PRELIMINARY OFFICIAL STATEMENT
DATED SEPTEMBER 9, 2026

Rating:
S&P: "AAA"
See ("OTHER INFORMATION - RATING" herein)

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (defined below), under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "Tax Exemption."

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$6,000,000*
CITY OF BUNKER HILL VILLAGE, TEXAS
(Harris County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: October 1, 2026 **Due: April 1, as shown on the inside cover**
Interest Accrual Date: Date of Delivery

PAYMENT TERMS . . . Interest on the $6,000,000* City of Bunker Hill Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from delivery and will be payable April 1 and October 1 of each year commencing April 1, 2027 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas including particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance of the City authorizing the issuance of the Certificates (the "Ordinance"). The Certificates constitute direct obligations of the City and are payable from a combination of (i) the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's water and sewer system in an amount not to exceed $1,000, as provided in the Ordinance.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) the construction, improvement, design, repair, rehabilitation and equipment of the City's water and sewer system (ii) the cost of professional services in connection therewith, and (iii) the costs of issuance of the Certificates.

See Maturity Schedule on the inside cover

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES – OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such Term Certificate and continuing on April 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinions of the Attorney General of Texas and of Hunton Andrews Kurth LLP, Bond Counsel, Houston, Texas (see Appendix C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed on for the City by Hunton Andrews Kurth LLP as Disclosure Counsel to the City.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the Depository Trust Company on October 13, 2026.

BIDS DUE: TUESDAY, SEPTEMBER 15, 2026 AT 10:00 A.M., CST

*Preliminary, subject to change.

$6,000,000*
CITY OF BUNKER HILL VILLAGE, TEXAS
(Harris County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE*

Due April 1		Principal Amount*	Interest Rate	Yield[1]	CUSIP[2]
2032		$ 280,000	%	%	
2033		295,000			
2034		310,000			
2035		325,000			
2036	(3)	340,000			
2037	(3)	355,000			
2038	(3)	375,000			
2039	(3)	395,000			
2040	(3)	415,000			
2041	(3)	435,000			
2042	(3)	455,000			
2043	(3)	475,000			
2044	(3)	495,000			
2045	(3)	515,000			
2046	(3)	535,000			

* Preliminary, subject to change.
(1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser of the Certificates (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser of the Certificates at any time.
(2) CUSIP numbers have been assigned to the Certificates by CUSIP Global Services, managed by S&P Global Market Intelligence 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 City, the Municipal Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.
(3) Certificates maturing on or after April 1, 2036, are subject to redemption prior to maturity on April 1, 2035, or any date thereafter.

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

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

Neither the City, Bond Counsel, the Purchaser nor the Municipal Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. 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.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Purchaser after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

References to website addressees presented herein are for informational purposes only and may be in the form of hyperlinks solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained herein are not incorporated into and are not part of this official statement for any purpose.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY....................................... The City of Bunker Hill Village is a political subdivision and municipal corporation of the State, located in Harris County, Texas. The City covers approximately 2 square miles. The tax base of the City is almost entirely residential with an average taxable value per home of approximately $2.8 million. The City is one of the Memorial Villages, a group of residential cities completely encircled by the City of Houston. The City is approximately 10 miles west of Houston's central business district (see "INTRODUCTION - DESCRIPTION OF CITY").

THE CERTIFICATES.................... The Certificates are issued as $6,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial Certificates maturing April 1, 2032 through and including April 1, 2041, unless the Initial Purchaser designates one or more maturities as Term Certificates. See "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES").

PAYMENT OF INTEREST............ Interest on the Certificates accrues from the date of delivery, and is payable April 1, 2027, and each October 1 and April 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE....................................... The Certificates are issued pursuant to the general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance passed by the City Council of the City (the "Ordinance"). See "THE CERTIFICATES - AUTHORITY FOR ISSUANCE OF THE CERTIFICATES."

SECURITY FOR THE CERTIFICATES........................... The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City and from a limited pledge of a subordinate lien on the net revenues of the City's water and sewer system in an amount not to exceed $1,000. See "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT."

OPTIONAL REDEMPTION ...... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION"). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate one or more maturities as a Term Certificate. See "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION."

QUALIFIED TAX-EXEMPT OBLIGATIONS.................... The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS – DESIGNATION FOR PURCHASE BY FINANCIAL INSTITUTIONS").

TAX EXEMPTION......................... In the opinion of Bond Counsel, under current law and subject to conditions described in the section "TAX MATTERS – TAX EXEMPTION" herein, interest on the Certificates (a) is not included in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. A holder may be subject to other federal tax consequences as described in the section "TAX MATTERS." See "TAX MATTERS – TAX EXEMPTION" for a discussion of the opinion of Bond Counsel with respect to the Certificates.

USE OF PROCEEDS...................... Proceeds from the sale of the Certificates will be used for (i) the construction, improvement, design, repair, rehabilitation and equipment of the City's water and sewer system (ii) the cost of professional services in connection therewith, and (iii) the costs of issuance of the Certificates.

RATING.. The Certificates and presently outstanding tax supported debt of the City is rated "AAA" by S&P Global Ratings ("S&P"), without regard to credit enhancement. See "OTHER INFORMATION – RATING."

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*Preliminary, subject to change. (See "THE SALE - ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS" and "POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale).

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

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

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SELECTED FINANCIAL INFORMATION

Fiscal Year End 12/31	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent of Total Tax Collections
2021	3,841	$ 2,234,937,959	$ 581,864	$ 7,360,000	$ 1,916	0.33%	100.05%
2022	3,861	2,347,480,217	607,998	6,415,000	1,661	0.27%	99.91%
2023	3,822	2,535,780,317	663,469	5,625,000	1,472	0.22%	99.91%
2024	3,822	2,720,475,778	711,794	3,335,000	873	0.12%	99.91%
2025	3,889	2,724,447,022	700,552	4,745,000	1,220	0.17%	99.99% [3]
2026	3,889	2,843,534,033	731,174	13,600,000 [5]	3,497 [5]	0.48% [5]	97.68% [3][4]

(1) Source: Provided by the City.
(2) As reported by the Harris Central Appraisal District; subject to change during the ensuing year.
(3) Provided by the City.
(4) As of May 31, 2026.
(5) Preliminary; subject to change. Includes the Certificates.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended December 31,				
	2025	2024	2023	2022	2021
Total Revenue	$ 9,211,186	$ 9,128,603	$ 8,073,185	$ 6,858,760	$ 6,375,430
Total Expenditures	6,152,741	5,994,563	5,470,170	4,955,169	4,531,649
Other Financing Sources (Uses):	(2,443,855)	(3,549,243)	(1,819,310)	(1,672,873)	(1,886,435)
Beginning Fund Balance	$ 4,090,558	$ 4,505,761	$ 3,722,056	$ 3,491,338	$ 3,533,992
Increase (Decrease) in Fund Balance	614,590	(415,203)	783,705	230,718	(42,654)
Ending General Fund Balance	$ 4,705,148	$ 4,090,558	$ 4,505,761	$ 3,722,056	$ 3,491,338

For additional information regarding the City, please contact:

Mr. Gerardo Barrera
City of Bunker Hill Village
11977 Memorial Drive
Houston, Texas 77024
(713) 467-9762 Phone
(713) 827-8752 Fax

or

Mr. Drew Masterson
Masterson Advisors LLC
3 Greenway Plaza, Suite 1100
Houston, Texas 77046
(713) 814-0555 Phone
(713) 814-0581 Fax

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Length of Service	Term Expires	Occupation
Keith Brown	Mayor	1 year (1)	2027	Retired
Eric Thode	Council Member	6 years	2028	Senior Vice President
Susan Schwartz	Council Member	20 years	2028	Accountant
Carl Morerer	Council Member	5 years	2028	Attorney
Cameron Hunter	Council Member	1 year	2027	Operating Partner
Andrew Poor	Council Member	3 years	2027	Engineer

(1) Served on City Council for 3 years.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service to the City	Years of Experience
Gerardo Barrera	City Administrator	4 years	24 years
Susan Grass	Finance Manager	6 years	25 years
Valerie Cantu	Municipal Court Administrator	3 years	19 years
Elvin Hernandez	Public Works Director	3 years	5 years
Mallory Pack	City Secretary	<1 year	2 years

CONSULTANTS AND ADVISORS

Auditor .... Crowe, LLLP
Certified Public Accountants
Houston, Texas

City Attorney .... Olson & Olson, LLP
Houston, Texas

Bond Counsel .... Hunton Andrews Kurth LLP
Houston, Texas

Municipal Advisor .... Masterson Advisors LLC
Houston, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$6,000,000*
CITY OF BUNKER HILL VILLAGE, TEXAS

COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the cover page, and Appendices hereto, provides certain information regarding the issuance of $6,000,000* City of Bunker Hill Village, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Masterson Advisors LLC, Houston, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, will have the meanings ascribed thereto in the Certificate Ordinance.

DESCRIPTION OF THE CITY

The City is a duly incorporated type A general law city and a municipal corporation organized and existing under the laws of the State of Texas. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five (5) Council members. The terms of office are two years with the terms of the Mayor and two (2) of the Council members' terms expiring in odd-numbered years and the terms of the other three Council members expiring in even-numbered years. Some of the services that the City provides are: public safety (police and fire protection by contract), streets and drainage, water and sanitary sewer utilities, public improvements, planning and zoning, general administrative services and community events.

The 2010 Census population for the City was 3,633 and the 2020 Census population was 3,822. The 2026 Census Bureau estimate is a total population of 3,889. The tax base of the City is almost entirely residential with an average taxable value per home of approximately $2.8 million. The City is one of the Memorial Villages, a group of residential cities completely surrounded by the City of Houston. The City is approximately ten (10) miles west of Houston's central business district. For additional information regarding the City, see "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY."

EXTREME WEATHER EVENTS

The greater Houston area, including the City, is subject to occasional severe weather events, including high winds, heavy rain and flooding caused by hurricanes, tropical storms and other tropical disturbances. In May 2024, the Houston area experienced a period of heavy rain and high winds causing downed power lines and heavy vegetative debris. In July 2024, Hurricane Beryl made landfall and brought a period of heavy rain and high winds resulting in localized flooding, downed power lines and heavy vegetative debris. While both storms were disruptive, the City and its facilities did not sustain any significant damage.

In January 2025, the City received approximately six (6") inches of snow with a brief period of cold temperatures. While this impacted the entire City of Houston area, the City and its facilities did not sustain any significant damage.

Future weather events could have an adverse impact on the region's economy, including an impact on business activity and development in the region. The City cannot predict what impact future weather events in the region will have on the City or the assessed value of property within the City.

*Preliminary, subject to change

PLAN OF FINANCING

PURPOSE

Proceeds from the sale of the Certificates will be used for (i) the construction, improvement, design, repair, rehabilitation and equipment of the City's water and sewer system (ii) the cost of professional services in connection therewith, and (iii) the costs of issuance of the Certificates.

USE OF PROCEEDS

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

Par Amount of the Bonds	$	-
Net Premium (Discount)		
Total Sources of Funds	$	-
Deposit to Project Fund	$	-
Costs of Issuance		
Initial Purchaser's Discount		
Total Uses of Funds	$	-

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated October 1, 2026, and mature on April 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1, commencing April 1, 2027. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

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

SECURITY AND SOURCE OF PAYMENT

The Certificates are direct obligations of the City payable as to principal and interest from, and secured by, the receipts of a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a subordinate lien on and pledge of $1,000 of the net revenues derived from the City's water and sewer system.

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. The Texas Constitution establishes a maximum ad valorem tax rate of $1.50 per $100 of assessed valuation for general law cities, including the City. Administratively, the Attorney General of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance. The Texas Property Tax Code provides certain limitations on annual increases in tax rates. See "TAX INFORMATION – PUBLIC HEARING AND MAINTENANCE AND ORGANIZATION TAX RATE LIMITATIONS" These limitations are not applicable to increases in tax levies to pay debt service on specified debt, including the Bonds and any additional debt payable from taxes, which the City has issued or may hereafter issue.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page are combined to create Term Certificates, each such Term Obligation shall be subject to mandatory sinking fund redemption commencing on April 1 of the first year which has been combined to form such Term Obligation and continuing on April 1 in each year thereafter until the stated maturity date of that Term Obligation, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

The principal amount of Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Certificates of the same maturity which (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION

Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Certificates to pay principal, interest and redemption price thereon in any manner now or hereafter permitted by law.

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 accredited by The Depository Trust Company ("DTC") while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Purchaser consider the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

The City and the Purchaser 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, New York, New York, 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 security certificate for each maturity will be issued for the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

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

Purchases of 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 Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Participant to whose account such Certificates are credited, which may or may not be a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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 the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

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

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.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event the Book-Entry-Only System with respect to the Certificates is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Certificates is discontinued by the City, printed securities certificates will be issued to the holders of the affected Certificates, and the applicable Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE, AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as 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 Record Date (see "THE CERTIFICATES – RECORD DATE FOR INTEREST PAYMENT" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday, or day 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 such a Saturday, Sunday, or legal holiday, or day 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.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

RECORD DATE FOR INTEREST PAYMENT

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

CERTIFICATE HOLDERS' REMEDIES

The Ordinance does not establish specific events of default with respect to the Certificates or provide for the appointment of a trustee to represent the interests of the Certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. If the City defaults in any payment due on the Certificates, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus or mandatory injunction from a court of proper jurisdiction 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 they become due or to perform other material covenants, conditions or obligations contained in the Ordinance. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract; and, Texas law provides that, following their approval by the Attorney General and issuance, the Certificates are valid and binding obligations for all purposes according to their terms. However, 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. Such rights are in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State of Texas 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. A registered owner of Certificates could file suit against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity and any judgment could not be satisfied by execution against any property of the City.

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. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Certificate holders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants in the absence of City action. 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity, which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of another 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 and may be limited by general principles of equity which permit the exercise of judicial discretion.

TAX INFORMATION

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Harris Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – CITY AND TAXPAYER REMEDIES").

STATE MANDATED HOMESTEAD EXEMPTIONS

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

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

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

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

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. See "VALUATION AND GENERAL OBLIGATION DEBT HISTORY" for the reduction in taxable valuation attributable to local option homestead exemptions.

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.

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.

TAX INCREMENT REINVESTMENT ZONES

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

TAX ABATEMENT AGREEMENTS

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

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – CITY APPLICATION OF TAX CODE" herein. See Table 1 for the reduction in taxable valuation attributable to the exemptions.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2023, which may be applied to a city's tax rate in tax years 2022 through 2024 without impacting the voter-approval tax rate.

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

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

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

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

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

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt Certificates, 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.

2025 PROPERTY TAX LEGISLATION

The regular session of the 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasing no more than 30 days and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions"). The Governor called for a special session on June 23, 2025, which commenced on July 21, 2025 and adjourned sine die on August 15, 2025 (the "First Special Session"). The Governor had identified eighteen (18) agenda items to be considered during the First Special Session. The Governor called for a second special session on August 12, 2025, which commenced on August 15, 2025 and adjourned sine die on September 3, 2025 (the "Second Special Session"), which identified the exact same eighteen (18) agenda items that were the subject of the First Special Session. Among the items considered was "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." However, no bills related to property taxes were passed in the First Special Session or Second Special Session. The City is unable to predict the substance of such legislation or the effect, if any, it will have on the City's finances or operations. The City is still in the process of reviewing legislation passed during the 89th Regular Session, the First Special Session, and the Second Special Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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 of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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.

LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

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

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption of $15,000 to the market value of the residence homestead of persons 65 years of age or older.

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

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property.

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

The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

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TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Harris County Appraisal District (excluding totally exempt property)				$ 2,974,587,137
Less Exemptions/Reductions at 100% Market Value:				
Personal Use (leased vehicles)	$ 123,549,639			
Misc	27,855			
Over 65 Homestead Exemptions	54,939			
Disabled Veterans	7,009,461			
Disaster	6,210			
Surviving Spouse Over 65	405,000			131,053,104
2025/2026 Taxable Assessed Valuation				$ 2,843,534,033
General Obligation Debt (as of 6/30/2026)				
General Obligation Refunding Bonds, Series 2020	$ 2,240,000			
Combination Tax & Revenue Certificates of Obligation, Series 2021	5,360,000			
The Certificates	6,000,000	*	$	13,600,000
Less: City's Self Supporting General Obligation Debt (as of 6/30/2026)				
Water and Sewer System General Obligation Debt (1)	$ 4,265,000	*	$	4,265,000
Less: General Obligation Interest and Sinking Fund (as of 12/31/2025)			$	151,736
Net General Obligation Debt Payable from Ad Valorem Taxes			$	9,183,264
Ratio Net General Obligation Debt to Taxable Assessed Valuation				0.323%

2026 Estimated Population - 3,889
Per Capita Taxable Assessed Valuation - $731,174
Per Capita Net Funded Debt - $2,361

* Preliminary, subject to change. (See "ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS" and "POST BID MODIFICATION OF PRINCIPAL AMOUNTS" in the accompanying Notice of Sale.)
(1) Represents a portion of the Certificates.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value, Fiscal Year Ending December 31,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,924,663,444	98.32%	$ 2,706,872,928	98.88%	$ 2,693,354,604	98.61%
Real, Vacant Lots tracts	36,855,032	1.24%	25,941,022	0.95%	26,671,035	0.98%
Real, Commercial	923,999	0.03%	956,561	0.03%	952,436	0.03%
Real and Tangible Personal, Utilities	3,301,250	0.11%	2,374,580	0.09%	2,453,890	0.09%
Tangible Personal, Commercial	8,454,996	0.28%	838,224	0.03%	7,320,289	0.27%
Tangible Personal, Industrial	388,416	0.01%	470,028	0.02%	503,630	0.02%
Total Appraised Value Before Exemptions	$ 2,974,587,137	100.0%	$ 2,737,453,343	100.0%	$ 2,731,255,884	100.0%
Less: Total Exemptions/Reductions	131,053,104		13,006,321		10,780,106	
Taxable Assessed Value	$ 2,843,534,033		$ 2,724,447,022		$ 2,720,475,778	

	Taxable Appraised Value, Fiscal Year Ending September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,521,887,543	99.03%	$ 2,329,595,230	98.77%
Real, Vacant Lotsffracts	20,418,985	0.80%	22,138,143	0.94%
Real, Commercial	839,936	0.03%	839,936	0.04%
Real and Tangible Personal, Utilities	2,200,390	0.09%	1,965,350	0.08%
Tangible Personal, Commercial	661,521	0.03%	3,574,580	0.15%
Tangible Personal, Industrial	552,048	0.02%	510,007	0.02%
Total Appraised Value Before Exemptions	$ 2,546,560,423	100.0%	$ 2,358,623,246	100.0%
Less: Total Exemptions/Reductions	10,780,106		11,143,029	
Taxable Assessed Value	$ 2,535,780,317		$ 2,347,480,217	

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

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year End 12/31	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2021	3,841	$ 2,234,937,959	$ 581,864	$ 7,360,000	$ 1,916	0.33%
2022	3,861	2,347,480,217	607,998	6,415,000	1,661	0.27%
2023	3,822	2,535,780,317	663,469	5,625,000	1,472	0.22%
2024	3,822	2,720,475,778	711,794	3,335,000	873	0.12%
2025	3,889	2,724,447,022	700,552	4,745,000	1,220	0.17%
2026	3,889	2,843,534,033	731,174	13,600,000 (3)	3,497 (3)	0.48% (3)

(1) Source: the City.
(2) As reported by the Harris Central Appraisal District; subject to change during the ensuing year.
(3) Projected; includes the Certificates

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year End 12/31	Tax Year	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	2015	$0.277000	$0.231253	$ 0.045747	$ 6,190,778	99.85%	100.05%
2022	2021	0.275000	0.227338	0.047662	6,455,571	99.84%	99.91%
2023	2022	0.275000	0.234752	0.040248	6,973,396	99.65%	99.91%
2024	2023	0.271000	0.235688	0.035312	7,372,489	95.38%	99.91%
2025	2024	0.271000	0.241000	0.030000	7,383,251	99.99% (1)	99.99% (1)
2026	2025	0.271000	0.240008	0.030992	7,705,977	97.59% (1)	97.68% (1)

(1) As of May 31, 2026.

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Individual	Land/Improvements	$7,700,000	0.27%
Individual	Land/Improvements	7,304,209	0.26%
Individual	Land/Improvements	7,124,884	0.25%
Individual	Land/Improvements	6,808,065	0.24%
Individual	Land/Improvements	5,995,000	0.21%
Individual	Land/Improvements	5,972,063	0.21%
CKK Rentals LLC	Land/Improvements	6,850,000	0.24%
Individual	Land/Improvements	6,348,613	0.22%
Individual	Land/Improvements	6,200,031	0.22%
Individual	Land/Improvements	5,836,739	0.21%
		$66,139,604	2.33%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law. (See "TAX RATE LIMITATION").

TABLE 6 – TAX ADEQUACY

2026 Net Debt Service Requirements	$ 867,813	(1)
$0.0318 Tax Rate at 96% Collection Produces	868,074	
Net Average Annual Debt Service Requirement (2026 - 2046)	$ 669,180	(1)
$0.0246 Tax Rate at 96% Collection Produces	671,529	
Net Maximum Annual Debt Service Requirement (2027)	$ 1,088,377	(1)
$0.0399 Tax Rate at 96% Collection Produces	1,089,187	

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

TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

	Fiscal Year 2025/2026 Taxable Assessed Valuation	Total GO Debt as of 8/31/2026	Estimated % Applicable	City's Overlapping GO Debt as of 8/31/2026
City of Bunker Hill Village	$ 2,843,534,033	$ 13,600,000 (1)	100.00%	$ 13,600,000 (1)
Harris County	688,222,898,302	3,080,611,581	0.37%	11,398,263
Harris County Department of Education	688,510,416,043	28,960,000	0.37%	107,152
Harris County Flood Control District	673,916,445,703	1,034,900,000	0.37%	3,829,130
Harris County Hospital District	626,647,725,337	1,644,825,000	0.37%	6,085,853
Port of Houston Authority	673,784,406,924	386,074,397	0.37%	1,428,475
Spring Branch ISD	40,944,720,579	1,196,655,000	5.37%	64,260,374
Tax-Supported Direct and Overlapping Funded Debt				$ 100,709,246
Ratio of Tax-Supported Direct and Overlapping Funded Debt to Taxable Assessed Valuation				3.54%
Per Capita Tax-Supported and Overlapping Funded Debt				$ 25,896

(1) Projected; includes the Certificates. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End 12/31	Total Outstanding Debt Service	The Certificates* Principal	The Certificates* Interest(1)	The Certificates* Total	Total Gross Debt Service Requirements*	Less: Self Supporting Debt Service (2) *	Total Net Debt Service Requirements*
2026	$ 1,194,718				$ 1,194,718	$ 326,905	$ 867,813
2027	1,146,455		$ 266,402	$ 266,402	1,412,857	324,480	1,088,377
2028	1,093,280		277,181	277,181	1,370,461	321,905	1,048,556
2029	1,044,168		277,181	277,181	1,321,349	326,093	995,256
2030	988,930		277,181	277,181	1,266,111	322,118	943,994
2031	931,205		277,181	277,181	1,208,386	323,105	885,281
2032	324,086	$ 280,000	270,181	550,181	874,268	324,086	550,181
2033	325,063	295,000	255,806	550,806	875,869	325,063	550,806
2034	325,966	310,000	240,681	550,681	876,648	325,966	550,681
2035	326,580	325,000	224,806	549,806	876,386	326,580	549,806
2036	321,940	340,000	208,181	548,181	870,121	321,940	548,181
2037	322,260	355,000	190,806	545,806	868,066	322,260	545,806
2038	321,900	375,000	172,556	547,556	869,456	321,900	547,556
2039	325,800	395,000	153,306	548,306	874,106	325,800	548,306
2040	324,550	415,000	133,056	548,056	872,606	324,550	548,056
2041	323,200	435,000	111,806	546,806	870,006	323,200	546,806
2042	-	455,000	91,831	546,831	546,831	-	546,831
2043	-	475,000	73,231	548,231	548,231	-	548,231
2044	-	495,000	53,522	548,522	548,522	-	548,522
2045	-	515,000	32,691	547,691	547,691	-	547,691
2046	-	535,000	11,034	546,034	546,034	-	546,034
	$ 9,640,100	$ 6,000,000	$ 3,598,624	$ 9,598,624	$ 19,238,724	$ 5,185,950	$ 14,052,774

* Preliminary, subject to change.
(1) Interest has been calculated at current market rates for illustrative purposes. Preliminary, subject to change.
(2) Projected; includes the Certificates. Preliminary, subject to change.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending December 31, 2026(1)		$ 867,813
Interest and Sinking Fund Balance, December 31, 2025	$ 151,736	
Budgeted Interest and Sinking Fund Tax Levy	960,654	
Budgeted Delinquent Taxes and Penalties & Interest	4,000	1,116,390
Estimated Balance, December 31, 2026		$ 248,578

(1) Projected, includes the Certificates and excludes self supporting debt. Preliminary, subject to change.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS. . . As of July 1, 2026, the City has no authorized but unissued general obligation bonds.

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

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. Over the last few years, Council has eliminated cost of living adjustments to control their TMRS liability. As of 2025 there was a TMRS funded surplus of $0 and the funded ratio was 100%. (For more detailed information concerning the retirement plan, see Appendix B, “Excerpts from the City’s Annual Financial Report” - Note #IV C and D.)

FINANCIAL INFORMATION

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended December 31,				
Revenues:	2025	2024	2023	2022	2021
Property Taxes & Penalties	$ 6,770,129	$ 6,323,219	$ 5,965,644	$ 5,351,553	$ 5,165,343
Sales Tax	359,487	313,395	290,083	244,358	222,471
Franchise Fees and Local Taxes	274,741	290,723	97,590	279,561	267,400
Charges for Services	54,502	87,944	281,486	25,330	15,984
Licenses and Permits	689,945	763,920	188,410	481,517	456,664
Fines and Forfeitures	245,440	235,630	519,399	89,020	60,053
Investment Income	599,314	769,741	594,916	126,724	61,860
Intergovenmental	18,334	261,081	-	4,977	-
Miscellaneous	199,294	82,950	135,657	255,720	125,655
Total	$ 9,211,186	$ 9,128,603	$ 8,073,185	$ 6,858,760	$ 6,375,430
Expenditures:					
General Government	$ 1,203,792	$ 1,295,977	$ 977,138	$ 854,768	$ 787,151
Public Safety	4,568,756	4,296,583	4,098,607	3,656,923	3,433,687
Public Works	380,193	394,503	360,925	443,478	302,562
Capital Outlay	-	7,500	33,500	-	8,249
Total	$ 6,152,741	$ 5,994,563	$ 5,470,170	$ 4,955,169	$ 4,531,649
Excess of Revenues over Expenditures	$ 3,058,445	$ 3,134,040	$ 2,603,015	$ 1,903,591	$ 1,843,781
Other Financing Sources (Uses):					
Operating Transfers Out	$ (2,443,855)	$ (3,549,243)	$ (1,819,310)	$ (1,672,873)	$ (1,886,435)
Total Other Financing Sources	$ (2,443,855)	$ (3,549,243)	$ (1,819,310)	$ (1,672,873)	$ (1,886,435)
Excess of Revenues and Other Sources Over (Under) Expenditures & Other Uses	$ 614,590	$ (415,203)	$ 783,705	$ 230,718	$ (42,654)
Beginning Fund Balance	$ 4,090,558	$ 4,505,761	$ 3,722,056	$ 3,491,338	$ 3,533,992
Ending General Fund Balance	$ 4,705,148	$ 4,090,558	$ 4,505,761	$ 3,722,056	$ 3,491,338

Source: City's audited financial statements.

FINANCIAL POLICIES

Basis of Accounting . . .The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

General Fund Balance . . .The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

Special Revenue Funds . . .The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. These funds include grants from the Department of Housing and Urban Development (Community Development Block Grant), the Texas Criminal Justice Division, the Department of Transportation, Texas State Library, and miscellaneous other sources.

Debt Service Fund Balance . . .The Debt Service Fund is used to account for the payment of principal and interest on general long-term liabilities paid primarily by taxes levied by the City.

Budgetary Procedures. . .At least sixty (60) days prior to the beginning of each fiscal year, the City Administrator submits to the City Council a proposed budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments. The annual budget adopted by the City Council covers the General Fund and the Debt Service Fund. The budget is legally enacted at the fund level by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The City Administrator is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that modify the total expenditures of any budgeted fund must be approved by the City Council. Budgeted amounts are as revised by City Administrator, or as amended by City Council.

Capital Projects Funds . . .The Capital Projects Funds are used to account for the acquisition of capital facilities being financed from bond proceeds, contributed capital or transfers from other funds, other than those recorded in the Enterprise Funds, Internal Service Funds or Trust Funds.

INVESTMENTS

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

LEGAL INVESTMENTS

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; 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 described in clause (1), 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 270 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 include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived," (Tex. Gov. Code § 2256.006). 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) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

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

TABLE 11 – CURRENT INVESTMENTS

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

Type of Investment	Percent of Total	Book Value	Market Value
TexasCLASS	100.00%	$ 3,175,724	$ 3,175,724

THE WATER AND SEWER SYSTEM

WATER SYSTEM

The City owns, operates and maintains its own water system. The water system consists of four water wells which provide water to City residents and approximately twenty-two (22) miles of water lines of two (2) inches through twelve (12) inches, which are mostly asbestos-cement pipe, as well as cast iron water lines which will need to be replaced. The City continues its waterline replacement program to convert all water lines to PVC.

The Harris-Galveston Coastal Subsidence District originally established a surface water conversion date of April 15, 1994.

The City signed a surface water contract with the City of Houston on March 30, 2001. In addition, the City purchases water credits which result in 50% surface water and 50% of the total water supply will be from City water wells.

TABLE 12 – MONTHLY RESIDENTIAL WATER RATES (EFFECTIVE DECEMBER 16, 2025)

First 4,000 gallons	$ 148.00	per 1,000 gallon
4,001 - 10,000	3.57	per 1,000 gallon
10,001 - 20,000	3.89	per 1,000 gallon
20,001 - 30,000	6.69	per 1,000 gallon
30,001 - 40,000	7.60	per 1,000 gallon
40,001 - 60,000	8.90	per 1,000 gallon
60,001 - 70,000	10.91	per 1,000 gallon
Over 70,001 gallons	13.63	per 1,000 gallon

TABLE 13 –LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer	Fiscal Year 2025 Water Usage In Gallons(1)
Memorial Dr Presbyterian Church	5,552,000
Holy Name Retreat Center	4,115,000
Peter Lang	3,532,000
Chaudhury, Subhadra	2,183,000
Nichols, Nick	1,262,000
Zartler, Angela	1,236,000
Jayanty, Vikran	1,051,000
Haddan, Ghassan	962,000
Cody, Harvey H III	929,000
Second Baptist Church	921,000
Total	21,743,000

(1) In thousands.

WASTEWATER TREATMENT

The City owns its own wastewater collection system. The infrastructure of the wastewater collection system is approximately twenty-three (23) miles of sanitary sewer lines from four (4) inches through twenty-four (24) inches.

The City has established an ongoing maintenance and replacement plan for its sanitary sewer lines, converting all lined to PVC or rehabilitating old lines through cured-in-place pipe (CIPP).

The original agreement stated the City was responsible for 18.2% of the capacity of the wastewater treatment plant that is owned and operated by the Memorial Villages Water Authority (the "Authority"). In July 1985, the City entered into a thirty-year agreement with the Authority whereby the Authority will treat and dispose of the wastewater from the City. Under the terms of the agreement, in 2004 the City paid the Authority the last of sixteen (16) equal annual installments that began sixty days after the plant was completed.

In 2025, the City entered a new ten (10) year agreement with the Authority. Following a flow rate study, it was determined that the City was responsible for 35% (30% flow with a 5% buffer for inflow and infiltration flow) of the total flow into the wastewater treatment plant. New terms require the Authority to submit their capital improvement project budget estimates to the City in June for the next fiscal year's budget planning. The contract and percentage of flow rate are eligible to be reviewed at the end of the agreement and include additional renewal options.

TABLE 14 – MONTHLY RESIDENTIAL SEWER RATES (EFFECTIVE DECEMBER 16, 2025)

First 1,000 gallons	$88.00 (minimum)
Over 1,001 gallons	$2.78/ per 1,000 gallon
10,001 - 20,000	$3.12/per 1,000 gallon
20,001 - 30,000	$6.15/per 1,000 gallon
30,001 - 40,000	$7.13/per 1,000 gallon

TABLE 15 – WATERWORKS AND SEWER CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended December 31,				
Revenues:	2025	2024	2023	2022	2021
Water and Sewer Billings	$ 4,910,671	$ 4,305,676	$ 4,745,814	$ 4,273,183	$ 3,247,695
Miscellaneous	6,872	5,000	10,770	11,215	72,094
Total	$ 4,917,543	$ 4,310,676	$ 4,756,584	$ 4,284,398	$ 3,319,789
Expenditures (1)**:**					
Maintenance & Operating Expenses	$ 3,979,677	$ 4,144,898	$ 3,567,459	$ 2,943,458	$ 2,612,020
Total (Before Depreciation)	3,979,677	$ 4,144,898	$ 3,567,459	$ 2,943,458	$ 2,612,020
Net Available for Debt Service:	$ 937,866	$ 165,778	$ 1,189,125	$ 1,340,940	$ 707,769
Billed Customers	1,361	1,361	1,341	1,356	1,364

(1) Does not include depreciation.

TAX MATTERS

TAX EXEMPTION

OPINION OF BOND COUNSEL

In the opinion of Bond Counsel, under current law, interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code for the alternative minimum tax imposed on such corporations. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Certificates.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Certificates with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Certificates and the timely payment to the United States of any arbitrage rebate amounts with respect to the Certificates. Failure by the City to comply with such covenants, among other things, could cause interest on the Certificates to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions*", 63 Bus. Law. 1277 (2008) and "*Legal Opinion Principles*", 53 Bus. Law. 831 (May 1998). Purchasers of the Certificates should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Certificates.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Internal Revenue Service (the "Service") or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

ALTERNATIVE MINIMUM TAX

Individuals – Bond Counsel's opinion states that under current law interest on the Certificates is not an item of reference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Certificates is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2026 that exceeds $1 billion.

OTHER TAX MATTERS

In addition to the matters addressed above, prospective purchasers of the Certificates should be aware that the ownership 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, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Certificates should consult their own tax advisors as to the status of interest on the Certificates under the tax laws of any state, local, or foreign jurisdiction.

The Service has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Certificates, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Certificates will have only limited rights, if any, to participate.

There are many events that could affect the value and liquidity or marketability of the Certificates after their issuance, including but not limited to public knowledge of an audit of the Certificates by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Certificates who purchase Certificates after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Certificates should seek advice concerning such matters as they deem prudent in connection with their purchase of Certificates.

ORIGINAL ISSUE DISCOUNT

Some of the Certificates may be sold at initial sale prices that are less than their respective stated redemption prices payable at maturity (collectively, the "Discount Certificates"). The excess of (i) the stated redemption price at maturity of each maturity of the Discount Certificates, over (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Discount Certificates is sold will constitute original issue discount. Original issue discount will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder's basis in such a Certificate will be increased by the amount of original issue discount treated for federal income tax purposes as having accrued on the Certificate while the holder holds the Certificate.

Under the Code, for purposes of determining a holder's adjusted basis in a Discount Certificate, original issue discount treated as having accrued while the holder holds the Certificate will be added to the holder's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on semiannual compounding. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a Discount Certificate.

Prospective purchasers of Discount Certificates should consult their own tax advisors as to the calculation of accrued original issue discount and the state and local tax consequences of owning or disposing of such Certificates.

CERTIFICATE PREMIUM

Certificates purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Certificate must be reduced by the amount of premium which accrues while such Certificate is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Certificates while so held. Purchasers of such Certificates should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Certificates.

DESIGNATION FOR PURCHASE BY FINANCIAL INSTITUTIONS

The Code generally provides that financial institutions may not deduct any of the interest expense (the "cost of carry") allocable to tax-exempt obligations acquired after August 7, 1986, other than qualified tax-exempt obligations. Financial institutions may not deduct 20% of the cost of carry allocable to qualified tax-exempt obligations. An obligation's status as a qualified tax-exempt obligation is dependent upon an affirmative act of designation by the issuer and is subject to, among other things, the issuer and its "subordinate entities," within the meaning of Section 265(b)(3) of the Code, complying with limitations on the amount of obligations that may be issued and designated in the same calendar year.

The City has designated the Certificates as qualified tax-exempt obligations and has covenanted to comply with the provisions of Section 265(b)(3) of the Code. In the opinion of Bond Counsel, under current law, the Certificates are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code. Such opinion is given in reliance upon certifications by representatives of the City as to certain facts material to both such opinion and the requirements of Section 265(b)(3) of the Code.

OTHER INFORMATION

RATING

The Certificates and presently outstanding tax supported debt of the City is rated "AAA" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments 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 "OTHER INFORMATION - RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates (a) is not included in gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum income tax. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Certificates. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Authenticity of Financial Data and Other Information

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year ending on and after December 31, 2026.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation (as defined in the Rule) of the City, if material or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In 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 above under "Annual Reports."

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City 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 paragraphs (15) and (16) and the definition of financial obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. 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 above under "Annual Reports."

AVAILABILITY OF INFORMATION

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge 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 a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the last five years, the City has not failed to comply in any material respect with any material provisions of the continuing disclosure agreements made by the City in accordance with the Rule.

MUNICIPAL ADVISOR

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

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

INITIAL PURCHASER

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of ______________________ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of this Official Statement at a purchase price ______________ of par. The initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION AS TO OFFICIAL STATEMENT

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

ATTEST:

/s/________________________________
Mayor
City of Bunker Hill Village, Texas

/s/________________________________
City Secretary
City of Bunker Hill Village, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Bunker Hill Village is a developed residential area that is surrounded by the City of Houston. The 2020 Census population was 3,822. The City is located in the Memorial area, ten miles west of downtown Houston on Interstate Highway 10.

ECONOMY

Harris County and the Houston Metropolitan area comprise a leading region of business development in the nation. The economy is based on petrochemicals, tourism, shipping, refining, chemicals, space exploration, medical research, manufacturing and education. The West Houston area, of which the City is a component, is recognized as one of the most active centers of business and industrial development in the region. Industry in the region includes manufacturers of oil field machinery and equipment, fabricated metals, lumber, plastic and rubber products, tools and nonelectric machinery. Numerous shopping centers, malls, other retail establishments, and a wide variety of service-oriented businesses are located nearby the City.

The City consists almost entirely of single-family residential homes. The average taxable value per home is approximately $2.8 million. The City is fully developed. Growth in the tax base has come from demolition of older homes and replacement with upscale new construction and from inflation of property values. The City also has a small number five (5) of religious establishments and two schools which are exempt from property taxes.

COUNTY CHARACTERISTICS

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The economy is based on petrochemicals, tourism, shipping, refining, chemicals, space exploration, manufacturing and education. The County is ranked as the sixth largest manufacturing county in the country. The Texas Almanac designates cattle, rice and forest products as principal sources of agricultural income. The County is one of the leading producers of rice.

POPULATION

	1990 Official Census	2000 Official Census	2010 Official Census	2020 Official Census
City of Bunker Hill Village	3,391	3,392	3,611	3,822
City of Houston	1,630,553	1,953,631	2,099,451	2,304,580
Harris County	2,818,199	3,400,578	4,092,459	4,731,145

APPENDIX B

EXCERPTS FROM THE

CITY OF BUNKER HILL VILLAGE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2025

The information contained in this Appendix consists of excerpts from the City of Bunker Hill Village, Texas Annual Financial Report for the Year Ended December 31, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

CITY OF BUNKER HILL VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2025

CITY OF BUNKER HILL VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
December 31, 2025

Prepared by:

Gerardo Barrera
City Administrator and Acting City Secretary

Susan Grass
Director of Finance

CITY OF BUNKER HILL VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended December 31, 2025

CONTENTS

CITY OF BUNKER HILL VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended December 31, 2025

CONTENTS

INTRODUCTORY SECTION

May 19, 2026

To the Honorable Mayor, City Council
Members, and Citizens of the
City of Bunker Hill Village, Texas:

The Finance Department is pleased to submit the Annual Comprehensive Financial Report for the City of Bunker Hill Village, Texas (the "City") for the fiscal year (FY) ended December 31, 2025. This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

We believe the data presented is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of the operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

Crowe, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended December 31, 2025. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City was incorporated under the laws of the State of Texas (the "State") in 1954. The City is an independent political subdivision of the State governed by the elected council and a mayor and is considered a primary government. The City is a Type A general law municipality, which operates under a "Council-Manager" form of government. The Council is comprised of the Mayor and five council members, who are responsible for passing ordinances, adopting the budget, committee members, appointing the City Secretary, appointing the Director of Finance, and appointing a City Administrator. Council Positions 1 through 3 are elected every two years during an even-numbered year, while the Mayor and Council Positions 4 and 5 are elected every two years during an odd-numbered year. The City Administrator serves at the will of the Mayor and Council and is responsible for carrying out the policies and ordinances, overseeing the day-to-day operations of the City, and exercising supervision and control over all employees of the City.

The City provides the following municipal services: public safety, municipal court, streets and drainage, solid waste collection, water and wastewater services, permits and planning, and general administration.

(Continued)

The City is one of the six cities in the Memorial Villages and is located ten miles west of downtown Houston. As of December 31, 2025, the City has a land area of 1.44 square miles and an estimated population of 3,889. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on an accrual basis.

City ordinance establishes the fiscal year as January 1 through December 31. Also, the City ordinance requires the City Administrator and Mayor to submit a proposed budget and accompanying budget message to the Council each year. The proposed budget is reviewed by the Council and is formally adopted by the passage of a budget ordinance. The City Administrator is required to inform the Council of any amendments to expenditures for any fund or department. Amendments must be approved by the Council.

Budgetary control has been established at the department level for the general fund and fund level for other funds. Monthly financial reports for Council are produced showing budget and actual revenues and expenditures. Individual line items are reviewed, analyzed, and approved by City Council on a monthly basis for budgetary compliance.

ECONOMIC CONDITION AND OUTLOOK

The City is zoned 100% residential and encompasses a 1.44 square mile area located in Harris County and is bound on the east by Blalock Road, the south by Memorial Drive, the north by Taylorcrest Road, and the west by a part of Tealwood areas west of Gessner Road. The City is within Spring Branch Independent School District which is one of the most desired school districts in the Houston metropolitan area. The City is an integral part of the Houston metropolitan area and is completely surrounded by the cities of Houston, Piney Point Village, and Hedwig Village. The City is close to the largest and busiest freeway in the nation. A majority of inhabitants are employed throughout the Houston urban area.

There is very little vacant and/or undeveloped land in the City, as a result, construction generally involves rebuilding and remodeling. The City continues to experience a stable outlook in taxable property values. Its taxable property values reached over $2.96 billion in the fiscal year 2025. Among reasons for this strength is the City's convenient proximity to the Galleria, Energy Corridor, downtown Houston, the Texas Medical Center, as well as the ever-evolving Memorial area.

The City's tax rate is among the lowest in the Houston area and the State is anticipated to remain relatively stable into the future due to residential property values.

The City's relative stability is the result of a desire for suburban families to live closer to work. The City contracts with the Memorial Villages Police Department and Village Fire Department for law enforcement and emergency services. Due to proactive measures from both departments, the City maintains a low crime rate and above average response time to emergency calls. The City has a hometown appeal which attracts many of the residents. These factors have contributed to the relative stability of property values in the City.

(Continued)

The value of real property in the City is expected to stay strong in 2026. Expenditures are expected to remain steady with considerations for the continued competitive pressure on personnel costs and potential increases in the cost of employee health benefits.

The City approved a flat property tax rate for the tax year 2025 at 0.271 that fell below the voter-approval rate calculations.

LONG-TERM FINANCIAL PLANNING

The City is committed to infrastructure maintenance. Capital improvement projects are funded with general governmental revenues and proceeds of general obligation and certificates of obligation debt issues. The City annually updates a five-year Capital Improvement Plan (the "Plan") and prepares for capital projects for water, wastewater, drainage, and municipal facilities. The Plan is prepared by staff and presented to the City Council for review and acceptance. The Plan requires funding sources to be identified for each project.

The Council's policy on capital projects funding is first "pay-as-you-go" with cash and second to the use of certificate of obligation bonds in order to undertake a greater number of capital projects. A portion of general fund revenues and utility fund revenues is allocated each year to cover bond payments, and a portion is allocated to the Capital Improvements Fund each year to fund those capital projects that will be funded by cash.

Major Initiatives

Fiscal year 2025 was a year of accomplishments for the City. The list below highlights some of the significant City activities:

- Completed Bunker Hill Road and Taylorcrest Design and Asphalt Street Overlay
- Completed Williamsburg Lane Drainage Improvements
- Completed water line replacement project on Mayerling, Rhett and Tara.
- Completed the Bunker Hill Road and Greenbay Ln. Underground Utility Project (sanitary sewer).
- Completed the meter replacement project throughout the City.
- Completed and engineering and capacity study for all Ground Water Storage Tanks (GST)
- Upgraded the Supervisory Control and Data Acquisition Programmable Logic Controllers (SCADA PLC) Hardware
- Rehab of the Public Works Maintenance Shed

Annual Budget

The City maintains an annual budget approved by the City Council for all funds for management purposes. The Capital Improvement Plan is approved each year by the City Council and funded through a separate capital projects fund for the City's governmental funds and within the water and wastewater enterprise fund. The legal level of budgetary control (i.e., the level at which expenditures for governmental activities cannot legally exceed the appropriated amounts) is established at the department level for the general fund and fund level for all other funds. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

(Continued)

Financial Information

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that employees, in the normal course of business, will detect, and/or prevent, errors or irregularities that could be material to the financial statements.

Independent Audit

Sections 103.001 through 103.004 of the Local Government Code require the City to have an annual audit of its financial records and accounts. The independent auditors' report, prepared by Crowe, LLP, is presented as the first component of the financial section of this report.

Certificate of Achievement

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 Bunker Hill Village for its annual comprehensive financial report for the fiscal year ending December 31, 2024. This was the second year that the City has received 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.

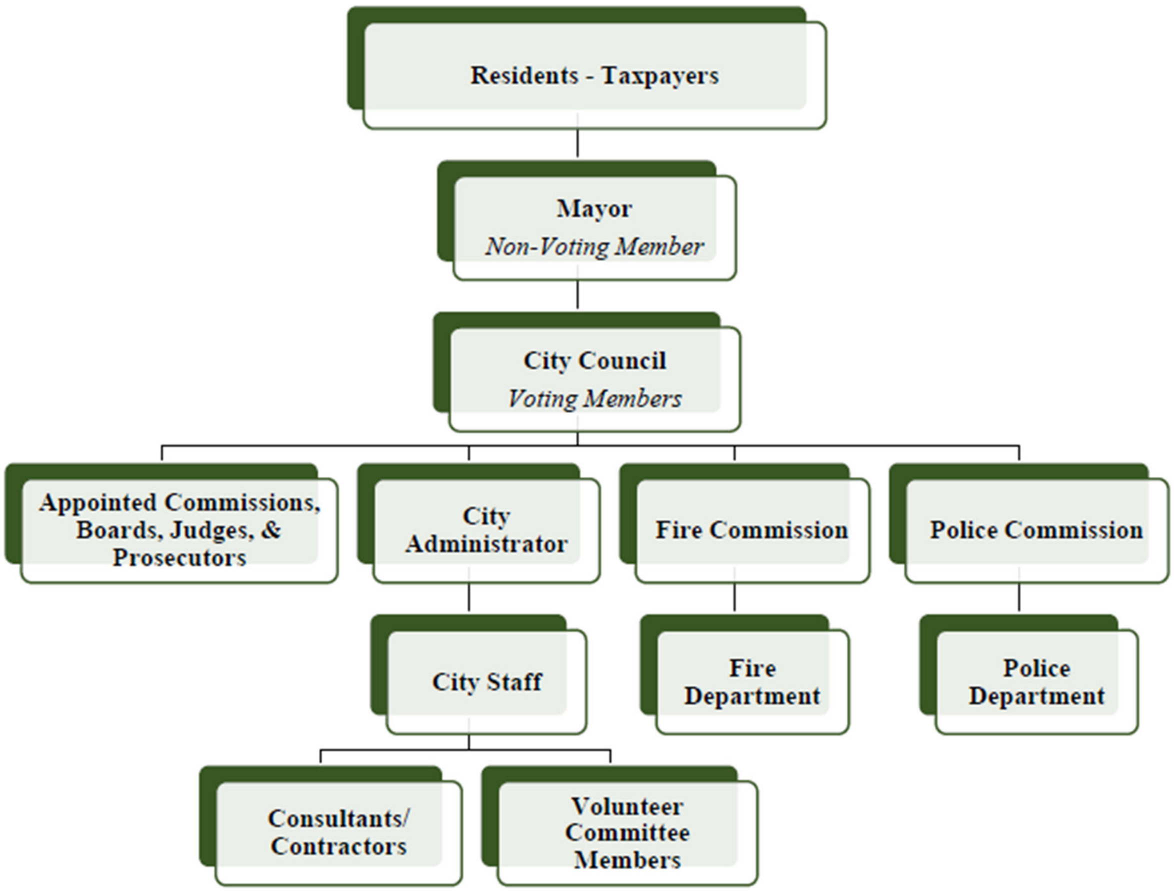
A Certificate of Achievement is valid for a period of one year. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this Annual Comprehensive Financial Report would not have been possible without the efficient and dedicated service of the Finance Department. Appreciation is expressed to all City employees, especially to those who were instrumental in the successful completion of this report. Additionally, I would also like to thank the Mayor, the Council, and the City Administrator for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Susan Grass, CFE, CGFO
Director of Finance


Residents - Taxpayers
Mayor
Non-Voting Member
City Council
Voting Members
Appointed Commissions, Boards, Judges, & Prosecutors
City Administrator
Fire Commission
Police Commission
City Staff
Fire Department
Police Department
Consultants/ Contractors
Volunteer Committee Members

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bunker Hill Village
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

CITY OF BUNKER HILL VILLAGE, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
December 31, 2025

Elected Officials	Position	End of Term
Keith Brown	Mayor	May, 2027
Susan Schwartz	Council Member/Mayor Pro-Tem	May, 2028
Eric Thode	Council Member	May, 2028
Carl Morerer	Council Member	May, 2028
Josh Pratt	Council Member	May, 2027
Andrew Poor	Council Member	May, 2027

Appointed Officials	Position
Gerardo Barrera	City Administrator
Susan Grass	Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council Members of the
City of Bunker Hill Village, 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 Bunker Hill, Texas (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefit liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

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 statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Crowe LLP

Crowe LLP

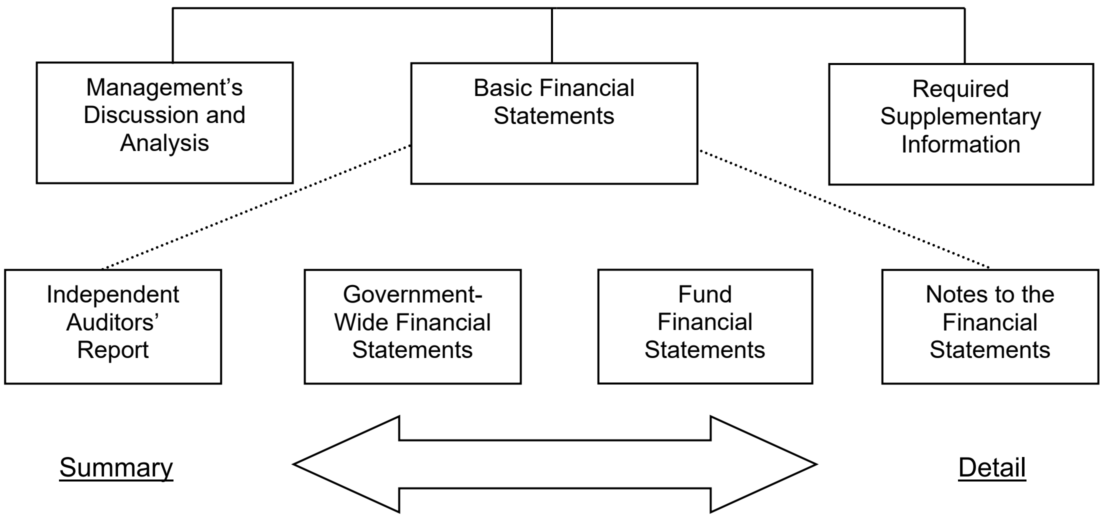
Houston, Texas
May 19, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the City of Bunker Hill Village, Texas (the "City") for the year ending December 31, 2025. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report on information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred outflows/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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's basic services are reported here including general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment operations.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City'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 funds balance sheet and the governmental funds 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 seven governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds for reporting purposes. The metro fund, the restricted court fund, the restricted donation fund, and the offsite tree program fund are special revenue funds that are considered to be nonmajor funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and special revenue funds. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with these budgets.

(Continued)

Proprietary Funds

The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $45,952,240 as of December 31, 2025.

A portion of the City's net position, 70%, reflects its investment in capital assets (e.g., land, facilities, infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The City's net investments in capital assets was $32,155,876 at December 31, 2025, which was an increase of $3,275,966 from the prior year. This increase in net investment in capital assets is primarily due to a decrease in debt related to capital assets.

(Continued)

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and other assets	$ 18,287,539	$ 4,903,429	$ 23,190,968	$ 17,362,296	$ 6,520,394	$ 23,882,690
Capital assets, net	26,574,835	14,818,442	41,393,277	25,381,927	13,819,343	39,201,270
Total assets	44,862,374	19,721,871	64,584,245	42,744,223	20,339,737	63,083,960
DEFERRED OUTFLOWS ON RESOURCES						
Deferred charge on refunding	10,502	-	10,502	12,953	-	12,953
Deferred outflows - pensions	142,801	189,879	332,680	129,782	173,683	303,465
Deferred outflows - OPEB	1,070	-	1,070	2,564	-	2,564
Total deferred outflows on resources	154,373	189,879	344,252	145,299	173,683	318,982
LIABILITIES						
Long-term liabilities	4,939,837	5,004,568	9,944,405	5,759,121	5,229,312	10,988,433
Other liabilities	204,703	433,168	637,871	124,918	2,330,579	2,455,497
Total liabilities	5,144,540	5,437,736	10,582,276	5,884,039	7,559,891	13,443,930
DEFERRED INFLOWS ON RESOURCES						
Deferred inflows - pensions	26,223	29,254	55,477	13,461	13,378	26,839
Deferred inflows - OPEB	5,555	-	5,555	8,881	-	8,881
Deferred inflows - lease	310,210	-	310,210	327,444	-	327,444
Unavailable revenue - property taxes	8,022,739	-	8,022,739	7,375,949	-	7,375,949
Total deferred inflows on resources	8,364,727	29,254	8,393,981	7,725,735	13,378	7,739,113
NET POSITION						
Net investment in capital assets	21,990,939	10,164,937	32,155,876	19,958,041	8,921,869	28,879,910
Restricted	290,537	-	290,537	265,948	-	265,948
Unrestricted	9,226,004	4,279,823	13,505,827	9,055,759	4,018,282	13,074,041
Total net position	$ 31,507,480	$ 14,444,760	$ 45,952,240	$ 29,279,748	$ 12,940,151	$ 42,219,899

A portion of the City's net position, $290,537, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, $13,505,827, may be used to meet the City's ongoing obligation to citizens and creditors.

(Continued)

The City's total net position increased by $3,732,341 or 9% during the current fiscal year. Total assets increased by $1,500,285 which is the net result of an increase in net capital assets of $2,192,007 due mainly to an increase in infrastructure additions in the current year and a decrease in current and other assets of $691,722 due mainly to a decrease in cash and cash equivalents from unspent advanced grant funding in prior year. Total deferred outflows of resources increased by $25,270 which was primarily due to the change in deferred outflows related to the pension plan. The decrease in total liabilities of $2,861,654 was a decrease in other liabilities due primarily from a decrease in unearned revenue for the American Rescue Plan grant as the revenue has now been recognized in the current year and a decrease in long-term liabilities due mainly to principal payments on debt. Total deferred inflows of resources increased by $654,868 which was primarily due to an increase in unavailable revenues from property taxes collected for fiscal year 2025.

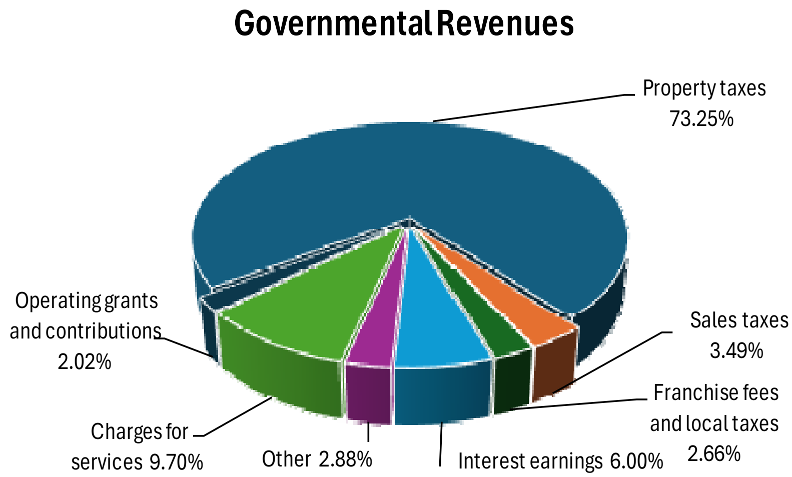
Statement of Activities

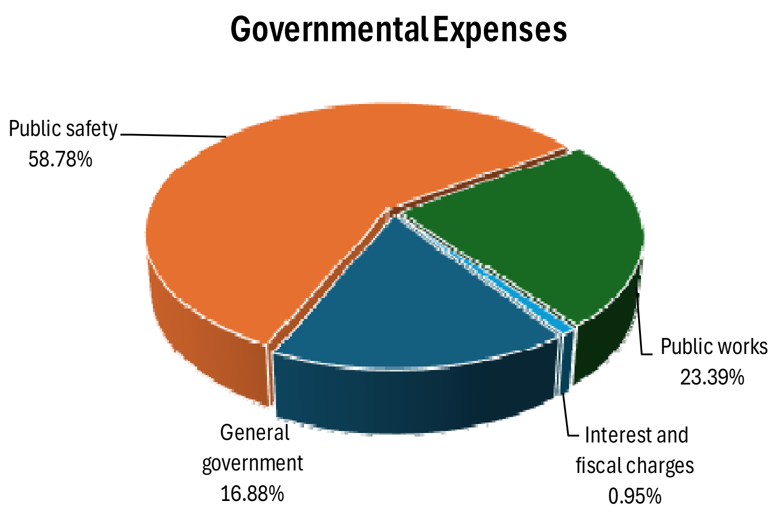
The following table provides a summary of the City's changes in net position:

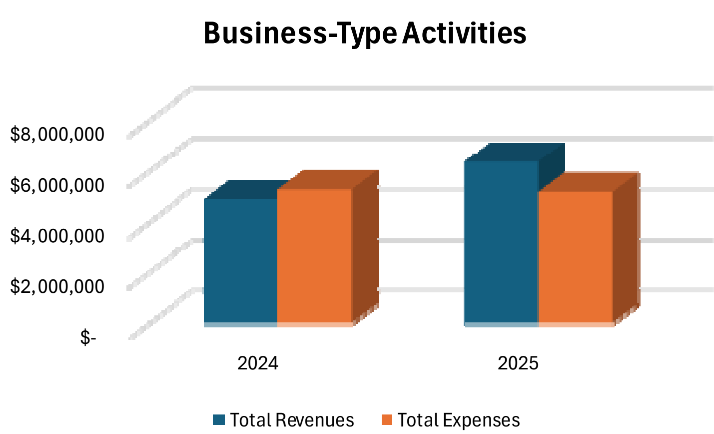
	For the Year Ended December 31 ,2025			For the Year Ended December 31, 2024		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	$ 999,564	$ 5,406,255	$ 6,405,819	$ 1,097,545	$ 4,794,556	$ 5,892,101
Operating grants and contributions	208,302	879,439	1,087,741	395,081	-	395,081
General revenues						
Property taxes	7,545,942	-	7,545,942	7,247,788	-	7,247,788
Sales taxes	359,487	-	359,487	313,395	-	313,395
Franchise fees and local taxes	274,741	-	274,741	290,723	-	290,723
Interest earnings	617,611	65,000	682,611	788,359	65,004	853,363
Other	296,294	6,872	303,166	180,002	5,000	185,002
Total revenues	10,301,941	6,357,566	16,659,507	10,312,893	4,864,560	15,177,453
Expenses						
General government	1,312,286	-	1,312,286	1,618,897	-	1,618,897
Public safety	4,569,869	-	4,569,869	4,311,309	-	4,311,309
Public w orks	1,818,309	-	1,818,309	1,617,953	-	1,617,953
Interest and fiscal charges	73,745	-	73,745	100,119	-	100,119
Water, w astew ater, and solid w aste	-	5,152,957	5,152,957	-	5,256,419	5,256,419
Total expenses	7,774,209	5,152,957	12,927,166	7,648,278	5,256,419	12,904,697
Increase (decrease) in net position before transfers	2,527,732	1,204,609	3,732,341	2,664,615	(391,859)	2,272,756
Transfers in (out)	(300,000)	300,000	-	(800,000)	800,000	-
Change in net position	2,227,732	1,504,609	3,732,341	1,864,615	408,141	2,272,756
Net position-beginning of year	29,279,748	12,940,151	42,219,899	27,415,133	12,532,010	39,947,143
Net position-end of year	$ 31,507,480	$ 14,444,760	$ 45,952,240	$ 29,279,748	$ 12,940,151	$ 42,219,899

(Continued)

Graphic presentation of the selected data from the summary tables follow to assist in the analysis of the City's activities.







Current year revenues for the governmental activities decreased by $10,952. There was a decrease in investment earnings of $170,748 due to a decrease in interest rates on deposits, operating grants and contributions of $186,779 due primarily to a decrease in grants related to community development, charges for services of $97,981 due mainly to a decrease in services for permits and licenses, and a decrease in franchise and other taxes of $15,982. These decreases in revenue were offset by an increase in property tax revenue of $298,154 due to an increase in assessed property tax values from residential properties, sales tax revenue of $46,092 due to an increase in economic activity, and other revenues of $116,292 due mainly to adjustments related to prior year cost allocations from the Memorial Village Police Department (MVPD) and Village Fire Department (VFD). Governmental activities expenses increased by $125,931 compared to the prior year, which included an increase in expenses for public safety and public works. The increase in public safety expenses of $258,560 is due to an increase in expenses from MVPD and VFD. The increase in public works expenses of $200,356 is primarily due to an increase in depreciation expense from an increase in depreciable infrastructure in current and recent years. These increases in governmental activities expenses were offset by a decrease in expenses for general government of $306,611 due primarily to a decrease in costs related to storm damage in prior year and a decrease interest expense on debt of $26,374.

Revenues for business-type activities increased by $1,493,006. This increase was due to more charges for services for water and wastewater services due primarily to an increase in utility billing rates and increase in revenue from the American Rescue Plan grant. Expenses decreased $103,462 primarily from a decrease in wastewater treatment fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information 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 the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of $9,687,392. Of this, $96,568 is restricted for Metro, $151,736 is restricted for debt service, $35,267 is restricted for enabling legislation, and $6,966 is restricted for public services from restricted donations. The City has assigned $144,244 for emergency purposes, $4,442,596 for capital projects uses, $206,725 for facilities, $282,247 for the police department, and $249,111 for the offsite tree program. The City has unassigned fund balance of $4,071,932.

Overall, there was an increase in combined fund balance of $345,171 in comparison to the prior year. Governmental fund revenues exceeded expenditures by $645,171 and transferred $300,000 to the water and wastewater fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $4,071,932, while total fund balance reached $4,705,148. 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. Unassigned fund balance represents 66% of total expenditures, while total fund balance represents 76% of the same amount. The general fund included revenues of $9,211,186, expenditures of $6,152,741, and transfers to the capital projects fund and water and wastewater fund of $2,443,855. Revenues within the general fund increased by $82,583 from the prior fiscal year, which was primarily due to a net result of an increase in property tax revenues of $446,910 due to an increase in assessed property tax values, decrease in interest earnings of $170,427 from a decrease in interest rates

(Continued)

on deposits, and decrease in intergovernmental revenues of $242,747 from a decrease in community development grants. Expenditures for the general fund increased by $158,178 from the prior fiscal year, which was primarily due to the net result of an increase in public safety expenditures of $272,173 from service costs from MVPD and VFD net of a decrease in general government expenditures of $92,185 due mainly to a decrease in debris removal costs from storms in prior year.

The debt service fund had an increase in fund balance for the year of $9,347. The debt service fund property tax revenues increased by $27,388 from prior fiscal year due to an increase in assessed property tax values. The debt service fund expenditures from prior fiscal year decreased by $41,169 from prior year due to a decrease in principal and interest on debt. The ending debt service fund balance of $151,736 is restricted for future debt service payments.

The capital projects fund had a decrease in fund balance of $321,826, which included transfers in from the general fund of $2,143,855 for current and future year projects. The capital projects fund ending total fund balance was $4,442,596, which is considered assigned for future capital projects. There was an increase in capital projects fund expenditures from prior fiscal year of $1,868,780 due primarily to an increase in capital outlay for City infrastructure and an increase in revenues from prior fiscal year of $55,968 due to an increase in deposits assigned to the capital projects fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget reported a planned increase in the fund balance for the general fund of $154,537. The amended final budget reported a planned increase of $251,699 in the general fund. Original budgeted revenues were amended and increased by $315,670 due primarily to an increase in property tax revenues from an increase in expected assessed property tax values and other revenues for adjustments related to prior year cost allocation from MVPD and VFD during the fiscal year. The original expenditures were amended and increased by $218,508 due primarily to an increase in utility costs for electricity and service costs for general government and public safety.

The general fund actual net increase in general fund balance was $614,590, resulting in a positive budget variance of $362,891. The actual revenues exceeded final budgeted revenues of $9,137,602 by a net $73,584 and the final budgeted expenditures of $6,442,048 exceeded actual expenditures by $289,307 with no negative budget variances across all expenditure functions.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested $41,393,277 in a variety of capital assets and infrastructure (net of accumulated depreciation). The City's capital asset current activity included additions of $3,996,543 and depreciation expense of $1,804,536.

Major capital asset events during the year included the following:

- Improvements for Bunker Hill Road and Taylorcrest overlay of $1,997,626.
- Underground utility infrastructure and waterline replacement of $1,209,437.
- Replacement of water meters throughout the City for $101,326.
- Drainage improvements to the City's roads of $135,737.

More detailed information about the City's capital assets is presented in note 3. to the financial statements.

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LONG-TERM DEBT

At the end of the year, the City had total governmental and business-type activities long-term debt outstanding of $8,590,000. Governmental activities long-term debt outstanding included general obligation bonds of $2,845,000 and certificates of obligation of $1,235,000. Business-type activities long-term debt outstanding included certificates of obligation of $4,510,000. During the year, the City had an overall decrease in long-term debt of $1,000,000. More detailed information about the City's long-term liabilities is presented in note 3. to the financial statements.

The current underlying Standards and Poor's ratings on both debt issues for general obligation bonds and certificates of obligation are AAA.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In continuing the vision of Bunker Hill Village, the City plans to expand and improve quality infrastructure, facilities, and public services to meet current and future needs. The City continues to experience growth due to new construction and redevelopments and will continue to focus on maintaining an even balance within City limits.

The City's adopted budget for the general fund expenditures for fiscal year 2026 totals $6.7 million with budgeted transfers out of $2.6 million to the capital projects fund. The fiscal year 2026 budgeted debt service fund expenditures for principal and interest payments on debt outstanding that are funded from taxes levied on all taxable property located within the City limits is $1,194,718.

The adopted total property tax rate for the 2025 tax levy which is for revenues in fiscal year 2025 is $0.271 per $100 of taxable property values, which is the same tax rate from the 2024 tax levy. The assessed value on taxable property for the 2025 tax levy was approximately $2.96 billion, which was an increase from the assessed value on taxable property for the 2024 tax levy of approximately $2.74 billion.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Director of Finance, City of Bunker Hill Village, 11977 Memorial Drive, Houston, Texas, 77024.

BASIC FINANCIAL STATEMENTS

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 12,747,572	$ 3,812,055	$ 16,559,627
Restricted cash and cash equivalents	-	17,700	17,700
Receivables, net	5,203,068	1,073,674	6,276,742
Lease receivable	336,899	-	336,899
	18,287,539	4,903,429	23,190,968
Capital assets			
Nondepreciable capital assets	156,505	299,402	455,907
Net depreciable capital assets	26,418,330	14,519,040	40,937,370
	26,574,835	14,818,442	41,393,277
Total assets	44,862,374	19,721,871	64,584,245
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	10,502	-	10,502
Deferred outflows - pensions	142,801	189,879	332,680
Deferred outflows - OPEB	1,070	-	1,070
Total deferred outflows of resources	154,373	189,879	344,252
LIABILITIES			
Accounts payable and other current liabilities	174,000	299,808	473,808
Accrued interest payable	30,703	19,098	49,801
Unearned revenue	-	96,562	96,562
Customer deposits	-	17,700	17,700
Long-term liabilities			
Long-term liabilities due within one year	767,076	270,570	1,037,646
Long-term liabilities due in more than one year	4,172,761	4,733,998	8,906,759
	4,939,837	5,004,568	9,944,405
Total liabilities	5,144,540	5,437,736	10,582,276
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	26,223	29,254	55,477
Deferred inflows - OPEB	5,555	-	5,555
Deferred inflows - lease	310,210	-	310,210
Unavailable revenue - property taxes	8,022,739	-	8,022,739
Total deferred inflows of resources	8,364,727	29,254	8,393,981
NET POSITION			
Net investment in capital assets	21,990,939	10,164,937	32,155,876
Restricted for			
Debt service	151,736	-	151,736
Metro	96,568	-	96,568
Enabling legislation	35,267	-	35,267
Public services	6,966	-	6,966
Unrestricted	9,226,004	4,279,823	13,505,827
Total net position	$ 31,507,480	$ 14,444,760	$ 45,952,240

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

		Program Revenues		Net Revenue (Expense) and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Government Activities	Business-Type Activities	Total
Primary Government						
Governmental activities						
General government	$ 1,312,286	$ 945,062	$ -	$ (367,224)	$ -	$ (367,224)
Public safety	4,569,869	54,502	-	(4,515,367)	-	(4,515,367)
Public w orks	1,818,309	-	208,302	(1,610,007)	-	(1,610,007)
Interest and fiscal charges	73,745	-	-	(73,745)	-	(73,745)
Total governmental activities	7,774,209	999,564	208,302	(6,566,343)	-	(6,566,343)
Business-type activities						
Water and w astew ater	4,642,927	4,910,671	879,439	-	1,147,183	1,147,183
Solid w aste	510,030	495,584	-	-	(14,446)	(14,446)
Total business-type activities	5,152,957	5,406,255	879,439	-	1,132,737	1,132,737
Total primary government	$ 12,927,166	$ 6,405,819	$ 1,087,741	(6,566,343)	1,132,737	(5,433,606)
General revenues						
Taxes						
Property taxes				7,545,942	-	7,545,942
Sales taxes				359,487	-	359,487
Franchise fees and local taxes				274,741	-	274,741
Interest earnings				617,611	65,000	682,611
Other				296,294	6,872	303,166
Transfers, net				(300,000)	300,000	-
Total general revenues				8,794,075	371,872	9,165,947
Change in net position				2,227,732	1,504,609	3,732,341
Beginning net position				29,279,748	12,940,151	42,219,899
Ending net position				$ 31,507,480	$ 14,444,760	$ 45,952,240

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
BALANCE SHEET – GOVERMENTAL FUNDS
December 31, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 7,360,695	$ 503,780	$ 4,487,928	$ 395,169	$ 12,747,572
Receivables, net	4,564,267	582,833	55,968	-	5,203,068
Lease receivable	336,899	-	-	-	336,899
Total assets	$ 12,261,861	$ 1,086,613	$ 4,543,896	$ 395,169	$ 18,287,539
LIABILITIES					
Accounts payable and accrued liabilities	$ 65,443	$ -	$ 101,300	$ 7,257	$ 174,000
Total liabilities	65,443	-	101,300	7,257	174,000
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow s - lease	310,210	-	-	-	310,210
Unavailable revenue - property taxes	7,181,060	934,877	-	-	8,115,937
Total deferred inflow s of resources	7,491,270	934,877	-	-	8,426,147
FUND BALANCES					
Restricted					
Debt service	-	151,736	-	-	151,736
Metro	-	-	-	96,568	96,568
Enabling legislation	-	-	-	35,267	35,267
Public services	-	-	-	6,966	6,966
Assigned					
Capital projects	-	-	4,442,596	-	4,442,596
Emergency	144,244	-	-	-	144,244
Vehicles and technology	-	-	-	-	-
Facilities	206,725	-	-	-	206,725
Police department	282,247	-	-	-	282,247
Offsite tree program	-	-	-	249,111	249,111
Unassigned	4,071,932	-	-	-	4,071,932
Total fund balances	4,705,148	151,736	4,442,596	387,912	9,687,392
Total liabilities, deferred inflow s of resources, and fund balances	$ 12,261,861	$ 1,086,613	$ 4,543,896	$ 395,169	$ 18,287,539

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2025

Total fund balances for governmental funds	$ 9,687,392
Amounts reported for the Statement of Net Position:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable capital assets	156,505
Depreciable capital assets	39,848,180
Accumulated depreciation	(13,429,850)
Deferred outflows and inflows related to the pension and other postemployment benefits (OPEB) are not reported in the governmental funds.	
Deferred outflows - pensions	142,801
Deferred inflows - pensions	(26,223)
Deferred outflows - OPEB	1,070
Deferred inflows - OPEB	(5,555)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
Unavailable revenue related to property taxes	93,198
Deferred outflows from deferred charge on refunding of debt are not reported in the governmental funds.	10,502
Liabilities from accrued interest payable and long-term liabilities from debt, compensated absences, net pension liability, and total OPEB liability are not reported in the governmental funds.	
Accrued interest payable	(30,703)
Long-term liabilities due within one year	(767,076)
Long-term liabilities due in more than one year	(4,172,761)
Net position of governmental activities	$ 31,507,480

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended December 31, 2025

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
Revenues					
Property taxes	$ 6,770,129	$ 911,590	$ -	$ -	$ 7,681,719
Sales taxes	359,487	-	-	134,000	493,487
Charges for services	54,502	-	-	-	54,502
Franchise fees and local taxes	274,741	-	-	-	274,741
Fines and forfeitures	245,440	-	-	9,677	255,117
Licenses and permits	689,945	-	-	-	689,945
Interest earnings	599,314	18,000	-	297	617,611
Intergovernmental	18,334	-	55,968	-	74,302
Other	199,294	-	-	97,000	296,294
Total revenues	9,211,186	929,590	55,968	240,974	10,437,718
Expenditures					
Current					
General government	1,203,792	-	-	69,182	1,272,974
Public safety	4,568,756	-	-	1,113	4,569,869
Public works	380,193	-	109,406	127,619	617,218
Debt service					
Principal	-	765,000	-	-	765,000
Interest and fiscal charges	-	155,243	-	-	155,243
Capital outlay	-	-	2,412,243	-	2,412,243
Total expenditures	6,152,741	920,243	2,521,649	197,914	9,792,547
Excess (deficiency) of revenues over (under) expenditures	3,058,445	9,347	(2,465,681)	43,060	645,171
Other financing sources (uses)					
Transfers in	-	-	2,143,855	-	2,143,855
Transfers (out)	(2,443,855)	-	-	-	(2,443,855)
Total other financing sources (uses)	(2,443,855)	-	2,143,855	-	(300,000)
Net change in fund balances	614,590	9,347	(321,826)	43,060	345,171
Beginning fund balances	4,090,558	142,389	4,764,422	344,852	9,342,221
Ending fund balances	$ 4,705,148	$ 151,736	$ 4,442,596	$ 387,912	$ 9,687,392

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

Net change in fund balances - total governmental funds	$ 345,171
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset acquisitions	2,412,243
Depreciation expense	(1,219,335)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Net change in deferred revenue	(135,777)
Changes in net pension and other postemployment benefits (OPEB) liability (asset) and deferred inflows related to the net pension and OPEB liability (asset) in the governmental funds.	
Net pension liability	(4,775)
Total OPEB liability	(237)
Deferred outflows - pensions	13,019
Deferred outflows - OPEB	(1,494)
Deferred inflows - pensions	(12,762)
Deferred inflows - OPEB	3,326
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal paid on long-term debt, net of refunding bonds issued	765,000
Amortization of premium	77,441
Amortization of deferred loss on refunding	(2,451)
Accrued interest expense	6,508
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(18,145)
Change in net position of governmental activities	$ 2,227,732

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF NET POSITION -
PROPRIETARY FUND
December 31, 2025

	Business-Type Activities		
	Water and Wastewater	Nonmajor Solid Waste	Total Enterprise
ASSETS			
Current assets			
Cash and cash equivalents	$ 3,771,183	$ 40,872	$ 3,812,055
Restricted cash and cash equivalents	17,700	-	17,700
Receivables, net	960,058	113,616	1,073,674
Total current assets	4,748,941	154,488	4,903,429
Noncurrent assets			
Capital assets:			
Land	144,163	-	144,163
Construction in progress	155,239	-	155,239
Building	3,431,938	-	3,431,938
Infrastructure	20,821,891	-	20,821,891
Water rights	446,890	-	446,890
Machinery and equipment	873,925	-	873,925
Less accumulated depreciation	(11,055,604)	-	(11,055,604)
Total noncurrent assets	14,818,442	-	14,818,442
Total assets	19,567,383	154,488	19,721,871
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	189,879	-	189,879
Total deferred outflows of resources	189,879	-	189,879
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	292,916	6,892	299,808
Accrued interest payable	19,098	-	19,098
Unearned revenue	96,562	-	96,562
Customer deposits	17,700	-	17,700
Bonds payable - current	245,000	-	245,000
Compensated absences - current	25,570	-	25,570
Total current liabilities	696,846	6,892	703,738
Noncurrent liabilities			
Bonds payable, net of premium	4,408,505	-	4,408,505
Compensated absences	7,682	-	7,682
Net pension liability	317,811	-	317,811
Total noncurrent liabilities	4,733,998	-	4,733,998
Total liabilities	5,430,844	6,892	5,437,736
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	29,254	-	29,254
Total deferred inflows of resources	29,254	-	29,254
NET POSITION			
Net investment in capital assets	10,164,937	-	10,164,937
Unrestricted	4,132,227	147,596	4,279,823
Total net position	$ 14,297,164	$ 147,596	$ 14,444,760

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the year ended December 31, 2025

	Business-Type Activities		
	Water and Wastewater	Nonmajor Solid Waste	Total Enterprise
Operating revenues			
Water and wastewater charges	$ 4,910,671	$ -	$ 4,910,671
Solid waste fees	-	495,584	495,584
Other	6,872	-	6,872
Total operating revenues	4,917,543	495,584	5,413,127
Operating expenses			
Water and wastewater	3,979,677	-	3,979,677
Sanitation	-	510,030	510,030
Depreciation	585,201	-	585,201
Total operating expenses	4,564,878	510,030	5,074,908
Operating income (loss)	352,665	(14,446)	338,219
Nonoperating revenues (expenses)			
Intergovernmental	879,439	-	879,439
Interest earnings	65,000	-	65,000
Interest and fiscal charges	(78,049)	-	(78,049)
Total nonoperating revenues (expenses)	866,390	-	866,390
(Loss) before transfers	1,219,055	(14,446)	1,204,609
Transfers			
Transfers in	300,000	-	300,000
Total transfers	300,000	-	300,000
Change in net position	1,519,055	(14,446)	1,504,609
Beginning net position	12,778,109	162,042	12,940,151
Ending net position	$ 14,297,164	$ 147,596	$ 14,444,760

See notes to financial statements.

CITY OF BUNKER HILL VILLAGE, TEXAS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the year ended December 31, 2025

	Business-Type Activities		
	Water and Wastewater	Nonmajor Solid Waste	Total Enterprise
Cash flows from operating activities			
Receipts from customers	$ 4,842,968	$ 495,476	$ 5,338,444
Payments to suppliers	(4,203,322)	(509,783)	(4,713,105)
Payments to employees	(774,082)	-	(774,082)
Net cash provided (used) by operating activities	(134,436)	(14,307)	(148,743)
Cash flows from noncapital financing activities			
Transfers	300,000	-	300,000
Net cash provided by noncapital financing activities	300,000	-	300,000
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(1,584,300)	-	(1,584,300)
Principal paid on capital debt	(235,000)	-	(235,000)
Interest payments	(89,105)	-	(89,105)
Net cash (used) by capital and related financing activities	(1,908,405)	-	(1,908,405)
Cash flows from investing activities			
Interest received	65,000	-	65,000
Net cash provided by investing activities	65,000	-	65,000
Net increase (decrease) in cash and cash equivalents	(1,677,841)	(14,307)	(1,692,148)
Beginning cash and cash equivalents	5,466,724	55,179	5,521,903
Ending cash and cash equivalents	$ 3,788,883	$ 40,872	$ 3,829,755
Ending cash and cash equivalents			
Unrestricted cash and cash equivalents	$ 3,771,183	$ 40,872	$ 3,812,055
Restricted cash and cash equivalents	17,700	-	17,700
	$ 3,788,883	$ 40,872	$ 3,829,755

(Continued)

	Business-Type Activities		
	Water and Wastewater	Nonmajor Solid Waste	Total Enterprise
Reconciliation of operating (loss) to net cash provided(used) by operating activities			
Operating (loss)	$ 352,665	$ (14,446)	$ 338,219
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	585,201	-	585,201
Changes in operating assets and liabilities			
(Increase) decrease in			
Accounts receivable	(75,075)	(108)	(75,183)
Deferred outflows - pensions	(16,196)	-	(16,196)
Increase (decrease) in			
Accounts payable and accrued liabilities	(1,016,632)	247	(1,016,385)
Customer deposits	500	-	500
Compensated absences	13,284	-	13,284
Net pension liability	5,941	-	5,941
Deferred inflows - pensions	15,876	-	15,876
Net cash provided by operating activities	$ (134,436)	$ (14,307)	$ (148,743)

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Bunker Hill Village, Texas (the "City") was organized in 1954. The City operates under the general laws of the State of Texas (the "State"). The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services (through Memorial Villages Police Department and Village Fire Department), municipal court, planning and development, public works to include streets and drainage and water and wastewater services, solid waste collection and disposal, and general administration.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The Bunker Hill Village Inc. is a blended component unit reported with the primary government as a governmental fund. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are both legally and substantively separate from the government. There were no discretely presented component units that were both legally and substantively separate in the government-wide financial statements. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

The City participates in an interlocal cooperation agreement with other contracting cities to receive public safety services from the Village Fire Department and the Memorial Villages Police Department. The City has no significant influence over the administration or operation of these entities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit

BHV Inc.: On March 21, 2023, the Mayor and City Council authorized the creation and approved the Articles of Incorporation and the bylaws of BHV Inc. which is the legal name of the City's restricted donation fund BHV Inc. is a nonprofit corporation as defined by the Internal Revenue Code of 1986, as amended, and the applicable rulings of the Internal Revenue Service of the United States prescribed and promulgated thereunder. BHV Inc. is organized under the provisions of the Development Corporation Act applicable to corporations governed under Chapter 505 of the State of Texas Local Government Code.

BHV Inc. is governed by a Board of Directors, which consists of the Mayor and City Council. BHV Inc. records donations that are restricted for public services to support the City's public works and disaster operations building enhancement projects. BHV Inc. is considered a blended component unit for financial reporting purposes and is reported as if it were part of the City's operations. The revenues, expenditures, and other financing sources/uses of BHV Inc. are reported within the City's restricted donation fund, which is considered a nonmajor fund for reporting purposes.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation - Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following governmental fund:

General Fund: The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and public services. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund: The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Special Revenue Funds: The *special revenue funds* are used to account for proceeds of specific revenue sources that are assigned or legally restricted to expenditures for specified purposes. All of the special revenue funds are considered nonmajor funds for reporting purposes.

Capital Projects Fund: The *capital projects fund* is used to account for the expenditures of resources accumulated from the general fund and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following proprietary fund:

Enterprise Funds: The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment, and sanitation operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and wastewater fund is considered a major fund for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the governmental-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business- type activities column.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposits in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

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

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit
- Money market accounts
- Statewide investment pools

Capital Assets: Capital assets, which include property, machinery, 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 for vehicles and equipment and $25,000 for all other capital asset types and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, machinery, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Assets Depreciation	Estimated Useful Life
Buildings and improvements	20 to 50 years
Machinery and equipment	5 to 10 years
Vehicles	4 to 20 years
Water and wastewater system	20 to 65 years
Infrastructure	50 to 65 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Unavailable revenue is related to property taxes levied for the subsequent year. The governmental activities Statement of Net Position reported unavailable revenue related to property taxes of $8,022,739 which included property tax collections for the property taxes levied for the subsequent year of $3,078,338.
- A deferred inflow related to lease receivable is recognized at the fund level under modified accrual basis of accounting and on the Statement of Net Position under the full accrual basis of accounting. The revenue is recognized at the fund level and on the Statement of Activities as the deferred inflow from lease receivable is amortized.

At the fund level, the City has two types of items, which arise under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and deferred inflows from leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Employee Absences: The City recognizes a liability for compensated absences for leave that has been earned but not used and for leave that has been used but not yet paid or settled, in accordance with GASB Statement No. 101, *Compensated Absences*. Leave that has been earned but not used is recognized as a liability when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. The liability for compensated absences is reported in the government-wide and proprietary fund financial statements. Governmental funds recognize expenditures and liabilities for compensated absences only to the extent that liabilities are expected to be liquidated with expendable available financial resources. The liability includes salary-related payments, where applicable.

For vacation leave, the City's policy permits employees to accumulate earned but unused vacation benefits up to certain limitations, which are eligible for payment upon separation from employment at the employee's current rate of pay.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For sick leave, the City's policy permits employees to accumulate earned but unused sick leave. Accumulated sick leave lapses upon separation from employment and is not paid upon termination unless otherwise approved by the City Council. Accordingly, a liability is recognized only for the portion of accumulated sick leave that is more likely than not to be used for paid time off or otherwise paid or settled.

Long-Term Obligations: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and wastewater infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Leases: The City is a lessor for a noncancellable lease of a cell/communication tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements: The City has noncancellable subscription-based information technology arrangements ("SBITAs") to finance the use of information technology software. The City would recognize a liability (the "subscription liability") and an intangible, right-to-use subscription asset (the "subscription asset") in the government- wide financial statements. The City's SBITAs are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

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

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

Fund Balance Policies: Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City's policy is to maintain a minimum unassigned fund balance in the general fund of six months of current year operating expenditures and unrestricted net position in the enterprise fund of three months of current year operating expenses.

Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Pensions: For the purposes of measuring the net pension liability/(asset), 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' 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.

Other Postemployment Benefits: The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

Revenues and Expenditures/Expenses:

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

Property Taxes: Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds Operating and Nonoperating Revenues and Expenses: Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of budgetary control, as defined by the charter, is at the department level for the general fund and fund level for other funds. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the fiscal year. The general fund, debt service fund, and all of the special revenue funds have adopted budgets.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: As of December 31, 2025, the carrying amount of the City's bank accounts was $13,480,768. The total bank balance for the bank accounts was $13,487,466. The cash deposits held in the bank accounts as of December 31, 2025, and during the year ended December 31, 2025, were initially covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2025, the City had the following cash equivalents in pooled investments:

Investment Type	Value	Average Maturity (Years)
Texas CLASS	$ 3,096,559	0.12
Total investements	$ 3,096,559	
Portfolio weighted average maturity		0.12

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term investments.

Credit risk. State law and the City's investment policy limits investments to 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. Further, commercial paper must be rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies. As of year end, the City's investments in the investment pool were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the U.S. government or the issuing U.S. agency.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of December 31, 2025, fair value of pledged securities and FDIC coverage exceeded bank balances.

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

Texas CLASS - The Texas Cooperative Liquid Assets Securities System Trust ("CLASS") is a public funds investment pool under Section 2256.016 of the Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Receivables: The following comprise receivable balances as of December 31, 2025:

	General	Debt Service	Capital Projects	Water and Wastewater	Solid Waste
Property taxes	$ 4,454,766	$ 582,833	$ -	$ -	$ -
Sales taxes	73,431	-	-	-	-
Accounts	-	-	-	957,843	112,837
Franchise fees	36,070	-	-	-	-
Intergovernmental	-	-	55,968	-	-
Miscellaneous	-	-	-	14,084	2,573
Allowance	-	-	-	(11,869)	(1,794)
Total	$ 4,564,267	$ 582,833	$ 55,968	$ 960,058	$ 113,616

Lease Receivable: The City has a lease agreement (the "Agreement") as a lessor for the use of their cell tower with the lessee (American Tower Inc.) to install and operate communication equipment. The remaining term of the Agreement, including the renewal option in which it is reasonably certain will be exercised, is 18 years as of December 31, 2025. The annual payments for the lease range from $15 to $24 thousand. As of December 31, 2025, the value of the lease receivable is $336,899. The interest rate on the lease receivable is based on the City's incremental borrowing rate of 2.03%. The lease revenue for fiscal year 2025 was $24,335, which consists of an interest payment on the lease receivable of $7,101 and the amortization of the deferred inflow of resources from the lease of $17,233. The remaining principal and interest payments from leases are as follows:

Fiscal Year Ending December 31	Lease Receivable			
	Lease Receipts			Amortization of Deferred Inflows
	Principal	Interest	Total	
2026	$ 13,141	$ 6,839	$ 19,980	$ 17,233
2027	13,408	6,572	19,980	17,234
2028	13,680	6,300	19,980	17,234
2029	13,958	6,022	19,980	17,234
2030	14,241	5,739	19,980	17,234
2031-2035	85,752	24,138	109,890	86,170
2036-2040	110,736	14,141	124,877	86,170
2041-2043	71,983	2,942	74,925	51,701
Total	$ 336,899	$ 72,693	$ 409,592	$ 310,210

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets: The following is a summary of changes in capital assets for governmental activities for the year:

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 24,944	$ -	$ -	$ 24,944
Construction in progress	417,344	2,053,594	(2,339,377)	131,561
Total capital assets not being depreciated/amortized	442,288	2,053,594	(2,339,377)	156,505
Other capital assets				
Infrastructure	35,776,312	2,629,974	(141,751)	38,264,535
Buildings	1,244,296	-	-	1,244,296
Vehicles and equipment	283,241	68,052	(11,944)	339,349
Total other capital assets	37,303,849	2,698,026	(153,695)	39,848,180
Less accumulated depreciation/amortization for				
Infrastructure	(11,961,676)	(1,172,054)	141,751	(12,991,979)
Buildings	(222,445)	(29,037)	-	(251,482)
Vehicles and equipment	(180,089)	(18,244)	11,944	(186,389)
Total accumulated depreciation/amortization	(12,364,210)	(1,219,335)	153,695	(13,429,850)
Other capital assets, net	24,939,639	1,478,691	-	26,418,330
Total governmental activities capital assets, net	$ 25,381,927	$ 3,532,285	$ (2,339,377)	26,574,835
			Less associated debt	(4,594,398)
			Plus deferred charge on refunding	10,502
			Net investment in capital assets	$ 21,990,939

Depreciation was charged to governmental functions as follows:

General government	$ 18,244
Public works	1,201,091
Total governmental activities depreciation expense	$ 1,219,335

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of changes in capital assets for business-type activities for the year:

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-type activities				
Capital assets not being depreciated/amortized				
Land	$ 144,163	$ -	$ -	$ 144,163
Construction in progress	957,544	1,466,003	(2,268,308)	155,239
Total capital assets not being depreciated/amoritized	1,101,707	1,466,003	(2,268,308)	299,402
Other capital assets				
Buildings	3,419,938	12,000	-	3,431,938
Water rights	446,890	-	-	446,890
Machinery and equipment	873,925	-	-	873,925
Infrastructure	18,447,286	2,374,605	-	20,821,891
Total other capital assets	23,188,039	2,386,605	-	25,574,644
Less accumulated depreciation/amortization for				
Buildings	(1,166,407)	(49,399)	-	(1,215,806)
Water rights	(446,890)	-	-	(446,890)
Machinery and equipment	(344,381)	(46,455)	-	(390,836)
Infrastructure	(8,512,725)	(489,347)	-	(9,002,072)
Total accumulated depreciation/amortization	(10,470,403)	(585,201)	-	(11,055,604)
Other capital assets, net	12,717,636	1,801,404	-	14,519,040
Total business-type activities capital assets, net	$ 13,819,343	$ 3,267,407	$ (2,268,308)	14,818,442
			Less associated debt	(4,653,505)
			Net investment in capital assets	$ 10,164,937

Depreciation was charged to business-type functions as follows:

Water and wastewater	$ 585,201
Total business-type activities depreciation expense	$ 585,201

For the year ended December 31, 2025, there were no significant commitments related to construction in progress. The current construction in progress is related to engineering and design of road improvements and water system improvements.

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year:

	Beginning Balance	Additions	Deductions	Ending Balance		Amounts Due Within One Year
Governmental activities						
Bonds, notes, and other payables						
General obligation bonds	$ 3,435,000	$ -	$ (590,000)	$ 2,845,000	*	$ 605,000
Certificates of obligation	1,410,000	-	(175,000)	1,235,000	*	140,000
Premium	591,839	-	(77,441)	514,398	*	-
Compensated absences	22,700	18,145 **	-	40,845		20,801
Net pension liability	278,217	4,775	-	282,992		-
Total OPEB liability	21,365	237	-	21,602		1,275
Total governmental activities	$ 5,759,121	$ 23,157	$ (842,441)	$ 4,939,837		$ 767,076
			Long-term debt due in more than one year	$ 4,172,761		
			*Debt associated with governmental capital assets	$ 4,594,398		

	Beginning Balance	Additions	Deductions	Ending Balance		Due Within One Year
Business-type activities						
Bonds, notes, and other payables						
Certificates of obligation	$ 4,745,000	$ -	$ (235,000)	$ 4,510,000	*	$ 245,000
Premium	152,474	-	(8,969)	143,505	*	-
Compensated absences	19,968	13,284 **	-	33,252		25,570
Net pension liability	311,870	5,941	-	317,811		-
Total business-type activities	$ 5,229,312	$ 19,225	$ (243,969)	$ 5,004,568		$ 270,570
			Long-term liabilities due in more than one year	$ 4,733,998		
			*Debt associated with business-type capital assets	$ 4,653,505		

** Changes in compensated absences are presented on a net basis rather than as separate increases and decreases.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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. For the governmental activities, compensated absences are generally liquidated by the general fund. For governmental activities, the total OPEB liability is fully liquidated by the general fund.

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

Description	Interest Rate	Balance
Governmental activities		
General Obligation Bonds		
Series 2014	2.00-2.75%	$ 210,000
Series 2020	3.00-4.00%	2,635,000
Total		2,845,000
Certificates of obligation		
Series 2021	1.45-3.00%	1,235,000
Total governmental activities long-term debt		$ 4,080,000
Business-Type Activities		
Series 2021	1.45-3.00%	4,510,000
Total business-type activities long-term debt		$ 4,510,000

The City is not obligated in any manner for special assessment debt.

The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. A number of limitation and restrictions are contained in the various bonds. The City has complied with all significant limitations and restrictions. The governmental activities annual requirements to amortize the general obligation bonds that remained outstanding at year end were as follows:

	Governmental Activities - General Obligation Bonds		
Year Ending December 31	Principal	Interest	Total
2026	$ 605,000	$ 95,588	$ 700,588
2027	415,000	76,500	491,500
2028	430,000	59,600	489,600
2029	450,000	42,000	492,000
2030	465,000	23,700	488,700
2031	480,000	7,200	487,200
	$ 2,845,000	$ 304,588	$ 3,149,588

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The City has issued tax and revenue certificates of obligation to provide funds for the acquisition and construction of major facilities and infrastructure. Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of certificates for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities certificates will be paid with water and wastewater revenues. A number of limitations and restrictions are contained in the various certificate's ordinances. The City has complied with all significant limitations and restrictions. The governmental and business-type activities annual requirements to amortize the certificates of obligation that remained outstanding at year end were as follows:

	Governmental Activities - Certificates of Obligation		
	Certificates of Obligation		Tax Refund
Year Ending December 31	Principal	Interest	Agreements
2026	$ 140,000	$ 27,225	$ 167,225
2027	310,000	20,475	330,475
2028	270,000	11,775	281,775
2029	220,000	6,075	226,075
2030	175,000	3,113	178,113
2031	120,000	900	120,900
	$ 1,235,000	$ 69,563	$ 1,304,563

	Business-Type Activities - Certificates of Obligation		
	Certificates of Obligation		Tax Refund
Year Ending December 31	Principal	Interest	Agreements
2026	$ 245,000	$ 81,905	$ 326,905
2027	250,000	74,480	324,480
2028	255,000	66,905	321,905
2029	265,000	61,093	326,093
2030	265,000	57,118	322,118
2031-2035	1,400,000	224,800	1,624,800
2036-2040	1,510,000	106,450	1,616,450
2040-2041	320,000	3,200	323,200
	$ 4,510,000	$ 675,950	$ 5,185,950

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Transactions: Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Capital Projects Fund	$ 2,143,855
General Fund	Water and Wastewater Fund	300,000
		$ 2,443,855

Amounts transferred to the capital projects fund and water and wastewater fund were for funding of future project costs and current project costs related to street maintenance, road improvements, and utility rehabilitation projects.

Restricted Assets: As of December 31, 2025, the City held restricted cash and cash equivalents of $17,700 in the enterprise fund for customer deposits.

Fund equity: As of December 31, 2025, $35,267 of the City's total fund balance is restricted by enabling legislation, $151,736 is restricted for debt service, $6,966 is restricted donations for public services, and $96,568 is restricted for Metro.

NOTE 4 - OTHER INFORMATION

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with approximately 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The City is a member of the Texas Municipal League Workers' Compensation Intergovernmental Risk Pool (the "TML Pool"), which is not intended to operate as an insurance company, but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The TML Pool contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

Contingent Liabilities: Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount 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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

It was determined some years ago that 105 addresses in the City were connected and being serviced by the City of Houston for wastewater. It was also determined at that time that 15 addresses in the City of Houston were connected and being serviced by the City. Both parties agreed to service said wastewater as subject to the terms and conditions outlined in the waste disposal contract dated April 10, 2002. At this time, the parties have not determined the financial ramifications of the situation described above.

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of 938 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

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

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly 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.

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

	2025	2024
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility		
(expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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	7
Inactive employees entitled to, but not yet receiving, benefits	7
Active employees	9
Total	23

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 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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 18.23% and 10.97% in calendar years 2025 and 2024. The City's contributions to TMRS for the fiscal year ended December 31, 2025 were $194,440 which were equal to the required contributions.

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

Actuarial Assumptions: The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payment growth	2.75% per year, adjusted down for population declines, if any
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 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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.

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 rate of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)*
Global public equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other private markets	4%	7.3%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL 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, TMRS'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 TPL.

NOTE 4 - OTHER INFORMATION (Continued)

Changes in the NPL(A):

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year			
Service cost	$ 186,922	$ -	$ 186,922
Interest	339,918	-	339,918
Difference between expected and actual experience	203,448	-	203,448
Contributions - employer	-	188,051	(188,051)
Contributions - employee	-	71,854	(71,854)
Net investment income	-	462,707	(462,707)
Benefit payments, including refunds of employee contributions	(209,925)	(209,925)	-
Administrative expense	-	(2,970)	2,970
Other changes	-	(70)	70
Net Changes	520,363	509,647	10,716
Balance at December 31, 2023	5,047,331	4,457,244	590,087
Balance at December 31, 2024	$ 5,567,694	$ 4,966,891	$ 600,803

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL/(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one 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%)
City's net pension liability/(asset)	$ 1,255,499	$ 600,803	$ 48,087

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Pension Plan Fiduciary Net Position: Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended December 31, 2025, the City recognized pension expense of $204,867.

At December 31, 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
Difference between expected and actual economic experience	$ 138,240	$ (3,832)
Changes in actuarial assumptions	-	(2,520)
Net difference between projected and actual investment earnings	-	(49,125)
Contributions subsequent to the measurement date	194,440	-
Total	$ 332,680	$ (55,477)

$194,440 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 NPL for the fiscal year ending December 31, 2026.

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

Fiscal Year ended December 31,2025	Pension Expense
2026	$ 61,889
2027	116,127
2028	(62,882)
2029	(32,371)
Total	$ 82,763

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Other Postemployment Benefits:

TMRS Supplemental Death Benefit

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre- fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits. There are no assets accumulated in a GASB compliant trust related to this plan.

Benefits: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2024 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to, but not yet receiving, benefits	1
Active employees	9
Total	14

Total OPEB Liability: The City's total OPEB liability of $21,602 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with intermediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

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

Changes in the Total OPEB Liability:

	Total OPEB Liability
Changes for the year	
Service cost	$ 1,026
Interest	819
Difference between expected and actual experience	16
Changes of assumptions	(1,316)
Benefit payments*	(308)
Net Changes	237
Beginning balance	21,365
Ending balance	$ 21,602

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contribution for retirees.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

The discount rate increased from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 26,320	$ 21,602	$ 17,973

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended December 31, 2025, the City recognized a credit to OPEB expense of $1,275.

The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 570	$ (4,664)
Difference in expected and actual experience	180	(891)
Contributions subsequent to the measurement date	320	-
Total	$ 1,070	$ (5,555)

$320 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 fiscal year ending December 31, 2026.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year ended December 31, 2025	OPEB Expense
2026	$ (2,834)
2027	(1,367)
2028	(239)
2029	(234)
2030	(131)
Total	$ (4,805)

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Deferred Compensation Plan: The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan, makes investment decisions, and disburses funds to employees in accordance with Plan provisions. During the fiscal year, $79,424 was contributed to the Plan. The Plan has an invested balance of $287,827 as of December 31, 2025.

Agreement with Metro and Harris County: On July 1, 1999, the City entered into a Congestion Mitigation/Traffic Management Agreement (the "Agreement") with the Metropolitan Transit Authority of Harris County, Texas ("Metro"). Metro is to provide the City annual funding of $134,000 for eligible transportation projects. In October 2019, the City approved Resolution 10-15-2019, supporting the Metronext Plan and extending the mobility payments through December 2040. This was contingent upon the Metro bond referendum passing, which passed in November 2019.

Related organizations and joint ventures:

Memorial Villages Police Department – Health Insurance Benefits. In November 2006, the City entered into an insurance agreement (the "Agreement") by and between the Memorial Villages Police Department (the "Department") and the City of Piney Point Village to collectively seek health and related ancillary benefits for each entity's employees with the Department serving as the administrator. Under the terms of the Agreement, each party is responsible for the monthly premiums covering that entity's employees.

Memorial Villages Water Authority. In July 1985, the City entered into a waste disposal agreement (the "Agreement") with Memorial Villages Water Authority (the "Authority"). As part of this Agreement, the City paid 18.2 percent of the cost of construction for the wastewater treatment plant to the Authority. In March 2025, the City entered into a new Wholesale Wastewater Services Agreement, which supersedes prior arrangements. Under the Agreement, the Authority provides wastewater treatment services to the City through its regional system. The Agreement has an initial term of ten years with automatic renewal provisions. The City is required to pay for wastewater treatment services and its proportionate share of certain capital improvement and rehabilitation costs of the Authority's system. The City retains responsibility for its wastewater collection system and customer billing.

Village Fire Department. The City has entered into an interlocal agreement (the "Agreement") with the cities of Hunters Creek Village, Hedwig Village, Hilshire Village, Piney Point Village, and Spring Valley Village (the "Member Cities") to create the Village Fire Department (VFD). The Agreement automatically renews for a period of five years unless terminated by at least one of the Member Cities. Under the terms of the Agreement, the City is liable for 19% of the VFD's budget.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Consolidated financial information of the VFD extracted from the audited financial statements for the year ended December 31, 2024, on which their auditors expressed an unmodified opinion, is as follows:

	VFD Total		City's Portion (19%)	
	Net Position	Balance Sheet	Net Position	Balance Sheet
Total assets and deferred outflows	$ 10,221,732	$ 2,833,946	$ 1,942,129	$ 538,450
Total liabilities and deferred inflows	1,955,999	1,220,497	371,640	231,894
Total participant's equity	$ 8,265,733	$ 1,613,449	$ 1,570,489	$ 306,555
	Change in Net Position	Revenues and Expenditures	Change in Net Position	Revenues and Expenditures
Total revenues	$ 10,618,000	$ 10,618,000	$ 2,017,420	$ 2,017,420
Total expenditures/expenses	9,884,970	9,464,445	1,878,144	1,798,245
Revenues over expenditures/ expenses	733,030	1,153,555	139,276	219,175
Total other financing sources	-	57,000	-	10,830
Beginning partipant's equity	7,532,703	402,894	1,431,214	76,550
Ending participant's equity	$ 8,265,733	$ 1,613,449	$ 1,570,489	$ 306,555

Memorial Villages Police Department. The City has also entered into an interlocal agreement (the “Agreement”) with the cities of Piney Point Village and Hunters Creek Village to create the Memorial Villages Police Department (MVPD). Under the terms of the Agreement, the City is liable for 33% of the MVPD’s budget.

Consolidated financial information of the MVPD extracted from the audited financial statements for the year ended December 31, 2024, on which their auditors expressed an unmodified opinion, is as follows:

	MVPD Total		City's Portion (33%)	
	Net Position	Balance Sheet	Net Position	Balance Sheet
Total assets and deferred outflows	$ 3,726,318	$ 1,029,812	$ 1,229,685	$ 339,838
Total liabilities and deferred inflows	7,614,846	797,937	2,512,899	263,319
Total participant's equity	$ (3,888,528)	$ 231,875	$ (1,283,214)	$ 76,519
	Change in Net Position	Revenues and Expenditures	Change in Net Position	Revenues and Expenditures
Total revenues	$ 7,882,744	$ 7,764,243	$ 2,601,306	$ 2,562,200
Total expenditures/expenses	10,258,775	8,093,705	3,385,396	2,670,923
Revenues over expenditures/ expenses	(2,376,031)	(329,462)	(784,090)	(108,722)
Proceeds from sale of assets	-	36,920	-	12,184
Beginning partipant's equity	(1,512,497)	524,417	(499,124)	173,058
Ending participant's equity	$ (3,888,528)	$ 231,875	$ (1,283,214)	$ 76,519

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the year ended December 31, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 6,643,292	$ 6,741,292	$ 6,770,129	$ 28,837
Sales taxes	305,000	325,000	359,487	34,487
Charges for services	30,000	101,900	54,502	(47,398)
Franchise fees and local taxes	285,000	295,000	274,741	(20,259)
Fines and forfeitures	217,260	237,260	245,440	8,180
Licenses and permits	627,380	643,150	689,945	46,795
Interest earnings	600,000	580,000	599,314	19,314
Intergovernmental	-	18,334	18,334	-
Other	114,000	195,666	199,294	3,628
Total revenues	8,821,932	9,137,602	9,211,186	73,584
Expenditures				
General government				
General administration	1,273,760	1,367,860	1,193,280	174,580
Municipal court	12,700	12,700	10,512	2,188
Total general government	1,286,460	1,380,560	1,203,792	176,768
Public safety				
Fire	1,876,425	1,921,265	1,921,265	-
Police	2,645,655	2,725,223	2,647,491	77,732
Total public safety	4,522,080	4,646,488	4,568,756	77,732
Public works				
Streets and drainage	123,500	123,500	97,976	25,524
Permits and planning	291,500	291,500	282,217	9,283
Total public works	415,000	415,000	380,193	34,807
Total expenditures	6,223,540	6,442,048	6,152,741	289,307
Excess (deficiencies) of revenues over (under) expenditures	2,598,392	2,695,554	3,058,445	362,891
Other financing sources (uses)				
Transfers (out)	(2,443,855)	(2,443,855)	(2,443,855)	-
Total other financing (uses)	(2,443,855)	(2,443,855)	(2,443,855)	-
Net change in fund balance	$ 154,537	$ 251,699	614,590	$ 362,891
Beginning fund balance			4,090,558	
Ending fund balance			$ 4,705,148	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Years

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 186,922	$ 161,664	$ 128,833	$ 129,589	$ 116,132	$ 110,595	$ 107,199	$ 104,237	$ 102,034	$ 101,270
Interest (on the total pension liability)	339,918	321,144	270,257	253,520	237,241	219,295	213,174	197,104	184,637	175,323
Changes in benefit terms	-	458,236	(4,466)	-	-	-	-	-	-	-
Difference between expected and actual experience	203,448	(28,553)	34,043	15,752	(565)	43,428	(105,053)	62,665	21,467	26,875
Change of assumptions	-	(18,773)	-	-	-	12,170	-	-	-	51,452
Benefit payments, including refunds of employee contributions	(209,925)	(130,022)	(177,773)	(114,343)	(122,390)	(122,390)	(130,290)	(124,545)	(124,545)	(124,545)
Net change in total pension liability	520,363	763,696	250,894	284,518	230,418	263,098	85,030	239,461	183,593	230,375
Beginning total pension liability	5,047,331	4,283,635	4,032,741	3,748,223	3,517,805	3,254,707	3,169,677	2,930,216	2,746,623	2,516,248
Ending total pension liability	$ 5,567,694	$ 5,047,331	$ 4,283,635	$ 4,032,741	$ 3,748,223	$ 3,517,805	$ 3,254,707	$ 3,169,677	$ 2,930,216	$ 2,746,623
Plan fiduciary net position										
Contributions - employer	$ 188,051	$ 94,088	$ 83,474	$ 84,347	$ 71,519	$ 79,978	$ 69,773	$ 71,659	$ 56,125	$ 57,835
Contributions - employee	71,854	62,487	55,124	55,077	49,179	46,862	45,015	44,088	40,171	41,143
Net investment income	462,707	459,926	(315,990)	496,561	268,936	474,161	(95,245)	388,379	179,309	3,951
Benefit payments, including refunds of employee contributions	(209,925)	(130,022)	(177,773)	(114,343)	(122,390)	(122,390)	(130,290)	(124,545)	(124,545)	(124,545)
Administrative expense	(2,970)	(2,926)	(2,734)	(2,298)	(1,740)	(2,680)	(1,841)	(2,013)	(2,026)	(2,407)
Other	(70)	(19)	3,262	16	(67)	(80)	(97)	(102)	(109)	(119)
Net change in plan fiduciary net position	509,647	483,534	(354,637)	519,360	265,437	475,851	(112,685)	377,466	148,925	(24,142)
Beginning plan fiduciary net position	4,457,244	3,973,710	4,328,347	3,808,987	3,543,550	3,067,699	3,180,384	2,802,918	2,653,993	2,678,135
Ending Plan Fiduciary Net Position	$ 4,966,891	$ 4,457,244	$ 3,973,710	$ 4,328,347	$ 3,808,987	$ 3,543,550	$ 3,067,699	$ 3,180,384	$ 2,802,918	$ 2,653,993
Net Pension Liability	$ 600,803	$ 590,087	$ 309,925	$ (295,606)	$ (60,764)	$ (25,745)	$ 187,008	$ (10,707)	$ 127,298	$ 92,630
Plan fiduciary net position as a percentage of total pension liability	89.21%	88.31%	92.76%	107.33%	101.62%	100.73%	94.25%	100.34%	95.66%	96.63%
Covered Payroll	$ 1,024,879	$ 892,676	$ 787,488	$ 786,821	$ 702,551	$ 669,464	$ 643,067	$ 629,828	$ 573,870	$ 587,753
Net pension liability as a percentage of covered payroll	58.62%	66.10%	39.36%	-37.57%	-8.65%	-3.85%	29.08%	-1.70%	22.18%	15.76%

CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 194,440	$ 112,429	$ 88,553	$ 83,473	$ 84,347	$ 70,754	$ 78,352	$ 69,773	$ 71,675	$ 56,125
Contributions in relation to the actuarially determined contribution	194,440	187,758	94,088	83,473	84,347	71,535	80,777	69,773	71,675	56,125
Contribution deficiency (excess)	$ -	$ (75,329)	$ (5,535)	$ -	$ -	$ (781)	$ (2,425)	$ -	$ -	$ -
Covered payroll	$ 1,066,595	$ 1,024,879	$ 892,676	$ 787,488	$ 786,821	$ 702,551	$ 669,464	$ 643,067	$ 629,828	$ 573,870
Contributions as a percentage of covered payroll	18.23%	18.32%	10.54%	10.60%	10.72%	10.18%	12.07%	10.85%	11.38%	9.78%

Notes to Required Supplementary Information:

1. Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience of the study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females.

3. Other Information: There were no benefit changes during the year.

CITY OF BUNKER HILL VILLAGE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
Last Eight Years

	Measurement Year							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	$ 1,026	$ 1,428	$ 2,284	$ 2,439	$ 1,827	$ 1,205	$ 1,350	$ 1,134
Interest (on the total OPEB liability)	819	834	543	657	760	829	1,082	1,079
Difference between expected and actual experience	16	(1,769)	527	(6,441)	(924)	(446)	(10,892)	-
Change of assumptions	(1,316)	1,132	(11,270)	928	3,831	3,739	(1,452)	2,136
Benefit payments**	(308)	(268)	(866)	(866)	(281)	(402)	(322)	(315)
Net change in total OPEB liability	237	1,357	(8,782)	(3,283)	5,213	4,925	(10,234)	4,034
Beginning total OPEB liability	21,365	20,008	28,790	32,073	26,860	21,935	32,169	28,135
Ending total OPEB liability	$ 21,602	$ 21,365	$ 20,008	$ 28,790	$ 32,073	$ 26,860	$ 21,935	$ 32,169
Covered-Employee payroll	$ 1,024,879	$ 892,676	$ 787,488	$ 786,821	$ 702,551	$ 669,464	$ 643,067	$ 629,828
Total OPEB liability as a percentage of Covered Employee payroll	2.11%	2.39%	2.54%	3.66%	4.57%	4.01%	3.41%	5.11%

* Only eight years of information is currently available. The City will build this schedule over the next two-year period.
** Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

(Continued)

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

October 13, 2026

WE HAVE ACTED as Bond Counsel for the City of Bunker Hill Village, Texas, (the "City") in connection with an issue of certificates of obligation (the "Certificates") described as follows:

> CITY OF BUNKER HILL VILLAGE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated October 1, 2026, in the aggregate principal amount of $[_______].
>
> The Certificates bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the "Ordinance") adopted by the City Commission of the City 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 exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City, certain certifications and representations 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. We have also examined executed Certificate No. I-1 of this issue.

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. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

> (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 constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and

the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law; and

(2) The Certificates are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against taxable property within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

(3) The Certificates are further secured by a limited pledge of a subordinate lien on the net revenues, in an amount not to exceed $10,000, of the waterworks and sanitary sewer system of the City.

THE REVENUES TO BE derived from the operation of both the City's waterworks and sanitary sewer system after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed $10,000, are pledged to the payment of the principal of and interest on the Certificates, to the extent that ad valorem taxes may ever be insufficient or unavailable for said purpose; provided, however, that such pledge is junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of Net Revenues to the payment of the Certificates.

THE CITY HAS RESERVED THE RIGHT to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind secured by a pledge of the Net Revenues that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinion in (a) and (b) of the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Certificates with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied in order that interest thereon not be included in gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

INTEREST ON the Certificates owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

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. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Certificates and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Certificates or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated [August ____], 2026 and its Official Statement dated [October __], 2026, that may have been relied upon by anyone in making the decision to purchase Certificates. 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 or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,