash flows (which reflect contribution rate increases adopted prior to the measurement date), the pension plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. As a result, a single discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024. The discount rate was 7.50% as of the prior measurement date.

Separate Audit Report Issued

A separate audit report is issued for the Beaumont Firemen's Relief and Retirement Fund (BFRRF.) A copy of the most recent report can be obtained by contacting the finance department at City Hall.

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

The following presents the net pension liability of the city, calculated using the discount rate of 7.25%, compared to what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current: Discount Rate (7.25%)	1% Increase (8.25%)
BFRRF's net pension liability	$ 130,829,670	$ 106,981,589	$ 86,908,866

Changes in Net Pension Liability

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 215,668,666	$ 115,144,028	$ 100,524,638
Changes for the year:			
Service cost	4,961,064	-	4,961,064
Interest	15,667,298	-	15,667,298
Difference between expected and actual experience	3,090,680	-	3,090,680
Change in assumptions	5,339,705	-	5,339,705
Contributions - employer	-	5,400,291	(5,400,291)
Contributions - employee	-	4,861,223	(4,861,223)
Net investment income	-	12,735,986	(12,735,986)
Benefit payments, including refunds of employee contributions	(18,503,771)	(18,503,771)	-
Administrative expense	-	(395,704)	395,704
Balance at 12/31/2024	$ 226,223,642	$ 119,242,053	$ 106,981,589

Beaumont Firemen's Relief and Retirement Fund (BFRRF) (continued)

For the year ended September 30, 2025, the City recognized pension expense of $7,772,542. As of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to BFFRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,393,625	$ 3,868,348
Changes in actuarial assumptions	49,904,664	87,132,614
Difference between projected and actual investment earnings	11,508,810	9,746,978
Contributions subsequent to the measurement date	4,174,144	-
Total	$ 69,981,243	$ 100,747,940

$4,174,144 reported as the net deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2026	$ 36,618
2027	(5,752,212)
2028	(15,685,428)
2029	(8,403,155)
2030	(2,042,577)
Thereafter	(3,094,087)
Total	$(34,940,841)

Postemployment Benefits Other Than Pension Benefits

Plan Description

All City of Beaumont employees retiring under TMRS or BFRRF will be provided the opportunity to elect employer-subsidized health insurance until age 65 if retired and/or hired by the City on or before December 31, 2016. Civilian employees and their dependents who retire and were hired by the City of Beaumont on January 1, 2017 or later will be offered insurance at unsubsidized rates. The retiree plans are the same as the active plans. The medical and prescription drug coverages are self-insured by the City. The City's Retiree Health Insurance OPEB Plan is a single-employer defined benefit plan, defined by City policy. The OPEB Plan does not issue a separate report that includes financial statements and required supplementary information for the OPEB Plan. As of the December 31, 2024 valuation date, the number of plan members split between active and inactive (retirees) consisted of the following:

Inactive (does not include spouses)	129
Active	612
Total	741

Contributions

Benefit provisions, as well as retiree premium contributions, are established by City management. The City determines the employer and participant contribution rates annually, based on recommendations of City staff and the City's benefit consultant. For the year ended September 30, 2025, the City's average contribution rate was 3.2 percent of covered-employee payroll.

DETAILED NOTES ON ALL FUNDS (continued)

Postemployment Benefits Other Than Pension Benefits (continued)

Investments

The City participates in the Mission Square's employer investment program which is designed to help meet public sector employer's retiree health obligations. The goal is to generate adequate long-term returns that, when combined with contributions, will result in enough assets to pay the present and future obligations of the City's OPEB plan. The City's OPEB plan investments are 100% invested in the American Balanced Fund. This fund has a traditional balanced approach with a diversified portfolio of quality stocks and bonds. This fund seeks three goals: capital conservation, current income and long-term growth of capital and income.

Concentration: Assets of the OPEB plan are held in trust by Mission Square which is fully discussed in Note 4 of this report.

Rate of return*:* For the year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 14.81 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. The components of the net OPEB liability on December 31, 2024 were as follows:

Total OPEB Liability	$ 30,173,303
Plan Fiduciary Net Pension	(812,803)
Net OPEB Liability	$ 29,360,500
Plan Fiduciary Net Pension as a percentage of Total Pension Liability	2.69%

Postemployment Benefits Other Than Pension Benefits (continued)

Actuarial Assumptions

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

Actuarial cost method:	Entry Age Normal (level percent of salary)
Asset valuation method:	Market Value
Inflation:	2.50%
Salary increases:	3.00%
Discount rate:	4.16% (3.92% for the previous valuation)
Return on assets:	6.75%

Healthcare cost trend rates:

Year	Rate	Year	Rate
2022-25	7.58%	2031-37	5.49%
2026	7.25%	2038	5.39%
2027	6.88%	2039	5.35%
2028	6.53%	2040	5.32%
2029	6.18%	2041	5.28%
2030	5.83%	2041	4.44%

Withdrawal (termination): TMRS low turnover table adjusted to match the City's experience

Mortality: PUB- 2010 (26% General Table; 74% Safety) projected using MP- 2021. 2022 representative rates per thousand are as follows:

	Non-Annuitant		Annuitant	
Age	Male	Female	Male	Female
20	0.412	0.165	0.412	0.165
30	0.555	0.329	0.555	0.329
40	0.812	0.538	0.812	0.538
50	1.200	0.814	2.064	1.538
60	2.868	1.799	5.521	4.479

Retirement Rates:

Age	Retirement Rates
40-44	0.50%
45-49	1.00%
50-54	2.50%
55-59	5.00%
60	20.00%
61-64	10.00%
65-69	50.00%
70+	100.00%

Percent Married:	45%
Spouse's Age:	Females are 3 years younger than males
Participation percentage	75% of those who retire elect the retiree medical plan

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

Funds available in the OPEB trust fund are not enough to cover future benefits payable under the plan. Therefore, a single discount rate of 4.16%, based on the Fidelity Municipal GO AA 20-year index, was used to measure the total OPEB liability as of December 31, 2024.

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

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.16%) in measuring the total OPEB liability.

	1% Decrease 3.16%	Current: Discount Rate 4.16%	1% Increase 5.16%
Net OPEB liability - retiree health	$ 31,684,315	$ 29,360,500	$ 27,190,560

Postemployment Benefits Other Than Pension Benefits (continued)

Changes in the Total OPEB Liability

Total City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2024, the measurement and actuarial valuation date, was calculated as follows:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate.

	1% Decrease 3.04%	Current: Healthcare Trend Rate 4.04%	1% Increase 5.04%
Healthcare Trend Rate	$ 26,516,563	$ 29,360,500	$ 32,665,987

Changes in assumptions and other inputs reflect a change in the discount rate from 3.92% to 4.16%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at 12/31/2023	$ 30,865,714	$ 707,975	$ 30,157,739
Changes for the year:			
Service cost	933,003	-	933,003
Interest	1,252,966	-	1,252,966
Change of benefit terms	-	-	-
Difference between expected and actual experience	872,818	-	872,818
Change in assumptions	(480,341)	-	(480,341)
Contributions - employer	-	3,270,857	(3,270,857)
Net investment income	-	107,863	(107,863)
Benefit payments	(3,270,857)	(3,270,857)	-
Administrative expense	-	(3,035)	3,035
Net changes	(692,411)	104,828	(797,239)
Balance at 12/31/2024	$ 30,173,303	$ 812,803	$ 29,360,500

OPEB Trust Fund Fiduciary Statement of Net Position

STATEMENT OF NET POSITION
OTHER POST-EMPLOYMENT BENEFITS TRUST FUNDS
DECEMBER 31, 2024

ASSETS	
Investments at fair value:	
Equity mutual funds	$ 812,804
Total investments at fair value	812,804
Total Assets	812,804
LIABILITIES	
Total Liabilities	-
NET POSITION	
Held in trust for other postemployment benefits	812,804
Total Net Position	$ 812,804

Postemployment Benefits Other Than Pension Benefits (continued)

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

For the year ended September 30, 2025, the City recognized OPEB expense of $1,379,908. Also, as of September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 842,485	$ 6,470,536
Differences between expected and actual experience	2,054,765	1,458,425
Differences between expected and actual investment earnings	-	34,400
Contributions subsequent to the measurement date	1,281,467	-
Total	$ 4,178,717	$ 7,963,361

$1,281,467 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

For the Year Ended September 30,	
2026	$ (1,206,539)
2027	(1,195,652)
2028	(1,221,997)
2029	(319,953)
2030	(388,861)
Thereafter	(733,109)
Total	$ (5,066,111)

Closure and Postclosure Care Cost

The City owns and operates a landfill site located on Lafin Road. State and federal laws and regulations require the City to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The $4.77 million reported as landfill closure and postclosure care liability at September 30, 2025 represents the cumulative amount reported to date based on the use of estimated capacity of the landfill that had previously been in existence. The City has obtained approval to expand the landfill vertically, and therefore, the revised capacity estimates greatly exceed that which previously had been considered. The remaining estimated liability for landfill closure and postclosure care, estimated at $3.95 million, will be recognized as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2025. The City expects to close the landfill in the year 2052. Actual costs may be higher due to inflation, changes in technology or changes in regulations. As of September 30, 2025, 38.69% of the landfill's total capacity has been used.

The City is required by state and federal laws and regulations to demonstrate financial assurance for closure and postclosure care costs. The City has complied with the financial test criteria as specified in Subchapter K of 31 Texas Administrative Code, Chapter 330.285.

Tax Abatements

The City enters into economic development agreements to provide financial incentives for the purposes of stimulating the local economic development and business and commercial activity in the City. These agreements are authorized under Chapter 380 and Chapter 312 of the Texas Local Government Code. The City has entered into one (1) Chapter 380 agreement that calls for rebates of property taxes of 100% on assessed values for 10 years. In exchange for the ten-year tax abatement, the agreement calls for payments to the City in the amount of $1,000,000 for fiscal years 2017 & 2018 and $139,327 for the next 8 years.

Also, the City has entered into one (1) Chapter 312 agreement that calls for rebates of property taxes of 100% on assessed values for 9 years. In exchange for the nine-year tax abatement, the agreement calls for payments to the City in the amount of $850,000 for fiscal years 2018 & 2019 and $161,544 for the next 7 years. The City abated no taxes under the Chapter 380 or 312 agreements during fiscal year 2025.

The City enters into industrial agreements to collect payments in lieu of taxes with companies located outside the city limits in our Extra Territorial Jurisdiction or ETJ. These agreements are made under the authority of Section 42.044 of the Texas Local Government Code. The City's practice is to have seven-year agreements with these companies whereby they make payments based on 80% of the appraised value for the first three years of the agreement and 75% of the appraised value during the last four years. In return, the companies provide for significant construction projects within the City's ETJ per the terms of the agreement. If the payments made by the companies under the agreements are not made timely to the city, the tax abatements may be recaptured immediately and paid to the City within 60 days. For fiscal year 2025, the City abated property taxes of $1.986 million or 8.84% of the $22.465 million total levy.

Accounting Changes

In accordance with GASB 100, accounting changes for the year are reported as follows:

Changes within the Financial Reporting Entity. For Fiscal Year 2025, the City reported one change in its financial reporting entity. The Debt Service Fund was previously reported as a major governmental fund and is now reported as a nonmajor governmental fund. The change in classification is required based on quantitative factors.

The effect of this change was to reclassify the beginning balance of the Debt Service fund, totaling $2,707,027, from the major governmental funds column to the nonmajor governmental funds column.

Significant Forthcoming Standards

Significant new accounting standards and guidance issued by the 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.

Significant Forthcoming Standards (continued)

GASB Statement No. 105, Subsequent Events – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Holland & Knight

811 Main Street, Suite 2500 | Houston TX 77002 | T 713-821-7000 | F 713-821-7001
Holland & Knight LLP | www.hklaw.com

November 10, 2026

Ladies and Gentlemen:

WE HAVE ACTED as bond counsel for the CITY OF BEAUMONT, TEXAS (the "City"), in connection with an issue of Certificates described as follows:

> City of Beaumont, Texas Certificates of Obligation, Series 2026 (the "Certificates"), in the principal amount of $11,675,000, issuable in fully registered form only, in denominations, dated the date, bearing interest, maturing in the years and amounts, and transferable and exchangeable as set out in the Certificates in the Ordinance adopted by the City Council of Beaumont, Texas (the "Ordinance"), and the Pricing Certificate authorizing their issuance.

WE HAVE ACTED as bond counsel 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 status of the interest on the Certificates under federal income tax law. In such capacity we have examined relevant provisions of the Constitution and laws of the State of Texas; a transcript of certain certified proceedings pertaining to the issuance of the Certificates; certain certifications and representations concerning the use of proceeds of the Certificates, the use of other funds of the City, and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates, including executed Certificates. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Capitalized terms used herein, unless otherwise defined, have the meaning set forth in the Ordinance.

BASED ON SUCH EXAMINATION, it is our opinion that:

(1) the transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates are valid and legally binding Certificates of the City in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Certificates have been authorized in accordance with law; the Certificates and any additional Certificates hereafter issued on a parity therewith are payable from and are secured solely by a pledge of the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the boundaries of the City.

IT IS FURTHER OUR OPINION that, under existing law:

(i) The interest on the Certificates (which is defined to include any original issue discount properly allocable to the holder thereof) is excludable from gross income for federal income tax purposes. Moreover, such interest will not be treated as an item of tax preference in computing the federal alternative minimum tax imposed on individuals; however, interest on the

Certificates is included in the "adjusted financial statement income" of certain corporations on which the federal alternative minimum tax is imposed under the Code.

The opinions expressed in the preceding paragraph are conditioned upon compliance by the City with its covenants relating to certain arbitrage rebate and other tax requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of Subtitle A of the Code (including, without limitation, its covenants not to use any proceeds of the Certificates in a manner that would cause the Certificates to be classified as private activity Certificates under Sections 141(a) and 141(d) of the Code and to comply with the requirements contained in Section 148 of the Code), to the extent necessary to preserve the exclusion of interest on the Certificates from gross income for federal income tax purposes. Failure of the City to comply with such requirements could cause the interest on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. Other provisions of the Code may give rise to adverse federal income tax consequences to particular bondholders. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Certificates. We express no opinion regarding any state tax consequences of acquiring, carrying, owning or disposing of the Certificates. Owners of the Certificates should consult their tax advisors regarding any state tax consequences of owning the Certificates.

In providing such opinions, we have relied on representations of the City, the City's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Underwriter, respectively, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes. We have further relied upon the Report regarding the mathematical accuracy of certain computations. In the event that such representations or the Report are determined to be inaccurate or incomplete or the City fails to comply with the foregoing covenants in the Ordinance, interest on the Certificates could become includable in gross income from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on 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.

Yours very truly,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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Notices (Unless Otherwise Specified by BAM)

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

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