

PRELIMINARY OFFICIAL STATEMENT

Dated: August 14, 2025

Insured Rating: S&P “_” (___)

Underlying Rating: S&P “A+”

NEW ISSUE - Book-Entry-Only

(see “Rating”, “Bond Insurance” and “Bond Insurance Risk Factors”)

In the opinion of The J. Ramirez Law Firm and Escamilla & Poneck, LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (defined below) is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.

THE CERTIFICATES WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS”
FOR FINANCIAL INSTITUTIONS

\$5,000,000*

CITY OF ALTON, TEXAS

(A Municipal Corporation of the State of Texas Located in Hidalgo County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

Dated Date: August 15, 2025

Due: February 15, as shown on page ii

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$5,000,000* City of Alton, Texas (the “City or Issuer”) Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”) will accrue from the Delivery Date (defined below) and will be payable beginning February 15, 2026, and each August 15 and February 15 thereafter until maturity. Interest on the Certificates will be calculated based on 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 of principal amount or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of 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 BOKF, NA, Dallas, Texas (see “THE CERTIFICATES - Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, an ordinance of the City Commission of the City to be adopted on August 26, 2025 (the “Ordinance”) and constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the Net Revenues (as defined herein) of the City’s sewer system (the “System”) as provided in the Ordinance (see “THE CERTIFICATES - Authority for Issuance”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of City parks and buildings, and purchase of land and buildings for City purposes, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page ii

INSURANCE... The scheduled payment of principal and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by ____ (“____”) (see “BOND INSURANCE”).

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the underwriter named below (the “Underwriter”) and subject to the approving opinion of the Attorney General of Texas and the legal opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas, Co-Bond Counsel (see Appendix C, “Form of Legal Opinion of Co-Bond Counsel”). Certain legal matters will be passed upon for the Underwriter by Winstead PC, San Antonio, Texas, Counsel for the Underwriter.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about September 18, 2025 (the “Delivery Date”).

ESTRADA HINOJOSA

*Preliminary, subject to change.

MATURITY SCHEDULE

\$5,000,000* COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE

CUSIP Prefix: 021695 ⁽¹⁾

Principal	Maturity	Interest		CUSIP
<u>Amount</u>	<u>15-Feb</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix⁽¹⁾</u>
\$ -	2026			
80,000	2027			
85,000	2028			
90,000	2029			
95,000	2030			
100,000	2031			
105,000	2032			
110,000	2033			
115,000	2034			
120,000	2035			
125,000	2036			
130,000	2037			
140,000	2038			
145,000	2039			
150,000	2040			
160,000	2041			
165,000	2042			
175,000	2043			
185,000	2044			
195,000	2045			
205,000	2046			
210,000	2047			
225,000	2048			
235,000	2049			
245,000	2050			
255,000	2051			
270,000	2052			
280,000	2053			
295,000	2054			
310,000	2055			

(Interest to accrue from the Delivery Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the City or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein..

Redemption: The Certificates having stated maturities on and after February 15, 2035, are subject to optional redemption in whole or in any part thereof, in the principal amounts of \$5,000 or any integral multiple thereof on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES – Redemption"). Additionally, the Underwriters may select two or more consecutive maturities of the Certificates to be grouped together to form one or more "Term Certificates", and such Term Certificates would be subject to mandatory sinking fund redemption in accordance with the Ordinance (see "THE CERTIFICATES - Redemption").

*Preliminary, subject to change.

CITY OF ALTON, TEXAS

CITY COMMISSION

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Salvador Vela	Mayor	May 2027	Retired
Arturo Galvan, Jr.	Mayor Pro-Tem	May 2027	Respiratory Technician
Ricardo Garza	Commissioner, Place 2	May 2028	Physical Therapy Assistant
Richard Arevalo	Commissioner, Place 3	May 2028	Title Department Supervisor
Emilio Cantu, Jr.	Commissioner, Place 4	May 2028	Caseworker

ADMINISTRATIVE OFFICERS

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Years of Experience</u>
Jeff Underwood	City Manager	6 years	21 years
Baudelia Rojas	Deputy City Manager	4 years	28 years
Rosie Tello	Finance Director	18 years	23 years

CONSULTANTS AND ADVISORS

The J. Ramirez Law Firm, San Juan, Texas
Escamilla & Poneck, LLP, San Antonio, Texas

Co-Bond Counsel

Casco & Associates, P.C., Brownsville, Texas

Independent Certified Public Accountant

D.A. Davidson & Co., Plano, Texas

Financial Advisor

For additional information regarding the City, please contact:

Jeff Underwood, City Manager
City of Alton, Texas
509 South Alton Boulevard
Alton, Texas 78573
Phone: (956) 432-0760
jeff.underwood@alton-tx.gov

or

Steven Perry, Senior Vice President
D.A. Davidson & Co.
5601 Granite Parkway, Suite 560
Plano, Texas 75024
Phone: (972) 523-3913
sperry@dadco.com

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representations 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 set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the accuracy of such estimates and opinions, or that they will be realized. CUSIP Numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Certificates.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

Neither the City nor its Financial Advisor, nor the Underwriter, makes any representation or warranty with respect to the information contained in this official statement regarding the Depository Trust Company or its book-entry-only system or the Municipal Bond Insurance Company or its Municipal Bond Insurance Policy described under “Bond Insurance” or “Bond Insurance Risk Factors”.

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.

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BOND INSURANCE

The City is considering qualifying the Certificates for municipal bond insurance and has applied to several bond insurance companies in connection with such consideration. No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates.

BOND INSURANCE RISK FACTORS

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

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. (See “THE CERTIFICATES – Remedies”.) The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the holders. Additionally, the Insurer’s consent may be required in connection with amendments to the Resolutions. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the Pledged Revenues. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. (See the disclosure described in “OTHER INFORMATION - Ratings” herein.)

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor, or the Underwriters has made independent investigation into the claims paying ability of any Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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

SUMMARY STATEMENT

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

The Issuer	The City of Alton, Texas (the “City”) is a home rule municipality and political subdivision of the State located in Hidalgo County. For information regarding the City and its economy see Appendices A and C.
Payment of Interest	Interest on the Certificates accrues from the date of delivery and is payable beginning February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”).
Purpose of Certificates	Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of City parks and buildings, and purchase of land and buildings for City purposes, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.
Authorization and Security	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance of the City Commission of the City to be adopted on August 26, 2025 (the “Ordinance”) and constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the Net Revenues (as defined herein) of the City’s sewer system (the “System”) as provided in the Ordinance (see “The Certificates - Authority for Issuance” and “The Certificates – Security and Source of Payment”).
Bond Insurance	The City will make an application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. The City shall notify the Underwriters upon obtaining a commitment from a bond insurance company concerning these matters. The Official Statement shall disclose, to the extent necessary, any relevant information relating to this municipal bond insurance policy. (See “BOND INSURANCE”, “BOND INSURANCE RISK FACTORS” AND “RATINGS” herein.)
Redemption	The Certificates having stated maturities on and after February 15, 2035, are subject to optional redemption in whole or in any part thereof, in the principal amounts of \$5,000 or any integral multiple thereof on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Additionally, the Underwriters may select two or more consecutive maturities of the Certificates to be grouped together to form one or more “Term Certificates”, and such Term Certificates would be subject to mandatory sinking fund redemption in accordance with the Ordinance (see “THE CERTIFICATES - Redemption”).
Rating	The Certificates are rated “AA” (stable outlook) by S&P Global Ratings (“S&P”) based upon the Municipal Bond Insurance Policy to be issued and delivered by _____. The Certificates have an underlying rating of “A+” (stable outlook) by S&P. An explanation of the significance of such ratings may be obtained from S&P. See “Rating” herein.
Tax Exemption	In the opinion of The J. Ramirez Law Firm and Escamilla & Poneck, LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.
Qualified Tax-Exempt Obligations	The City will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions”).

Book-Entry-Only System	The Certificates are initially issued only to Cede & Co., the nominee of the Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of 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 DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates (see “The Certificates - Book-Entry-Only System”).
Legal Opinion	Delivery of the Certificates is subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas as Co-Bond Counsel.
Payment Record	The City has never defaulted on any of its debt obligations.

OFFICIAL STATEMENT
RELATING TO
\$5,000,000*
CITY OF ALTON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$5,000,000* City of Alton, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on August 26, 2025 (the "Ordinance"), which will authorize the issuance of the Certificates.

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 Financial Advisor, D.A. Davidson & Co., 5601 Plano Parkway, Suite 560, Plano, Texas 75024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the EMMA system and for a description of the City’s undertaking to provide certain information on a continuing basis.

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1978. The City operates under a Council/Manager form of government with a City Commission comprised of the Mayor and four Commissioners elected for staggered two year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The 2020 Census population for the City was 18,198. The City’s approximate population in 2024 is 22,907. The City covers approximately 7.50 square miles.

The City’s audited financial statements for the Fiscal Year ended September 30, 2024 (the “Financial Statements”), which are set forth as APPENDIX D, present information on the general financial condition of the City at the dates and for the periods described therein. The Financial Statements and other financial information of this Official Statement are not intended to imply that any other tax receipts, revenues or moneys of the City are pledged to pay the principal of or interest on the Certificates. As used herein, the term “Fiscal Year,” unless otherwise indicated, means the City’s Fiscal Year, which currently is the twelve-month period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year. Each such period may be designated with the number of the calendar year in which such period ends.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of City parks and buildings, and purchase of land and buildings for City purposes, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.

*Preliminary, subject to change.

Sources and Uses of Certificate Proceeds

Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds

Par Amount

[Net] Reoffering Premium

Total Sources of Funds

Uses of Funds

Deposit to Project Fund

Underwriter's Discount

Costs of Issuance

Total Uses of Funds

THE CERTIFICATES

Description of the Certificates

The Certificates are dated August 15, 2025 and mature on February 15 in each of the years and in the amounts shown on page ii. Interest on the Certificates will accrue from the Delivery Date as defined on the cover hereof and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable beginning on February 15, 2026, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of 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 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).

Authority for Issuance of the Certificates

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

Security and Source of Payment

The Certificates are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a limited pledge of the Net Revenues of the City's sewer system (the "System"), as provided in the Ordinance, not to exceed \$1,000. "Net Revenues" means the gross revenues of the System less the expense of operation and maintenance, including all salaries, labor, materials, interest, repairs, and extensions necessary to render efficient service.

The limited lien on and pledge of the Net Revenues is subordinate and inferior to the lien and pledge of the Net Revenues securing payment of any outstanding or additional Prior Lien and Subordinate Lien Obligations which the City reserves the right to issue.

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per each \$100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per each \$100 of Taxable Assessed Valuation. Administratively, in approving the Certificates, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, based on a 90% tax collection rate as calculated at the time of issuance.

*Preliminary, subject to change

Redemption

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed.

If a Certificate (or any portion of the principal amount 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.

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, 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.

DTC Redemption Provisions

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

Amendments to the Ordinance

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

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Ordinance provides that the term "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or those for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company, New York, New York ("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 Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement.

The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical Obligation certificates are required to 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 Direct or Indirect 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 Resolution for the Certificates will be given only to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but none of the City, the Financial Advisor, or the Underwriter take any responsibility for the accuracy thereof.

Effect of Termination of Book-Entry-Only System

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

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State 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. In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are

authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES - BookEntry-Only System," above.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender 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 "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date; and, with respect to a Certificate 14 called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Record Date for Interest Payment

The date for determining the person to whom the interest is payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month ("Record Date").

Special Record Date

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 must be 15 days after the Special Record Date) must be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of 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.

Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex., 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (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 its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors and 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 a 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of Certificates. Initially, the only registered owner of the Certificates will be Cede & Co., DTC partnership nominee.

CYBERSECURITY RISKS

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

security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

TAX INFORMATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

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 special inventories such as motor vehicle or boats, in a dealer’s retail 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 financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – City Application of Tax Code” herein.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,231 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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.

Levy and Collection of Taxes

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

Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

“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 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 obligations, including the Certificates.

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

Property Assessment and Tax Payment

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

2025 Regular and Special Legislative Sessions

The 89th Texas Legislature convened on January 14, 2025, and concluded on June 2, 2025 (the "89th Regular Session"). 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 lasting no more than 30 days, and for which the Governor sets the agenda. During the legislative session, the Legislature a general appropriations act and may enact laws that materially change the Property Tax Code and other current law as it relates to ad valorem taxation. The City can make no representations or predictions regarding any actions the Legislature has taken or may take during the 89th Regular Session, or any special session, or concerning the substance or effect of any legislation that may be passed during the 89th Regular or a future session of the Legislature.

City Application of Property Tax Code

In accordance with a Constitutional Amendment approved by the voters of the State of Texas on September 13, 2003, the City Commission of the City has implemented a tax freeze for persons over 65 years of age and the disabled. As a result, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residential homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs and other than improvements made to comply with government requirements. If a disabled or elderly person dies in a year in which the person received a residential homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residential homestead of that person's surviving spouse if the spouse is fifty-five years of age or older at the time of that person's death.

The City does not tax freeport property or goods-in-transit.

The City does not tax freeport property

The City has not adopted a tax abatement policy

Current incremental value in the TIRZ is \$59,154,693.

The City does grant disabled veterans exemptions as follows:

A \$5,000 exemption to the market value of residences of veterans rated 10 to 29% disabled.

As of September 1, 2009, the State of Texas established a 100% property tax exemption from all taxing entities for veterans rated 100% totally disabled.

The City of Alton, on December 29, 2009 through Ordinance 2009-09 created "Reinvestment Zone Number One, City of Alton, Texas. Section 7 (the "TIRZ"). The term of the TIRZ is for 25 years and projects to be funded by the TIRZ include fire flow

lines, drainage, park expansion, library building, fire station and street expansion. The City issued obligations in 2014 and 2023 that are secured by a limited pledge of TIRZ revenues.

TAX RATE LIMITATIONS

Article XI, Section 5, of the State Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation for all City purposes including debt service. It is the current practice of the Attorney General of the State of Texas to allow cities such as the City to utilize up to \$1.50 of the \$2.50 per \$100 assessed valuation at a 90% collection rate for the payment of debt service on obligations of the applicable city. The City is currently levying \$0.4367 per \$100 in assessed valuation (see Appendix A, Table 4).

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly

prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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 (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio 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 Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse

repurchase agreement funds to no greater than the term of the reverse purchase 41 agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

All City funds are in collateralized bank deposits.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

Tax Exemption

The delivery of the Certificates is subject to the opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas ("Co-Bond Counsel") to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Co-Bond Counsel's opinion appears in APPENDIX C hereto.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon the certifications of the District pertaining to the use, expenditure and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Order by the District subsequent to the issuance of the Certificates. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owner thereof for federal income taxes from the date of the issuance of the Certificates. Co-Bond Counsel has not been retained by the District to monitor such post-issuance compliance.

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with

subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Pursuant to Public Law No. 115-97 (i.e., the Tax Cuts and Jobs Act), for tax years beginning after December 31, 2017, the corporate alternative minimum tax is repealed. However, interest on the Certificates is taken into account in determining "adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Obligations

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Obligations"). An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Obligations. A portion of such original issue discount, allocable to the holding period of a Discount Obligation by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum tax on corporations for tax years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax, consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

Tax Accounting Treatment of Premium Obligations

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Obligations"). An amount equal to the difference between the initial public offering price of a Premium Obligation (assuming that a substantial amount of the Premium Obligations of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Obligations. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City will designate the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

PENDING LITIGATION

The City is a defendant in various lawsuits. In the opinion of the City's management, any liabilities resulting from such suits will not materially affect the financial position of the City.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from sources and secured in the manner provided in the Ordinance, and the approving legal opinion of Co-Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Co-Bond Counsel opinion is attached hereto as Appendix C. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent upon the sale and delivery of the Certificates. The legal opinion of Co-Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

Co-Bond Counsel was engaged by, and only represents, the City. Except as noted below, Co-Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Co-Bond Counsel, such firm has reviewed the information describing the Certificates in this Official Statement under the captions "THE CERTIFICATES" (except for the information under subcaptions "Book-Entry-Only System" and "Remedies"), "TAX MATTERS," "LEGAL MATTERS (except for the last sentence of the first paragraph thereof)," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed) and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained herein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “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 least \$1 million of capital, 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.

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

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 act of any other 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.

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 an “obligated person” with respect to the Certificates, within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The City will file with EMMA annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1-5 and 7-10 of Appendix A and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2025. 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 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 D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with its agreement described above under "Annual Reports".

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

Availability of Information

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via EMMA.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Certificate counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter 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

The City has complied with all continuing disclosure requirements in the last five years.

RATINGS

The Certificates are rated “__” (stable outlook) by S&P Global Ratings, (“S&P”) based upon the Municipal Bond Insurance Policy to be issued and delivered by ____ (“_____”). The Certificates and the City’s outstanding obligations have an underlying rating of “A+” (stable outlook) by S&P. An explanation of the significance of such ratings 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. The Certificates have an underlying rating of “A+” (stable outlook) by S&P.

Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the City has undertaken any responsibility to bring to the attention of the holders of the Certificates any proposed revision or withdrawal of the ratings of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates.

FINANCIAL ADVISOR

D.A. Davidson & Co. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. D.A. Davidson & Co., in its capacity as Financial 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 Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial 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 Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

Estrada Hinojosa, the Underwriter has agreed, subject to certain customary conditions, to purchase the Certificates at prices equal to the initial offering prices to the public, as shown on page ii of this Official Statement, less an Underwriter’s discount of \$ ____.

The Underwriter’s obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Certificates if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

Effective August 2, 2024, Texas State Bancshares, Inc., the registered bank holding company for Texas Regional Bank (collectively “TRB”), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company Inc. (“Estrada Hinojosa”). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of “Estrada Hinojosa”.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements

included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

CONCLUDING STATEMENT

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

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering and sale of the Certificates by the Underwriter in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF ALTON, TEXAS

/S/
Mayor, City of Alton, Texas

ATTEST:

/S/
City Secretary, City of Alton, Texas

APPENDIX A
FINANCIAL INFORMATION REGARDING THE CITY

TABLE 1
CITY OF ALTON, TEXAS
VALUATIONS, EXEMPTIONS AND TAX DEBT

2024 Market Valuation Established by Hidalgo County Appraisal District **\$1,164,513,034** ⁽¹⁾

Less Adjustments/Exemptions:

Productivity Loss	\$ 53,901,580	
Homestead Cap	\$ 60,603,905	
Disabled	\$ 10,356,880	
Totally Exempt	\$ 72,493,355	
Over 65	\$ 4,340,000	
Total Adjustments/Exemptions		<u>\$ 201,695,720</u>

2024 Taxable Assessed Valuation **\$ 962,817,314**

Total Debt Outstanding	\$ 19,002,000	
Plus: The Certificates*	\$ 5,000,000	
Less: Self Supporting - Utility	\$ (400,000)	
Less: Self Supporting - TIRZ	<u>\$ (5,300,000)</u>	
Net Tax Debt		<u>\$ 18,302,000</u> ⁽²⁾

Ratio Net Ad Valorem Tax Supported Debt to Taxable Assessed Valuation 1.90%

2024 Estimated Population -		20,687
Per Capita Taxable Assessed Valuation -	\$	46,542
Per Capita Net Tax Debt -	\$	885

Source: The City and Hidalgo County Appraisal District

(1) Certified taxable value for 2025 is \$1,112,418,508

(2) Preliminary, subject to change.

TABLE 2
CITY OF ALTON, TEXAS
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

	Tax Roll for				
	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>
Single Family Residence	\$ 689,588,677	\$594,463,213	\$515,531,145	\$ 408,176,289	\$349,363,343
Multi-Family Residence	163,670,794	131,968,653	95,824,188	70,832,181	64,146,184
Vacant Lots & Land Tracts	64,816,270	58,379,339	39,717,912	35,892,909	33,048,755
Colonia Lots & Land Tracts	281,048	49,029	98,058	129,099	129,099
Qualified Open Space Land (QOSL)	55,371,586	36,684,706	35,665,718	36,768,555	33,704,007
Improvements on QOSL	658,474	691,799	697,302	602,188	473,519
Rural Land	25,264,949	20,879,656	22,896,222	15,993,485	12,408,383
Commercial & Industrial Real Property	63,258,303	59,697,225	58,823,638	51,908,892	53,159,622
Other Sub-Surface Interests	718,920	131,160	131,160	131,160	131,160
Utilities	4,165,780	3,859,190	3,556,570	3,367,670	2,994,720
Commercial Personal Property	15,338,772	13,925,813	13,229,264	12,911,557	11,232,286
Industrial Personal Property	1,057,690	593,070	834,700	892,670	727,810
Mobile Homes	1,256,453	1,337,506	1,326,894	1,134,245	831,981
Residential Inventory	2,213,515	1,725,570	515,846	3,241,085	4,315,483
Special Inventory	322,097	249,417	196,296	166,432	129,928
Totally Exempt	76,529,706	69,859,739	67,313,435	65,911,472	64,833,646
Total Market Value	<u>\$ 1,164,513,034</u>	<u>\$994,495,085</u>	<u>\$856,358,348</u>	<u>\$ 708,059,889</u>	<u>\$631,629,926</u>
 <u>Less Adjustments/Exemptions</u>					
Productivity Loss	\$ 53,901,580	\$ 36,283,373	\$ 35,284,822	\$ 36,350,083	\$ 33,294,547
Homestead Cap	60,603,905	36,854,424	34,498,308	14,467,920	8,036,711
Disabled	10,356,880	7,113,953	5,369,088	4,129,401	3,410,043
Totally Exempt	72,493,355	69,859,739	67,313,435	65,911,472	64,833,646
Over 65	4,340,000	4,070,000	3,890,000	3,660,000	3,508,946
Total Exemptions	<u>\$ 201,695,720</u>	<u>\$154,181,489</u>	<u>\$146,355,653</u>	<u>\$ 124,518,876</u>	<u>\$113,083,893</u>
 Net Taxable Valuation	 <u>\$ 962,817,314</u>	 <u>\$840,313,596</u>	 <u>\$710,002,695</u>	 <u>\$ 583,541,013</u>	 <u>\$518,546,033</u>

Source: Hidalgo County Appraisal District

TABLE 3
CITY OF ALTON, TEXAS
PER CAPITA DATA

Fiscal Year Ended 30-Sep	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Net Tax Debt Outstanding at end of Year ⁽³⁾	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2020	17,250	424,514,126	24,610	10,565,000	612	2.49%
2021	20,687	518,546,033	25,066	10,450,000	505	2.02%
2022	19,509	583,541,013	29,911	15,208,000	780	2.61%
2023	20,211	710,002,695	35,130	14,599,000	722	2.06%
2024	20,687	840,313,596	40,620	14,566,000	704	1.73%
2025	21,000	962,817,314	45,848	16,989,000 ⁽⁴⁾	809	1.76%

(1) Source: U.S. Census Bureau and The City

(2) Source: Hidalgo County Appraisal District

(3) Please see City's audit for other non-tax supported obligations

(4) Includes the Certificates. Preliminary, subject to change.

TABLE 4
CITY OF ALTON, TEXAS
PROPERTY TAX COLLECTIONS

Fiscal Year	Taxable		
<u>Ending 9/30</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Collected</u>
2021	518,546,033	0.4440	\$2,306,314
2022	583,541,013	0.4367	\$2,867,636
2023	710,002,695	0.4367	\$3,131,433
2024	840,313,596	0.4367	\$3,752,858
2025	962,817,314	0.4367	In collection

Source: The City and Hidalgo County Appraisal District Records

TAX RATE DISTRIBUTION

	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>	<u>2020/21</u>
Maintenance & Operations	\$0.3385	\$0.3290	\$0.3037	\$0.3173	\$0.3173
Interest & Sinking Fund	<u>0.0982</u>	<u>0.1077</u>	<u>0.1330</u>	<u>0.1194</u>	<u>0.1194</u>
Total	<u>\$0.4367</u>	<u>\$0.4367</u>	<u>\$0.4367</u>	<u>\$0.4367</u>	<u>\$0.4367</u>

Source: The City and Hidalgo County Appraisal District Records

TABLE 5
CITY OF ALTON, TEXAS
TOP TEN PROPERTY TAXPAYERS

Name of Taxpayer	Type of Business	2024	% of Total
		Taxable	Taxable
		Assessed	Assessed
		Valuation	Valuation
Fortuna Enterprises Ltd	Restaurant Supply	5,305,416	0.55%
Orchard Estates LP	Apartments	5,296,960	0.55%
Chavez Felix Jr	Commercial Land	5,079,977	0.53%
Gcm Housing Alton Ltd	Apartments	4,258,947	0.44%
812 Market Alton LLC	Retail Store	3,635,000	0.38%
Inmobiliaria Grenade Y Asociados LLC	Apartments	3,559,410	0.37%
CLDCO Alton Lp	Apartments	3,018,381	0.31%
Prime Point Investments LLC	Apartments	3,013,290	0.31%
Toe3 Investments LLC	Property Management	2,747,916	0.29%
Querollo LLC	Residential Homes	2,674,628	0.28%
Total		<u>\$ 27,987,549</u>	<u>2.91%</u>

TABLE 6
CITY OF ALTON, TEXAS
OVERLAPPING DEBT

Expenditures of the various taxing entities within the boundaries 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.

	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt
Hidalgo County	\$ 379,475,000	1.51%	\$ 5,730,073
La Joya Independent School District	\$ 152,817,680	0.44%	\$ 672,398
Mission Consolidated Independent School District	\$ 82,128,000	13.82%	\$ 11,350,090
Sharyland Independent School District	\$ 70,250,000	5.44%	\$ 3,821,600
Hidalgo County DD#1	\$ 249,590,000	1.57%	\$ 3,918,563
South Texas College	\$ 85,419,693	1.45%	\$ 1,238,586
Total Net Overlapping Debt			\$ 26,731,308
 City of Alton	 \$ 18,302,000 ⁽¹⁾		 \$ 18,302,000
 Total Direct & Overlapping Tax Debt			 <u>\$ 45,033,308</u>
Ratio of Direct and Overlapping Net Debt to Taxable Assessed Value			8.68%
Per Capital Total Direct and Overlapping Tax Debt			\$ 2,177

Source: Texas Municipal Reports and City's Audited Financial Statement

(1) Includes the Certificates. Preliminary, subject to change.

TABLE 7
CITY OF ALTON, TEXAS
DEBT SERVICE REQUIREMENTS

Year	Outstanding Debt Payments			Plus: the Certificates*			Total Debt Payments		
Ending	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
30-Sep									
2025	1,313,000	523,246	1,836,246				1,313,000	523,246	1,836,246
2026	1,357,000	482,911	1,839,911	-	211,111	211,111	1,357,000	694,022	2,051,022
2027	1,322,000	440,807	1,762,807	80,000	235,600	315,600	1,402,000	676,407	2,078,407
2028	1,262,000	396,835	1,658,835	85,000	231,681	316,681	1,347,000	628,516	1,975,516
2029	1,308,000	352,826	1,660,826	90,000	227,525	317,525	1,398,000	580,351	1,978,351
2030	1,264,000	307,675	1,571,675	95,000	223,131	318,131	1,359,000	530,806	1,889,806
2031	1,309,000	259,325	1,568,325	100,000	218,500	318,500	1,409,000	477,825	1,886,825
2032	1,360,000	208,661	1,568,661	105,000	213,631	318,631	1,465,000	422,292	1,887,292
2033	1,412,000	155,729	1,567,729	110,000	208,525	318,525	1,522,000	364,254	1,886,254
2034	777,000	120,363	897,363	115,000	203,181	318,181	892,000	323,544	1,215,544
2035	798,000	100,666	898,666	120,000	197,600	317,600	918,000	298,266	1,216,266
2036	819,000	79,856	898,856	125,000	191,781	316,781	944,000	271,637	1,215,637
2037	525,000	58,298	583,298	130,000	185,725	315,725	655,000	244,023	899,023
2038	541,000	45,888	586,888	140,000	179,313	319,313	681,000	225,200	906,200
2039	552,000	32,840	584,840	145,000	172,544	317,544	697,000	205,384	902,384
2040	563,000	20,501	583,501	150,000	165,538	315,538	713,000	186,038	899,038
2041	250,000	7,764	257,764	160,000	158,175	318,175	410,000	165,939	575,939
2042	251,000	6,395	257,395	165,000	150,456	315,456	416,000	156,851	572,851
2043	252,000	4,993	256,993	175,000	142,381	317,381	427,000	147,374	574,374
2044	224,000	3,557	227,557	185,000	133,831	318,831	409,000	137,388	546,388
2045	224,000	2,995	226,995	195,000	124,806	319,806	419,000	127,801	546,801
2046	224,000	2,430	226,430	205,000	115,306	320,306	429,000	117,736	546,736
2047	224,000	1,864	225,864	210,000	105,450	315,450	434,000	107,314	541,314
2048	204,000	1,295	205,295	225,000	95,119	320,119	429,000	96,414	525,414
2049	205,000	1,173	206,173	235,000	84,194	319,194	440,000	85,366	525,366
2050	205,000	1,033	206,033	245,000	72,794	317,794	450,000	73,826	523,826
2051	214,000	893	214,893	255,000	60,919	315,919	469,000	61,811	530,811
2052	8,000	753	8,753	270,000	48,450	318,450	278,000	49,203	327,203
2053	8,000	613	8,613	280,000	35,388	315,388	288,000	36,000	324,000
2054	9,000	473	9,473	295,000	21,731	316,731	304,000	22,204	326,204
2055	9,000	315	9,315	310,000	7,363	317,363	319,000	7,678	326,678
2056	9,000	158	9,158				9,000	158	9,158
Totals	\$ 19,002,000	\$ 3,623,124	\$ 22,625,124	\$ 5,000,000	\$ 4,421,749	\$ 9,421,749	\$ 24,002,000	\$ 8,044,872	\$ 32,046,872

*Preliminary, subject to change.

TABLE 8
CITY OF ALTON, TEXAS
GENERAL FUND HISTORY

	Fiscal Year Ended September 30				
<u>REVENUES</u>	2024	2023	2022	2021	2020
Property Taxes	\$ 2,382,875	\$ 1,910,091	\$ 1,684,560	\$ 1,513,285	\$ 1,372,507
Other Taxes	1,493,911	1,469,911	1,424,753	1,268,644	721,735
Franchise Receipts	-	-	1,101,946	1,020,429	382,706
Penalties & Interest on Taxes	-	-	-	-	51,256
Licenses & Permits	560,792	635,741	547,116	457,184	700
Charges for Services	729,297	1,113,015	-	-	1,048,458
Fines	765,840	664,318	750,745	603,305	320,469
Investment Earnings	47,913	45,807	17,045	2,627	7,292
Rental	-	-	-	-	16,338
Intergovernmental	972,496	849,072	400,227	612,986	-
Other	39,906	69,413	\$ 37,531	\$ 43,143	\$ 251,329
Total Revenues	<u>\$ 6,993,030</u>	<u>\$ 6,757,368</u>	<u>\$ 5,963,923</u>	<u>\$ 5,521,603</u>	<u>\$ 4,172,790</u>
<u>EXPENDITURES</u>					
Current:					
General and Administrative	\$ 1,531,283	\$ 1,602,498	\$ 1,401,763	\$ 1,514,087	\$ 1,524,214
Public Safety	4,403,138	3,824,133	3,542,097	3,300,198	3,211,231
Public Works	782,299	687,213	714,671	605,791	554,781
Health & Welfare	-	-	9,977	125,301	244,496
Culture & Recreation	681,369	575,730	512,615	279,882	226,790
Conservation & Development	438,188	516,983	386,531	367,428	292,950
Capital Outlay	307,062	1,250,960	612,561	253,649	-
Debt Service:					
Principal Retirement	47,065	123,669	49,605	423,840	192,840
Interest and Fiscal Charges	6,105	15,267	6,848	20,485	18,620
Total Expenditures	<u>\$ 8,196,509</u>	<u>\$ 8,596,453</u>	<u>\$ 7,236,668</u>	<u>\$ 6,890,661</u>	<u>\$ 6,265,922</u>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (1,203,479)	\$ (1,839,085)	\$(1,272,745)	\$(1,369,058)	\$(2,093,132)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 1,192,270	\$ 1,092,990	\$ 1,201,019	\$ 990,000	\$ 1,220,000
Transfers Out	-	(200)	-	-	-
Lease Payable Issued	-	672,026	-	-	-
Sale of Real Property	-	-	102,531	89,600	27,395
Other Resources	285,731	58,097	326,707	226,621	1,337,654
Total Other Financing Sources(Uses)	<u>\$ 1,478,001</u>	<u>\$ 1,822,913</u>	<u>\$ 1,630,257</u>	<u>\$ 1,306,221</u>	<u>\$ 2,585,049</u>
Net Change in Fund Balances	\$ 274,522	\$ (16,172)	357,512	(62,837)	491,917
Beginning Fund Balance	2,595,778	2,611,950	2,254,438	1,117,965	626,610
Prior period adjustment	-	-	-	1,199,310	(562)
Ending Fund Balance ⁽¹⁾	<u>\$ 2,870,300</u>	<u>\$ 2,595,778</u>	<u>\$ 2,611,950</u>	<u>\$ 2,254,438</u>	<u>\$ 1,117,965</u>

Source: The City's Audited Financial Statements

(1) The City's estimated general fund balance for fiscal year ending September 30, 2025 is

TABLE 9
CITY OF ALTON, TEXAS
WATER AND SEWER FUND HISTORY

	For the Fiscal Year Ended September 30				
OPERATING REVENUES	2024	2023	2022	2021	2020
Charges for Services	\$ 2,489,787	\$ 2,947,169	\$ 2,505,701	\$ 1,806,597	\$ 1,696,194
Charges for Sewer Service	2,781,219	2,296,159	2,096,763	2,364,823	2,208,246
Licenses and Permits	463,223	115,190	-	-	-
Interest and Investment Earnings	55,225	51,031	-	-	-
Intergovernmental	30,000	-	-	-	-
Other Income	44,984	10,575	398,813	33,930	17,175
Total Operating Revenues	\$ 5,864,438	\$ 5,420,124	\$ 5,001,277	\$ 4,205,350	\$ 3,921,615
OPERATING EXPENSES					
Personnel Services - Salaries & Wages	\$ 1,223,797	\$ 1,099,866	\$ 923,982	\$ 677,101	\$ 573,119
Personnel Services - Employment Benefits	-	-	-	-	150,295
Purchased Professional & Technical Services	-	1,682,793	222,094	172,648	54,829
Purchased Property Services	-	499,133	72,234	59,754	117,417
Repairs and Maintenance	263,450	-	-	-	-
Materials and Supplies	156,090	231,023	202,626	173,391	132,401
Contractual Services	1,516,268	-	-	-	-
Operational Expenses	220,780	-	-	-	-
Other Operating Expenses	1,453	232,004	1,064,039	1,143,072	1,255,331
Depreciation	684,593	571,997	505,962	538,131	616,654
Interest Expense	-	-	23,683	30,085	15,798
Total Operating Expense	\$ 4,066,431	\$ 4,316,816	\$ 3,014,620	\$ 2,794,182	\$ 2,915,844
 Operating Income	 \$ 1,798,007	 \$ 1,103,308	 \$ 1,986,657	 \$ 1,411,168	 \$ 1,005,771
 Transfers In	 22,964	 19,134	 -	 -	 -
Transfers Out	(1,084,897)	(1,024,897)	(1,181,079)	(1,024,928)	(1,298,114)
Interest Expense	(47,232)	(19,108)	-	-	-
Contributions	-	1,116,681	-	-	-
Special Item (Use)	-	-	-	1,520	-
Change in net assets	\$ 688,842	\$ 1,195,118	\$ 805,578	\$ 387,760	\$ (292,343)
 Net Assets, Beginning of Year	 \$ 17,117,877	 \$ 15,922,759	 \$ 15,117,181	 \$ 15,212,786	 \$ 14,484,274
 Prior Period Adjustment	 \$ 17,787	 -	 -	 (483,365)	 1,020,855
Total Net Assets, End of Year	\$ 17,824,506	\$ 17,117,877	\$ 15,922,759	\$ 15,117,181	\$ 15,212,786

Source: The City's Audited Financial Statements

TABLE 10
CITY OF ALTON, TEXAS
SALES TAX COLLECTIONS

Calendar Year	Sales Tax Collections ⁽¹⁾
2019	\$1,194,597
2020	\$1,502,739
2021	\$1,776,262
2022	\$1,956,785
2023	\$2,040,074
2024	\$2,082,018

⁽¹⁾ Source: Municipal Advisory Council of Texas

APPENDIX B

FORM OF LEGAL OPINION OF CO-BOND COUNSEL

THE J. RAMIREZ LAW FIRM
700 North Veterans Boulevard, Suite B
San Juan, Texas 78589
TEL: (956) 207-2443

ESCAMILLA & PONECK, LLP
700 North St. Mary's Street, Suite 850
San Antonio, Texas 78205
TEL: (210) 225-0001

[Delivery Date]

CITY OF ALTON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
IN THE AGGREGATE ORIGINAL PRINCIPAL
AMOUNT OF \$_____

AS CO-BOND COUNSEL FOR THE CITY OF ALTON, TEXAS (the "City") in connection with the issuance of the certificates of obligation described above (the "Certificates"), dated August 15, 2025, we have reviewed the legality and validity of the issuance thereof by the City of Alton, Texas (the "City"). The Certificates are issuable in fully registered form only, in denominations of \$5,000 or more and shall have stated maturities of February 15, in each of the years 20__ through 20__, unless optionally redeemed prior to stated maturity, in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance authorizing the issuance of the Certificates (the "Ordinance").

WE HAVE SERVED AS CO-BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas, and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates.

WE HAVE EXAMINED, and in rendering the opinions herein we rely upon, original or certified copies of the proceedings of the City Commission of the City in connection with the issuance of the Certificates, including the Ordinance; certificates executed by officers of the City relating to the expected use of proceeds of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City; and such other material, including an examination of the Certificate executed and delivered initially by the City, which we found to be in due form and properly executed, and such matters of law as we may deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the City enforceable in accordance with

the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from a limited pledge of Net Revenues (as defined in the Ordinance) of the City's sewer system as provided in the Ordinance.

IT IS FURTHER OUR OPINION THAT, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, in assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code and in reliance upon the representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals for federal income tax purposes; however such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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 OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update

or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

THIS LEGAL OPINION expresses the professional judgment of this firm as to the legal issues explicitly addressed therein. In rendering a legal opinion, we do not become an insurer or guarantor of that 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

APPENDIX C

**BASIC FINANCIAL STATEMENTS,
MANAGEMENT DISCUSSION AND ANALYSIS, AND
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Annual Financial Report

for the Year Ended
September 30, 2024



AICPA
Governmental Audit
Quality Center


Texas Society of
Certified Public Accountants

Cascos & Associates, PC

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 **AICPA**
Members

 **Rio Grande Valley**
Chapter of the Texas Society of CPAs

CITY OF ALTON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CITY OF ALTON, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2024

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**CITY OF ALTON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CITY OFFICIALS

Commission - Manager Form of Government

MAYOR

Salvador Vela

MAYOR PRO TEM

Arturo Galvan Jr.

COMMISSION MEMBERS

Ricardo Garza
Richard Arevalo
Emilio Cantu Jr.

CITY MANAGER

Jeff Underwood

DIRECTOR OF FINANCE

Rosie Tello

DEPUTY CITY MANAGER

Baudelia Rojas



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of the City Commission
City of Alton, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, , each major fund, and the aggregate remaining fund information of the City of Alton, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cascos & Associates, PC".

Cascos & Associates, PC
Brownsville, Texas
March 25, 2025

**CITY OF ALTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

In this section of the Annual Financial and Compliance Report, we, the managers of City of Alton, Texas ("the City") discuss and analyze the City's financial performance for the fiscal year ended September 30, 2024. Please read it in conjunction with the Independent Auditors' Report on page 1, and the City's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The City's net position: increased by \$4,964,084, as a result of this year's operations. Net position of our business-type activities: increased by \$688,842, net position of our governmental activities: increased, by \$4,275,242.
- During the year, the City had expenses that were \$4,275,242 less than the \$12.60 million generated in tax and other revenues for governmental programs.
- In the City's business-type activities, revenues increased from \$5.42 million, to \$5.81 million (or 6.7 percent) while expenses decreased from \$4.3 million, to \$4.1 million (or 5.2 percent).
- The General Fund ended the year with a fund balance of \$2,870,300.
- The resources available for appropriation were \$262,293 less than budgeted expenses for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities on pages 10 and 11. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 13 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements (if applicable), provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

Reporting the City as a Whole

The Statement of Net position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such grants provided by the Outside Sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of providing services such as sewer and solid waste services.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the City as a whole. Laws and/or contracts require the City to establish some funds, such as grants received under Federal Agencies programs. The City's administration establishes several other funds to help it control and manage money for particular purposes. The City's two kinds of funds—governmental and proprietary—use different accounting approaches. Governmental funds—Most of the City's basic services are reported in governmental funds.

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

Proprietary funds—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from \$21.12 million to \$25.40 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,852,878 at September 30, 2024.

In 2024, net position of our business-type activities increased by \$688,842.

Table I
City of Alton
Net Position

	Governmental Activities 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Current and other assets	\$ 20,372,962	\$ 21,106,862	\$ 4,299,737	\$ 3,259,097	\$ 24,672,699	\$ 24,365,959
Capital assets	<u>28,982,600</u>	<u>26,256,635</u>	<u>15,173,379</u>	<u>15,256,001</u>	<u>44,155,979</u>	<u>41,512,636</u>
Total assets	<u>49,355,562</u>	<u>47,363,497</u>	<u>19,473,116</u>	<u>18,515,098</u>	<u>68,828,678</u>	<u>65,878,595</u>
Deferred outflows, pension plan	<u>660,711</u>	<u>977,534</u>	<u>111,823</u>	<u>165,370</u>	<u>772,534</u>	<u>1,142,904</u>
Current liabilities	3,856,355	4,493,871	87,647	85,825	3,944,002	4,579,696
Noncurrent liabilities	<u>20,701,040</u>	<u>22,667,810</u>	<u>1,646,559</u>	<u>1,465,922</u>	<u>22,347,599</u>	<u>24,133,732</u>
Total liabilities	<u>24,557,395</u>	<u>27,161,681</u>	<u>1,734,206</u>	<u>1,551,747</u>	<u>26,291,601</u>	<u>28,713,428</u>
Deferred inflows, pension plan	<u>146,439</u>	<u>64,096</u>	<u>24,774</u>	<u>10,844</u>	<u>171,213</u>	<u>74,940</u>
Net position:						
Invested in capital assets net of related debt	9,326,508	4,690,296	13,734,289	14,003,495	23,060,797	18,693,791
Restricted	13,132,963	13,550,058	-	-	13,132,963	13,550,058
Unrestricted	<u>2,852,878</u>	<u>2,874,900</u>	<u>4,091,670</u>	<u>3,114,382</u>	<u>6,944,548</u>	<u>5,989,282</u>
Total net position	<u>\$ 25,312,349</u>	<u>\$ 21,115,254</u>	<u>\$ 17,825,959</u>	<u>\$ 17,117,877</u>	<u>\$ 43,138,308</u>	<u>\$ 38,233,131</u>

Table II
City of Alton
Changes in Net Position

	Governmental Activities 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Revenues:						
Program Revenues:						
Charges for services	\$ 2,542,560	\$ 2,869,767	\$ 5,809,213	\$ 5,420,124	\$ 8,351,773	\$ 8,289,891
Operating grants and contributions	2,242,399	2,388,452	-	1,116,681	2,242,399	3,505,133
General Revenues:						
Property taxes, levied for general purposes/tax increment	2,459,356	1,940,473	-	-	2,459,356	1,940,473
Property taxes, levied for debt service	1,767,292	1,569,465	-	-	1,767,292	1,569,465
Sales taxes	2,126,193	2,078,428	-	-	2,126,193	2,078,428
Franchise and other taxes	410,341	410,341	-	-	410,341	410,341
Gain on donated assets	-	1,290,688	-	-	-	1,290,688
Unrestricted investment earnings	692,746	497,397	-	-	692,746	497,397
Miscellaneous revenues	<u>357,918</u>	<u>151,714</u>	<u>-</u>	<u>-</u>	<u>357,918</u>	<u>151,714</u>
Total revenue	<u>12,598,805</u>	<u>13,196,725</u>	<u>5,809,213</u>	<u>6,536,805</u>	<u>18,408,018</u>	<u>19,733,530</u>
Expenses:						
General government	1,639,232	3,889,194	-	-	1,639,232	3,889,194
Public safety	4,450,633	3,903,530	-	-	4,450,633	3,903,530
Public works	1,142,353	724,996	-	-	1,142,353	724,996
Health and welfare	-	2,183	-	-	-	2,183
Culture and recreation	688,682	596,080	-	-	688,682	596,080
Conservation and development	436,349	523,531	-	-	436,349	523,531
Economic development and assistance	461,105	552,187	-	-	461,105	552,187
Interest and fiscal agent fees	1,558,554	561,347	-	-	1,558,554	561,347
Utility fund services:						
Sewer	-	-	2,087,079	2,542,954	2,087,079	2,542,954
Solid Waste	-	-	1,821,513	1,783,154	1,821,513	1,783,154
Drainage and Stormwater	-	-	203,618	9,816	203,618	9,816
Total expenses	<u>10,376,908</u>	<u>10,753,048</u>	<u>4,112,210</u>	<u>4,335,924</u>	<u>14,489,118</u>	<u>15,088,972</u>
Increase in net position before transfers and special items	2,221,897	2,443,677	1,697,003	2,200,881	3,918,900	4,644,558
Transfers	1,061,933	1,005,763	(1,061,933)	(1,005,763)	-	-
Net position-beginning	<u>21,115,254</u>	<u>17,665,814</u>	<u>17,117,877</u>	<u>15,922,759</u>	<u>38,233,131</u>	<u>33,588,573</u>
Net position-ending	<u>\$ 24,399,084</u>	<u>\$ 21,115,254</u>	<u>\$ 17,752,947</u>	<u>\$ 17,117,877</u>	<u>\$ 42,152,031</u>	<u>\$ 38,233,131</u>

The cost of all governmental activities this year was \$9.38 million. However, as shown in the Statement of Activities on pages 11 and 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4.23 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 13 reported a combined fund balance of \$16.00 million, which is less than last year's total of \$16.15 million. Included in this year's total change in fund balance are a decrease of \$27.45 thousand in the City's General Fund and an decrease of \$1.36 million in the Capital Project TIRZ Fund.

Over the course of the year, the Commission revised the City's budget several times. These budget amendments fall into one category. They involved amendments moving funds from programs that did not need all the resources originally appropriated, to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2023-24 year, the City had \$44.16 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the City had \$20.78 million in bonds, notes, and leases outstanding, decreasing by \$1.47 million from last year \$22.25 million.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2023-24 budget tax rates. One of those factors is the economy. The City's population growth average annual gains of percent. The City's unemployment rate compares with the State's unemployment and national rate. The City also takes the number of households served by the City in developing the budget for the Enterprise fund. The City is currently serving residents through its Enterprise fund, providing sewer and solid waste services.

These indicators were taken into account when adopting the General Fund budget for 2023-2024. Amounts available for appropriation in the General Fund budget are estimated at \$8.37 million; \$317 thousand higher than the final 2022-23 budget of \$8.05 million. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase from \$7.90 million to \$8.26 million.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the close of 2024-25.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administration office, at 509 S Alton Blvd., Alton, Texas, 78573.

End of Management's Discussion and Analysis.

CITY OF ALTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,928,337	\$ 3,398,742	\$ 13,327,079
Receivables, net	1,523,377	905,054	2,428,431
Restricted cash and cash equivalents	8,917,189	-	8,917,189
Internal balances	4,059	(4,059)	-
Capital assets, net of accumulated depreciation:			
Non-depreciable assets	7,596,994	25,110	7,622,104
Depreciable assets	20,885,564	14,894,795	35,780,359
Right-to-use asset	500,042	253,474	753,516
Total assets	<u>49,355,562</u>	<u>19,473,116</u>	<u>68,828,678</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	621,076	105,117	726,193
Deferred outflows related to OPEB	31,048	5,253	36,301
Total deferred outflow of resources	<u>652,124</u>	<u>110,370</u>	<u>762,494</u>
LIABILITIES			
Accounts payable	151,314	45,036	196,350
Accrued liabilities	128,080	25,289	153,369
Unearned revenue	3,309,696	-	3,309,696
Other liabilities	159,716	1,336	161,052
Intergovernmental payable	107,549	15,986	123,535
Noncurrent liabilities:			
Due within one year	1,517,171	252,538	1,769,709
Due in more than one year	18,142,311	1,072,809	19,215,120
Right-to-use liability	340,661	202,640	543,301
Net pension liability	570,997	96,596	667,593
OPEB liability	129,900	21,976	151,876
Total liabilities	<u>24,557,395</u>	<u>1,734,206</u>	<u>26,291,601</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	92,989	15,731	108,720
Deferred inflows related to OPEB	53,450	9,043	62,493
Total deferred inflows of resources	<u>146,439</u>	<u>24,774</u>	<u>171,213</u>
NET POSITION			
Net investment in capital assets	9,326,508	13,734,289	23,060,797
Restricted for:			
Capital projects	8,744,810	-	8,744,810
Debt service	210,918	-	210,918
Other purpose	4,177,325	-	4,177,325
Unrestricted	2,844,291	4,090,217	6,934,508
Total net position	<u>\$ 25,303,852</u>	<u>\$ 17,824,506</u>	<u>\$ 43,128,358</u>

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

CITY OF ALTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Function/Program Activities	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,640,917	\$ 2,542,560	\$ 2,242,399
Public safety	4,454,931	-	-
Public works	1,143,444	-	-
Culture and recreation	689,339	-	-
Conservation and development	436,766	-	-
Economic development and assistance	461,545	-	-
Interest and fiscal agent fees	558,554	-	-
Total governmental activities	<u>9,385,496</u>	<u>2,542,560</u>	<u>2,242,399</u>
Business-type activities:			
Sewer	2,087,756	2,955,854	-
Solid Waste	1,822,289	2,564,771	-
Drainage and Stormwater	203,618	288,588	-
Total business-type activities	<u>4,113,663</u>	<u>5,809,213</u>	<u>-</u>
Total primary government	<u>\$ 13,499,159</u>	<u>\$ 8,351,773</u>	<u>\$ 2,242,399</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes/tax increment			
Property taxes, levied for debt service			
Sales taxes			
Franchise and other taxes			
Unrestricted investment earnings			
Miscellaneous revenues			
Transfers			
Total general revenues and transfers			
Changes in net position			
Net position-beginning			
Prior period adjustment			
Net position-ending			

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

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 3,144,042	\$ -	\$ 3,144,042
(4,454,931)	-	(4,454,931)
(1,143,444)	-	(1,143,444)
(689,339)	-	(689,339)
(436,766)	-	(436,766)
(461,545)	-	(461,545)
(558,554)	-	(558,554)
<u>(4,600,537)</u>	<u>-</u>	<u>(4,600,537)</u>
-	868,098	868,098
-	742,482	742,482
-	84,970	84,970
<u>-</u>	<u>1,695,550</u>	<u>1,695,550</u>
<u>(4,600,537)</u>	<u>1,695,550</u>	<u>(2,904,987)</u>
2,459,356	-	2,459,356
1,767,292	-	1,767,292
2,126,193	-	2,126,193
410,341	-	410,341
692,746	55,225	747,971
357,918	-	357,918
1,061,933	(1,061,933)	-
<u>8,875,779</u>	<u>(1,006,708)</u>	<u>7,869,071</u>
4,275,242	688,842	4,964,084
<u>21,115,254</u>	<u>17,117,877</u>	<u>38,233,131</u>
<u>(86,644)</u>	<u>17,787</u>	<u>(68,857)</u>
\$ <u>25,303,852</u>	\$ <u>17,824,506</u>	\$ <u>43,128,358</u>

**CITY OF ALTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	01 General Fund	83 TWDB CO 2021 Project Fund	88 Capital Project TIRZ Fund
ASSETS			
Cash and cash equivalents	\$ 1,562,291	\$ 284	\$ 3,475,012
Restricted cash	-	8,917,189	-
Receivables, net:			
Property taxes	373,396	-	-
Nonproperty taxes	175,298	-	-
Accounts	72,253	-	100,000
Intergovernmental	284,060	-	-
Other	181,271	-	-
Due from other funds	1,090,264	-	-
Total assets	<u>\$ 3,738,833</u>	<u>\$ 8,917,473</u>	<u>\$ 3,575,012</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 105,330	\$ -	\$ 21,200
Accrued liabilities	119,657	-	-
Intergovernmental payable	107,549	-	-
Unearned revenue	-	2,975,000	-
Due to other funds	6,914	195,824	-
Other liabilities	155,687	-	-
Total liabilities	<u>495,137</u>	<u>3,170,824</u>	<u>21,200</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	373,396	-	-
Total deferred inflows of resources	<u>373,396</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	-	5,746,649	3,553,812
Unassigned	2,689,029	-	-
Total fund balances	<u>2,870,300</u>	<u>5,746,649</u>	<u>3,553,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,738,833</u>	<u>\$ 8,917,473</u>	<u>\$ 3,575,012</u>

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

89 Capital Construction Fund	Nonmajor Governmental	Total Governmental Funds
\$ 335,325	\$ 4,555,425	\$ 9,928,337
-	-	8,917,189
-	139,858	513,254
-	62,387	237,685
-	100	172,353
-	-	284,060
-	134,754	316,025
-	10,949	1,101,213
<u>\$ 335,325</u>	<u>\$ 4,903,473</u>	<u>\$ 21,470,116</u>

\$ -	\$ 24,784	\$ 151,314
-	8,423	128,080
-	-	107,549
-	334,696	3,309,696
894,416	-	1,097,154
-	4,029	159,716
<u>894,416</u>	<u>371,932</u>	<u>4,953,509</u>

<u>-</u>	<u>139,858</u>	<u>513,254</u>
<u>-</u>	<u>139,858</u>	<u>513,254</u>

(559,091)	4,391,683	13,133,053
-	-	2,689,029
<u>(559,091)</u>	<u>4,391,683</u>	<u>16,003,353</u>
<u>\$ 335,325</u>	<u>\$ 4,903,473</u>	<u>\$ 21,470,116</u>

CITY OF ALTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fund balances - Governmental Funds Balance Sheet	\$ 16,003,353
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,982,600
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds - these result from unavailable property tax revenues.	513,254
Long-term liabilities applicable to the City's governmental activities are not due and payables in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Bond premiums and discounts are also included and are amortized as an adjustment of interest expense in the statement of activities over the remaining life of the debt.	(20,000,143)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of \$(570,998), a deferred resource outflow in the amount of \$(92,989), and a deferred resource inflows in the amount of \$629,663. This resulted in a decrease in net position by \$(34,023).	(42,910)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of \$(129,900), a deferred resource outflow in the amount of \$31,048, and a deferred resource inflows in the amount of \$(53,450). This resulted in a decrease in net position by \$(152,302).	<u>(152,302)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 25,303,852</u>

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

CITY OF ALTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	01 General Fund	83 TWDB CO 2021 Project Fund	88 Capital Project TIRZ Fund
REVENUES			
Property taxes	\$ 2,382,875	\$ -	\$ -
Nonproperty taxes	1,493,911	-	-
Fees and charges for services	729,297	-	-
Fines and forfeitures	765,840	-	-
Licenses and permits	560,792	-	-
Intergovernmental revenue	972,496	-	-
Interest and investment income	47,913	409,528	115,284
Miscellaneous income	39,906	-	-
Total revenues	<u>6,993,030</u>	<u>409,528</u>	<u>115,284</u>
EXPENDITURES			
Current:			
General government	1,531,283	29	128,298
Public safety	4,403,138	-	-
Public works	782,299	-	-
Culture and recreation	681,369	-	-
Conservation and development	438,188	-	-
Economic development and assistance	-	-	-
Capital outlay	307,062	239,324	1,343,079
Debt service:			
Principal retirement	47,065	-	-
Interest and fiscal agent fees	6,105	-	-
Total expenditures	<u>8,196,509</u>	<u>239,353</u>	<u>1,471,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,203,479)</u>	<u>170,175</u>	<u>(1,356,093)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	(415,109)
Premium on debt issued	-	-	415,109
Transfers in	1,192,270	-	-
Transfers (out)	-	-	-
Other	285,731	-	-
Total other financing sources (uses)	<u>1,478,001</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	274,522	170,175	(1,356,093)
FUND BALANCES, BEGINNING	<u>2,595,778</u>	<u>5,576,474</u>	<u>4,909,905</u>
FUND BALANCES, ENDING	<u><u>\$ 2,870,300</u></u>	<u><u>\$ 5,746,649</u></u>	<u><u>\$ 3,553,812</u></u>

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

89 Capital Construction Fund	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 1,767,292	\$ 4,150,167
-	1,042,623	2,536,534
-	98,615	827,912
-	161,484	927,324
-	226,532	787,324
463,426	806,477	2,242,399
6,836	113,185	692,746
-	32,281	72,187
<u>470,262</u>	<u>4,248,489</u>	<u>12,236,593</u>
5,101	106,810	1,771,521
-	117,513	4,520,651
-	364,868	1,147,167
-	10,215	691,584
-	-	438,188
-	463,048	463,048
18,015	837,040	2,744,520
-	1,302,931	1,349,996
-	593,960	600,065
<u>23,116</u>	<u>3,796,385</u>	<u>13,726,740</u>
<u>447,146</u>	<u>452,104</u>	<u>(1,490,147)</u>
-	-	(415,109)
-	-	415,109
-	1,785,340	2,977,610
-	(1,915,677)	(1,915,677)
-	-	285,731
<u>-</u>	<u>(130,337)</u>	<u>1,347,664</u>
447,146	321,767	(142,483)
<u>(1,006,237)</u>	<u>4,069,916</u>	<u>16,145,836</u>
<u>\$ (559,091)</u>	<u>\$ 4,391,683</u>	<u>\$ 16,003,353</u>

CITY OF ALTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds \$ (142,483)

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 3,020,393

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 76,481

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Any change in compensated absence payable (increase/(decrease) of \$(2,429)) during the year is reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds. (28,254)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but has no effect on net position. (198,965)

Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment has no effect on net position. 1,505,534

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2023 caused the change in the ending net position to increase in the amount of \$418,314. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(361,522). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(47957). The result of these changes is to increase the change in net position by \$8,835 8,835

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2023 caused the change in the ending net position to increase in the amount of \$8,587. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(7,650). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by \$(8,745). The result of these changes is to increase/(decrease) the change in net position by \$(7810). (7,810)

Change in net position of governmental activities - Statement of Activities \$ 4,275,242

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

CITY OF ALTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Business-type Activities		
	58	62	53
	Sewer Fund	Solid Waste Fund	Nonmajor Drainage and Stormwater Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,370,449	\$ 955,682	\$ 72,611
Receivables:			
Accounts receivable	518,499	386,555	-
Due from other funds	-	-	24,305
Total current assets	<u>2,888,948</u>	<u>1,342,237</u>	<u>96,916</u>
Noncurrent assets:			
Land, plant and equipment, net	14,182,286	737,619	-
Right-to-use asset	144,363	109,111	-
Total noncurrent assets	<u>14,326,649</u>	<u>846,730</u>	<u>-</u>
Total assets	<u>17,215,597</u>	<u>2,188,967</u>	<u>96,916</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	46,985	58,132	-
Deferred outflows related to OPEB	2,496	2,757	-
Total deferred outflows of resources	<u>49,481</u>	<u>60,889</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,566	25,559	10,911
Accrued liabilities	9,743	12,545	3,001
Due to other funds	4,035	24,329	-
Other liabilities	-	1,336	-
Due to other governments	-	15,986	-
Notes & lease payable - current	-	212,538	-
Bonds payable - current	40,000	-	-
Total current liabilities	<u>62,344</u>	<u>292,293</u>	<u>13,912</u>
Noncurrent liabilities:			
Notes & lease payable	-	557,189	-
Bonds payable	485,000	-	-
Compensated absences	12,836	10,719	7,065
Right-to-use liability	118,005	84,635	-
Net pension liability	40,401	56,195	-
OPEB liability	10,568	11,408	-
Total noncurrent liabilities	<u>666,810</u>	<u>720,146</u>	<u>7,065</u>
Total liabilities	<u>729,154</u>	<u>1,012,439</u>	<u>20,977</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	9,459	6,272	-
Deferred inflows related to OPEB	3,978	5,065	-
Total deferred inflows of resources	<u>13,437</u>	<u>11,337</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	13,657,286	77,003	-
Unrestricted	2,865,201	1,149,077	75,939
Total net position	<u>\$ 16,522,487</u>	<u>\$ 1,226,080</u>	<u>\$ 75,939</u>

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

Total
Proprietary Funds

\$ 3,398,742

905,054

24,305

4,328,101

14,919,905

253,474

15,173,379

19,501,480

105,117

5,253

110,370

45,036

25,289

28,364

1,336

15,986

212,538

40,000

368,549

557,189

485,000

30,620

202,640

96,596

21,976

1,394,021

1,762,570

15,731

9,043

24,774

13,734,289

4,090,217

\$ 17,824,506

CITY OF ALTON, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	58 Sewer Fund	62 Solid Waste Fund	53 Nonmajor Drainage and Stormwater Fund	Total Proprietary Funds
OPERATING REVENUES				
Fees and charges for services	\$ 2,781,219	\$ 2,489,787	\$ -	\$ 5,271,006
Licenses and permits	174,635	-	288,588	463,223
Interest and investment earnings	54,540	-	685	55,225
Intergovernmental	-	30,000	-	30,000
Miscellaneous income	-	44,984	-	44,984
Total operating revenues	<u>3,010,394</u>	<u>2,564,771</u>	<u>289,273</u>	<u>5,864,438</u>
OPERATING EXPENSES				
Personnel and related services	475,991	586,041	161,765	1,223,797
Repairs and maintenance	87,859	175,591	-	263,450
Materials and supplies	8,285	147,661	144	156,090
Contractual services	995,908	492,672	27,688	1,516,268
Operational expenses	25,060	181,699	14,021	220,780
Depreciation and amortization	481,166	203,427	-	684,593
Total operating expenses	<u>2,074,946</u>	<u>1,787,867</u>	<u>203,618</u>	<u>4,066,431</u>
OPERATING INCOME (LOSS)	<u>935,448</u>	<u>776,904</u>	<u>85,655</u>	<u>1,798,007</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(12,810)	(34,422)	-	(47,232)
Total nonoperating revenues (expenses)	<u>(12,810)</u>	<u>(34,422)</u>	<u>-</u>	<u>(47,232)</u>
Income before transfers	922,638	742,482	85,655	1,750,775
Transfers in	22,964	-	-	22,964
Transfers (out)	<u>(664,897)</u>	<u>(420,000)</u>	<u>-</u>	<u>(1,084,897)</u>
CHANGE IN NET POSITION	280,705	322,482	85,655	688,842
NET POSITION, BEGINNING	<u>16,248,470</u>	<u>879,123</u>	<u>(9,716)</u>	<u>17,117,877</u>
PRIOR PERIOD ADJUSTMENT	<u>(6,688)</u>	<u>24,475</u>	<u>-</u>	<u>17,787</u>
NET POSITION, ENDING	<u>\$ 16,522,487</u>	<u>\$ 1,226,080</u>	<u>\$ 75,939</u>	<u>\$ 17,824,506</u>

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

**CITY OF ALTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Business-type Activities			
	58 Sewer Fund	62 Solid Waste Fund	53 Nonmajor Drainage and Stormwater Fund	Total Proprietary Funds Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,012,759	\$ 2,519,226	\$ 289,273	\$ 5,821,258
Disbursed for goods and services to suppliers	(473,605)	(584,028)	(161,515)	(1,219,148)
Disbursed for personnel services	(1,125,428)	(995,553)	(30,942)	(2,151,923)
Net cash provided by operating activities	<u>1,413,726</u>	<u>939,645</u>	<u>96,816</u>	<u>2,450,187</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	-	1,072	(24,305)	(23,233)
Cash paid to other funds	(399)	-	-	(399)
Cash paid to other governments	-	1,490	-	1,490
Transfer from other funds	22,964	-	-	22,964
Transfers to other funds	(664,897)	(420,000)	-	(1,084,897)
Net cash provided (used) by noncapital financing activities	<u>(642,332)</u>	<u>(417,438)</u>	<u>(24,305)</u>	<u>(1,084,075)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(73,223)	(223,686)	-	(296,909)
Proceeds from issuance of long-term debt	-	239,510	-	239,510
Principal paid on long-term debt	(35,000)	(246,924)	-	(281,924)
Interest and bond costs paid on long-term debt	(12,810)	(34,422)	-	(47,232)
Net cash used for capital and related financing activities	<u>(121,033)</u>	<u>(265,522)</u>	<u>-</u>	<u>(386,555)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	650,361	256,685	72,511	979,557
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,720,088</u>	<u>698,997</u>	<u>100</u>	<u>2,419,185</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,370,449</u>	<u>\$ 955,682</u>	<u>\$ 72,611</u>	<u>\$ 3,398,742</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 935,448	\$ 776,904	\$ 85,655	\$ 1,798,007
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	481,166	203,427	-	684,593
Decrease (increase) in receivables	2,365	(39,816)	-	(37,451)
Decrease (increase) in deferred outflows-pension	25,625	29,375	-	55,000
Increase (decrease) in accounts payable	(7,639)	2,846	10,911	6,118
Increase (decrease) in accrued liabilities	2,868	3,890	(6,815)	(57)
Increase (decrease) in net pension & OPEB liability	(32,195)	(36,907)	-	(69,102)
Increase (decrease) in compensated absences	(402)	(1,785)	7,065	4,878
Increase (decrease) in deferred inflows-pension	6,490	7,440	-	13,930
Total adjustments	<u>478,278</u>	<u>162,741</u>	<u>11,161</u>	<u>652,180</u>
Net cash provided by operating activities	<u>\$ 1,413,726</u>	<u>\$ 939,645</u>	<u>\$ 96,816</u>	<u>\$ 2,450,187</u>

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

CITY OF ALTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2024

	110
	Employee Benefit
	Fund
ASSETS	
Cash and cash equivalents	\$ 6,790
Accounts receivable	2,232
Total assets	<u>\$ 9,022</u>
 LIABILITIES AND NET POSITION	
LIABILITIES	
Due to other funds	\$ -
Total liabilities	<u>\$ -</u>
 NET POSITION	
Net position restricted for employee benefits	<u>\$ 9,022</u>
 Total liabilities and net position	<u>\$ 9,022</u>

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

CITY OF ALTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	110 Employee Benefits Fund
ADDITIONS	
Contributions	\$ 3,184
Investment income	162
Other income	398
Total additions	<u>3,744</u>
DEDUCTIONS	
Benefits paid	<u>650</u>
Total deductions	<u>650</u>
NET CHANGE IN FIDUCIARY NET POSITION	3,094
NET POSITION RESTRICTED FOR EMPLOYEE BENEFITS:	
BEGINNING OF YEAR	<u>6,449</u>
PRIOR PERIOD ADJUSTMENT	<u>(521)</u>
BEGINNING OF YEAR, RESTATED	<u>5,928</u>
END OF YEAR	<u><u>\$ 9,022</u></u>

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

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Alton, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Reporting Entity

The City was incorporated on April 1, 1978, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Home Rule (Mayor, City Commissioners) form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (sewer services and solid waste collection).

The Board of Commissioners (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity."

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of the above criteria, the following is a brief review of the City's component unit addressed in defining the City's reporting entity.

Blended Component Units – Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's blended component unit follows.

The City of Alton Community Development Corporation (4B Corporation) was incorporated on July 9, 1996, under the Development Corporation Act of 1979, of the State of Texas. The Development Corporation (4B) operates as Component Units of the City. The Corporation's purpose is to promote economic development and encourage employment and public welfare on behalf of the City by developing, implementing, providing and financing projects under the Act as defined in Sections and 4B of the Act.

2. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 capital leases are reported as other financing sources.

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

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when a potential revenue is unavailable. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governmental funds also report unavailable revenues from property taxes and non-current receivables, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). At September 30, 2024, the City was not utilizing any internal service funds.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses typically are the result of activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for all activities related to the Employee Benefit Fund that the City is currently a trustee of.

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 government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. 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 and transit functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary fund. Separate statements for each fund category; governmental funds, proprietary funds, and fiduciary funds are presented. The emphasis of fund financial statements are on the major governmental funds. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental fund types:

The City reports the following governmental major fund:

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

The *Texas Water Development Board Certificate of Obligations 2021 Project Fund* is used for managing all expenditures incurred in carrying out the TWDB project #40112, a flood drainage project on N. Stewart Blvd.

The *Capital Projects TIRZ Fund* is used for managing major improvement projects within the Tax Increment Reinvestment Zone Number One created in 2009.

The *Capital Construction Fund* is used for managing major infrastructure projects since its creation in 2008.

Additionally, the City reports the following as non-major governmental fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is not reported as a major fund.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Capital Projects Funds are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds.

Proprietary fund types:

The *Enterprise Funds* are used to account for operations (a) that 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 be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following are reported as major proprietary funds:

The *Sewer Fund* is used to account for the operation and maintenance of the sanitary sewer system.

The *Solid Waste Fund* is used to account for the operation of the garbage service, brush and bulky items pick-up, and the recycling program.

The following are reported as non-major proprietary funds:

The *Drainage and Stormwater Fund* provides the means to collect revenue required to construct and maintain large stormwater capital improvements needed to help protect city businesses and residents from the effects of flooding.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust is used. The City is the trustee, or fiduciary, of the Employee Benefits Fund.

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

a. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

b. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customers' meter deposits.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

c. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$500 or more 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 assets are reported at acquisition value.

The term of the lease must be the non-cancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87.

If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government-wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$500 is used.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40 years
Furniture and equipment	7 years
Infrastructure	45 years

d. Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities' column of the government-wide financial statements. The expense is recognized in the governmental fund financial statements when paid or expected to be paid with current financial resources. Compensated absences are reported in governmental funds only if they have matured.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

e. Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance costs, are expensed as incurred. The City implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as all bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures in the governmental funds, and proprietary funds. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as an other source during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the combined balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In the addition to liabilities, the combined balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and noncurrent receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (for example, 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.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

h. 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.

i. Fund Balance Policies

Fund balance of governmental funds is 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).

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 Commission (the "Commission") 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 Commission has by resolution authorized the City Manager to assign fund balance.

The Commission may also assign fund balance as it does when appropriating fund balance to cover the 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.

j. Bond Premiums/Issue Costs

In governmental fund types and proprietary funds, bond issuance costs are recognized in the current period. Bond premiums, discounts, and bond insurance costs for government-wide financial statements and proprietary fund types are deferred and amortized over the initial life of the bonds. Bond premiums are presented as an increase in long-term liabilities, bond issuance costs are an expense of the current period and bond insurance costs are recorded as prepaid insurance and amortized over the life of the related bond.

k. Interfund Receivables, Payables and Transfers

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year end. Transfers used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, 2) reimburse the Debt Service Fund for debt service payments on debt related to the reimbursing fund, and 3) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. Estimates

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The City Commission adopts an "appropriated budget" for the General Fund and Debt Service Fund. In accordance with GASB Statement# 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were deemed significant.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

2. Deficit Fund Balance/Net Position

<u>Fund Name</u>	<u>Deficit Amount</u>
89 Capital Construction	\$ 559,091

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

3. Excess of Expenditures Over Appropriations

For the year ended September 30, 2024, expenditures exceeded appropriations as follows in the General Fund:

<u>General Function</u>	<u>Amount</u>
<u>General Government</u>	
Personnel services	\$ (6,171)
<u>Public Safety</u>	
Maintenance & repairs	(2,834)
<u>Public Works</u>	
Maintenance & repairs	(1,388)
Contractual services	(2,492)
<u>Culture and Recreation</u>	
Supplies & materials	(14)
<u>Debt Service</u>	
Principal retirement	(3)
Total	<u>\$ (12,902)</u>

NOTE C - DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) bank balance was \$13,804,543. The City's cash deposits at September 30, 2024 were entirely covered by FDIC Insurance and securities collateral.

A reconciliation of cash and cash equivalents follows:

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business- Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash	\$ 4,767,122	\$ 1,121,736	\$ 5,888,858
Cash - Restricted	8,917,189	2,277,006	11,194,195
TexPool Money Markets	5,161,215	-	5,161,215
	<u>\$ 18,845,526</u>	<u>\$ 3,398,742</u>	<u>\$ 22,244,268</u>

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The city currently has 100% investments in TexPool.

NOTE D - RECEIVABLES

Receivables

Receivables at September 30, 2024, consist of the following:

	Primary Government			
			Nonmajor	
	General Fund	Capital Project TIRZ Fund	Governmental Funds	Business-type Activities
Receivables				
Property taxes	\$ 395,820	\$ -	\$ 148,257	\$ -
Less allowance for uncollectible	22,424	-	8,399	-
Total property receivables, net	<u>373,396</u>	<u>-</u>	<u>139,858</u>	<u>-</u>
Other receivable				
Nonproperty taxes	175,298	-	62,387	-
Accounts	72,253	100,000	100	1,001,306
Intergovernmental	284,060	-	-	-
Other	181,271	-	134,754	-
Gross receivables	<u>712,882</u>	<u>100,000</u>	<u>197,241</u>	<u>1,001,306</u>
Less allowance for uncollectible	-	-	-	96,252
Total other receivables, net	<u>712,882</u>	<u>100,000</u>	<u>197,241</u>	<u>905,054</u>
Total receivables, net	<u>\$ 1,086,278</u>	<u>\$ 100,000</u>	<u>\$ 337,099</u>	<u>\$ 905,054</u>

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within 60 days after year end.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 is as follows:

Governmental Activities

	Balance October 1, 2023	Additions	Retirement	Reclassifications/ Adjustments	Balance September 30, 2024
Capital assets, not being depreciated:					
Land	\$ 3,974,823	\$ 149,255	\$ (72,368)	\$ -	\$ 4,051,710
Construction in progress	3,217,145	1,307,132	-	(978,993)	3,545,284
	<u>7,191,968</u>	<u>1,456,387</u>	<u>(72,368)</u>	<u>(978,993)</u>	<u>7,596,994</u>
Capital assets, being depreciated and amortized:					
Building and improvements	10,827,518	-	-	-	10,827,518
Furniture and equipment	8,141,103	1,836,091	(119,741)	105,500	9,962,953
Right-to-use lease - furniture and equipment	672,026	198,965	-	(243,380)	627,611
Infrastructure	26,548,085	2,135,364	-	873,493	29,556,942
	<u>46,188,732</u>	<u>4,170,420</u>	<u>(119,741)</u>	<u>735,613</u>	<u>50,975,024</u>
Less accumulated depreciation and accumulated amortization for:					
Building and improvements	3,556,009	317,164	(61,935)	-	3,811,238
Furniture and equipment	4,928,587	1,181,360	(36,364)	-	6,073,583
Right-to-use lease - furniture and equipment	51,098	76,471	-	-	127,569
Infrastructure	18,588,371	988,657	-	-	19,577,028
	<u>27,124,065</u>	<u>2,563,652</u>	<u>(98,299)</u>	<u>-</u>	<u>29,589,418</u>
Total capital assets, being depreciated, net	<u>19,064,667</u>	<u>1,606,768</u>	<u>(21,442)</u>	<u>735,613</u>	<u>21,385,606</u>
Governmental activities, capital assets, net	<u>\$ 26,256,635</u>	<u>\$ 3,063,155</u>	<u>\$ (93,810)</u>	<u>\$ (243,380)</u>	<u>\$ 28,982,600</u>

Depreciation was charged to government functions as follows:

General government	\$ 1,914,259
Public safety	646,974
Economic development and assistance	<u>2,419</u>
Total depreciation	<u><u>\$ 2,563,652</u></u>

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE E - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities

	Balance October 1, 2023	Additions	Retirement	Reclassifications/ Adjustments	Balance September 30, 2024
Capital assets, not being depreciated:					
Land	\$ 25,110	\$ -	\$ -	\$ -	\$ 25,110
	<u>25,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,110</u>
Capital assets, being depreciated:					
Building and improvements	2,412,933	249,600	(320,940)	(236,742)	2,104,851
Furniture and equipment	2,033,834	309,270	(259,445)	(198,177)	1,885,482
Right-to-use leases	-	-	-	253,473	253,473
Infrastructure	<u>17,806,954</u>	<u>967,012</u>	<u>-</u>	<u>-</u>	<u>18,773,966</u>
	<u>22,253,721</u>	<u>1,525,882</u>	<u>(580,385)</u>	<u>(181,446)</u>	<u>23,017,772</u>
Less accumulated depreciation					
Building and improvements	866,872	61,989	-	143,533	1,072,394
Furniture and equipment	1,663,959	203,655	-	5,971	1,873,585
Infrastructure	<u>4,491,999</u>	<u>418,949</u>	<u>-</u>	<u>12,576</u>	<u>4,923,524</u>
	<u>7,022,830</u>	<u>684,593</u>	<u>-</u>	<u>162,080</u>	<u>7,869,503</u>
Total capital assets, being depreciated, net	<u>15,230,891</u>	<u>841,289</u>	<u>(580,385)</u>	<u>(343,526)</u>	<u>15,148,269</u>
Business-type activities, capital assets, net	<u>\$ 15,256,001</u>	<u>\$ 841,289</u>	<u>\$ (580,385)</u>	<u>\$ (343,526)</u>	<u>\$ 15,173,379</u>

Depreciation was charged to business-type functions as follows:

Sewer	\$ 483,630
Solid Waste	<u>211,056</u>
Total depreciation - business-type activities	<u>\$ 694,686</u>

NOTE F - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City reported \$3,309,696, in unearned revenue.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE G - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The statement of net position reports deferred outflows in connection to the consumption of net position that applies to a future period. The components of deferred outflows of resources are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Deferred outflows of resources			
Deferred outflows related to pension plan	\$ 621,076	\$ 106,570	\$ 727,646
Deferred outflows related to OPEB	<u>31,048</u>	<u>5,253</u>	<u>36,301</u>
Total deferred outflows of resources	<u>\$ 652,124</u>	<u>\$ 111,823</u>	<u>\$ 763,947</u>
Deferred inflows of resources			
Deferred inflows related to pension plan	\$ 92,989	\$ 15,731	\$ 108,720
Deferred inflows related to OPEB	<u>53,450</u>	<u>9,043</u>	<u>62,494</u>
Total deferred inflows of resources	<u>\$ 146,439</u>	<u>\$ 24,774</u>	<u>\$ 171,214</u>

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

The City reported deferred inflows of resources during the current year as follows:

Unavailable revenues from property taxes in the general fund and the debt service fund at September 30, 2024 were \$373,396 and \$139,858, respectively.

NOTE H - LONG-TERM DEBT

Primary Government

Governmental Funds Bonds

2007 Certificates of Obligations – The original issue was \$2,568,000 with an annual interest rate of 4.39% to 4.47%. The original date of issuance was on January 18, 2008 and has a maturity date of September 15, 2026.

2012 Combination Tax and Revenue Certificate of Obligation – The original issue was \$500,000 with an annual interest rate of 3.75%. The original date of issuance was on June 15, 2012 and has a maturity date of June 15, 2042.

2014A Combination Tax and Revenue Certificate of Obligation (TIRZ) – The original issue was \$1,955,000 with an annual interest rate of 3.60%. The original date of issuance was on August 1, 2014 and has a maturity date of February 15, 2029.

2015 Combination Tax and Revenue Certificate of Obligation – The original issue was \$950,000 with an annual interest rate of 3.50%. The original date of issuance was on April 21, 2015 and has a maturity date of February 15, 2027.

2016 Combination Tax and Revenue Certificate of Obligation – The original issue was \$240,000 with an annual interest rate of 1.75%. The original date of issuance was on July 15, 2016 and has a maturity date of May 1, 2056.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE H - LONG-TERM DEBT – (CONTINUED)

2016A Combination Tax and Revenue Certificate of Obligation – The original issue was \$3,465,000 with an annual interest rate of 4.00%. The original date of issuance was on November 30, 2016 and has a maturity date of August 15, 2036.

2019 Combination Tax and Revenue Certificate of Obligation – The original issue was \$3,715,000 with an annual interest rate of 4.00%. The original date of issuance was on January 8, 2019, and has a maturity date of August 15, 2040.

2021 Combination Tax and Revenue Certificate of Obligation – The original issue was \$5,525,000 with an annual interest rate of 0.00%. The original date of issuance was on October 12, 2021, and has a maturity date of September 30, 2051.

In the 2023 fiscal year the City issued the 2023 Combination of Tax and Tax Increment Revenue Certificates of Obligation in the amount of \$4,740,000 with an annual interest rate of 5.0%. The purpose of the bond was to pay contractual obligations to be incurred for making public improvements within the City's Tax Increment Reinvestment Zone Number One.

Business-Type Funds Bonds

2014-B Certificates of Obligations – The original issue was \$315,000 with an annual interest rate of 3.60%. The original date of issuance was on August 1, 2014 and has a maturity date of February 15, 2029.

2017 Combination Tax and Revenue Certificate of Obligation – The original issue was \$500,000 with an annual interest rate of 1.97%. The original date of issuance was on April 1, 2017 and has a maturity date of August 15, 2047.

The changes in bonded debt payable during the year as summarized as follows:

Bonds	Balance October 1, 2023	Reductions	Balance September 30, 2024	Due Within One Year
Primary Government				
<i>Governmental Funds</i>				
2007 Certificates of Obligations	\$ 562,000	\$ (179,000)	\$ 383,000	\$ 187,000
2012 Combination Tax and Revenue Certificate of Obligation	393,000	(13,000)	380,000	14,000
2014A Combination Tax and Revenue Certificate of Obligation (TIRZ)	915,000	(140,000)	775,000	145,000
2015 Combination Tax and Revenue Certificate of Obligation	365,000	(85,000)	280,000	90,000
2016 Combination Tax and Revenue Certificate of Obligation	216,000	(5,000)	211,000	5,000
2016A Combination Tax and Revenue Certificate of Obligation	3,275,000	(200,000)	3,075,000	205,000
2019 Combination Tax and Revenue Certificate of Obligation	3,715,000	(70,000)	3,645,000	75,000
2021 Combination Tax and Revenue Certificate of Obligation	5,525,000	(197,000)	5,328,000	197,000
2023 Combination Tax and Tax Increment Revenue Certificate of Obligation	4,740,000	(340,000)	4,400,000	355,000
Total Governmental Funds Bonds	<u>19,706,000</u>	<u>(1,229,000)</u>	<u>18,477,000</u>	<u>1,273,000</u>
<i>Business-Type Funds</i>				
2014-B Certificates of Obligations	145,000	(20,000)	125,000	25,000
2017 Combination Tax and Revenue Certificate of Obligation	415,000	(15,000)	400,000	15,000
Total Business-Type Funds Bonds	<u>560,000</u>	<u>(35,000)</u>	<u>525,000</u>	<u>40,000</u>
Total Primary Government Bonds	<u>\$ 20,266,000</u>	<u>\$ (1,264,000)</u>	<u>\$ 19,002,000</u>	<u>\$ 1,313,000</u>

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE H - LONG-TERM DEBT – (CONTINUED)

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

Year ending September 30,	Governmental Activities		Business-Type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,273,000	\$ 523,193	\$ 40,000	\$ 11,882	\$ 1,313,000	\$ 535,075
2026	1,317,000	479,006	40,000	10,815	1,357,000	489,821
2027	1,282,000	432,745	40,000	9,725	1,322,000	442,470
2028	1,222,000	388,228	40,000	8,616	1,262,000	396,844
2029	4,491,000	557,981	40,000	7,488	4,531,000	565,469
2030-2034	3,612,000	769,353	75,000	31,283	3,687,000	800,636
2035-2039	2,840,000	271,507	90,000	23,573	2,930,000	295,080
2040-2044	1,745,000	52,475	100,000	13,220	1,845,000	65,695
2045-2049	636,000	7,091	60,000	2,668	696,000	9,759
2050-2054	41,000	3,765	-	-	41,000	3,765
2055-2059	18,000	473	-	-	18,000	473
Total	<u>\$ 18,477,000</u>	<u>\$ 3,485,817</u>	<u>\$ 525,000</u>	<u>\$ 119,270</u>	<u>\$ 19,002,000</u>	<u>\$ 3,605,087</u>

Notes Payable and Right-To-Use Leases

Governmental Capital Corporation Contract #9424 - The original issue was \$198,200 with an annual interest rate of 2.68%. The original date of issuance was on March 18, 2021 and has a maturity date of March 18, 2026. The purpose of the note was to purchase 4 vehicles and related equipment.

Southside Bank Note #256819 - The original issue was \$334,994 with an annual interest rate of 4.48%. The original date of issuance was on October 4, 2019 and has a maturity date of October 1, 2028.

Southside Bank Note #256822 - The original issue was \$334,994 with an annual interest rate of 4.48%. The original date of issuance was on October 4, 2019 and has a maturity date of October 1, 2028.

Frost Bank Lease #776192652-005 - The original issue was \$351,809 with an annual interest rate of 3.05%. The original date of issuance was on December 12, 2019 and has a maturity date of December 1, 2024.

Frost Bank Lease #776192652-007 – The original issue was \$351,809 with an annual interest rate of 5.50%. The original date of issuance was on May 28, 2024 and has a maturity date of June 30, 2029.

Governmental Capital Corporation Contract (GCC) #9930 - The original issue was \$177,936 with an annual interest rate of 3.07%. The original date of issuance was April 12, 2022 and has a maturity date of May 10, 2027.

In the 2023 fiscal year the City entered into a Governmental Capital Corporation Contract (GCC) #10165. The original issue was \$571,366 with an annual interest rate of 5.38%. The original date of issuance was November 29, 2022 and has a maturity date of December 15, 2027.

In the 2023 fiscal year the City entered into a lease agreement with Enterprise Fleet Management in the amount of \$672,026. The original date of issuance was October 11, 2022. The lease term commenced on the delivery date of each vehicle and ending between 48 to 60 months after the first full monthly rental payment date. The purpose of this agreement was to lease vehicles for the City's Police Department.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE H - LONG-TERM DEBT – (CONTINUED)

The changes in notes and right-to-use leases payable during the year are summarized as follows:

<u>Notes and Right-To-Use Leases</u>	<u>Balance October 1, 2023</u>	<u>Additions / Refunding</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance September 30, 2024</u>	<u>Due Within One Year</u>
Primary Government						
<i>Governmental activities</i>						
GCC Contract #9424	\$ 82,429	\$ -	\$ -	\$ -	\$ 82,429	\$ 40,674
Southside Bank Note #256819	202,523	-	(36,965)	-	165,558	38,656
Southside Bank Note #256822	202,523	-	(36,965)	-	165,558	38,656
Frost Bank Lease #776192652-005	25,947	-	(12,779)	-	13,168	13,168
GCC Contract #9930	144,867	-	(34,286)	-	110,581	35,541
Enterprise Lease Agreement	631,523	198,965	(155,538)	(207,784)	467,165	138,727
	<u>1,289,812</u>	<u>198,965</u>	<u>(276,533)</u>	<u>(207,784)</u>	<u>1,004,459</u>	<u>305,422</u>
<i>Business-Type activities</i>						
Frost Bank Lease #776192652-005	121,126	-	(59,664)	-	61,462	61,483
Frost Bank Lease #776192652-007	-	239,510	-	-	239,510	42,919
Loan Payable GCC #10165	571,366	-	(102,625)	-	468,741	108,144
Enterprise Lease Agreement	-	-	(43,455)	246,096	202,642	47,646
Total Business-Type Funds Notes and Right-To-Use Leases Payable	<u>692,492</u>	<u>239,510</u>	<u>(205,744)</u>	<u>246,096</u>	<u>972,355</u>	<u>260,192</u>
Total Primary Government Notes and Right-To-Use Leases Payable	<u>\$ 1,982,304</u>	<u>\$ 438,475</u>	<u>\$ (482,277)</u>	<u>\$ 38,312</u>	<u>\$ 1,976,814</u>	<u>\$ 565,614</u>

Debt service requirements to maturity for the above notes and right-to-use leases payable are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 126,505	\$ 31,392	\$ 47,647	\$ 14,246	\$ 174,152	\$ 45,638
2026	136,665	21,237	50,435	10,476	187,100	31,713
2027	102,527	11,284	56,594	6,403	159,121	17,687
2028	65,838	5,854	47,966	1,934	113,804	7,788
2029	34,083	1,648	-	-	34,083	1,648
2030-2034	1,547	27	-	-	1,547	27
Total	<u>\$ 467,165</u>	<u>\$ 71,442</u>	<u>\$ 202,642</u>	<u>\$ 33,059</u>	<u>\$ 669,807</u>	<u>\$ 104,501</u>

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE H - LONG-TERM DEBT – (CONTINUED)

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2024 are as follows:

	Balance October 1, 2023	Additions	Reductions	Adjustment s	Balance September 30, 2024	Due Within One Year
<i>Governmental activities</i>						
Bonds payable						
Bonded debt	\$ 19,706,000	\$ -	\$ (1,229,000)	\$ -	\$ 18,477,000	\$ 1,273,000
Premium on bonds	-	415,109	(41,511)	-	373,598	41,511
Total bonds payable	<u>19,706,000</u>	<u>415,109</u>	<u>(1,270,511)</u>	<u>-</u>	<u>18,850,598</u>	<u>1,314,511</u>
Notes and right-to-use leases payable	<u>1,289,812</u>	<u>198,965</u>	<u>(276,533)</u>	<u>(207,784)</u>	<u>1,004,460</u>	<u>305,422</u>
Compensated absences	<u>147,515</u>	<u>-</u>	<u>(2,429)</u>	<u>-</u>	<u>145,086</u>	<u>-</u>
Net pension liability/(asset)						
TMRS	993,606	-	(422,608)	-	570,997	-
OPEB	115,769	14,131	-	-	129,900	-
Total net pension liability	<u>1,109,375</u>	<u>14,131</u>	<u>(422,608)</u>	<u>-</u>	<u>700,897</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 22,252,702</u>	<u>\$ 628,205</u>	<u>\$ (1,972,081)</u>	<u>\$ (207,784)</u>	<u>\$ 20,701,041</u>	<u>\$ 1,619,933</u>
<i>Business-type activities</i>						
Bonds payable						
Bonded debt	\$ 560,000	\$ -	\$ (35,000)	\$ -	\$ 525,000	\$ 40,000
Total bonds payable	<u>560,000</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>525,000</u>	<u>40,000</u>
Notes and right-to-use leases payable	<u>692,492</u>	<u>239,510</u>	<u>(205,744)</u>	<u>246,096</u>	<u>972,354</u>	<u>260,192</u>
Compensated absences	<u>25,742</u>	<u>4,878</u>	<u>-</u>	<u>-</u>	<u>30,620</u>	<u>-</u>
Net pension liability/(asset)						
TMRS	168,089	-	(71,493)	-	96,596	-
OPEB	19,585	2,391	-	-	21,976	-
Total net pension liability	<u>187,674</u>	<u>2,391</u>	<u>(71,493)</u>	<u>-</u>	<u>118,572</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,465,908</u>	<u>\$ 246,779</u>	<u>\$ (312,237)</u>	<u>\$ 246,096</u>	<u>\$ 1,646,546</u>	<u>\$ 300,192</u>

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE I - INTERFUND ASSETS/LIABILITIES

Interfund receivable and payable balances at September 30, 2024 for the primary government were as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
<u>General Fund</u>		
Capital Construction Fund	\$ 894,416	\$ -
Solid Waste Fund	24	-
Fiduciary Fund	195,824	-
Nonmajor Governmental Funds	<u>-</u>	<u>(6,914)</u>
Total General Fund	<u>1,090,264</u>	<u>(6,914)</u>
 <u>TWDB CO 2021 Project Fund</u>		
General Fund	<u>-</u>	<u>(195,824)</u>
Total TWDB 2021 Project Fund	<u>-</u>	<u>(195,824)</u>
 <u>Capital Construction Fund</u>		
General Fund	<u>-</u>	<u>(894,416)</u>
Total Capital Construction Fund	<u>-</u>	<u>(894,416)</u>
 <u>Nonmajor Governmental Funds</u>		
General Fund	6,914	-
Sewer Fund	<u>4,035</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>10,949</u>	<u>-</u>
 <u>Sewer Fund</u>		
Nonmajor Governmental Funds	<u>-</u>	<u>(4,035)</u>
Total Sewer Fund	<u>-</u>	<u>(4,035)</u>
 <u>Solid Waste Fund</u>		
General Fund	-	(24)
Drainage & Stormwater Fund	<u>-</u>	<u>(24,305)</u>
Total Solid Waste Fund	<u>-</u>	<u>(24,329)</u>
 <u>Drainage & Stormwater Fund</u>		
Solid Waste Fund	<u>24,305</u>	<u>-</u>
Total Drainage & Stormwater Fund.	<u>24,305</u>	<u>-</u>
 Totals	<u><u>\$ 1,125,518</u></u>	<u><u>\$ (1,125,518)</u></u>

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE J - TRANSFERS

Interfund transfers during the year for the primary government were as follows:

Transfers Out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds	Sewer Fund	
Non Major Governmental Funds	292,270	1,623,407	-	1,915,677
Sewer Fund	480,000	161,933	22,964	664,897
Solid Waste	420,000	-	-	420,000
	<u>\$ 1,192,270</u>	<u>\$ 1,785,340</u>	<u>\$ 22,964</u>	<u>\$ 3,000,574</u>

NOTE K – TAX INCREMENT REINVESTMENT ZONE

The City of Alton, on December 29, 2009, through Ordinance 2009-09 created “Reinvestment Zone Number One”, City of Alton, Texas. Section 7. The Ordinance reads as follows:

This hereby created and established in the depository bank of the City, a fund to call the “Reinvestment Zone Number One, City of Alton, Texas, Texas Tax Increment Fund” (Herein called the “Tax Increment Fund”). Money in the Tax Increment Fund, from whatever source, may be disbursed from the Tax Increment Fund, invested and paid as permitted by the Act or by any agreements entered into pursuant to the Act, or as otherwise authorized by law.

As of the end of fiscal year 2024, the County of Hidalgo transferred \$493,569, while the City transferred \$492,023 to meet the requirements of the TIRZ agreement for the fiscal year.

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Plan Description

The City of Alton participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for 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; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest. Members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	163
Active employees	<u>111</u>
	<u>303</u>

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7.00% of their annual compensation during the fiscal year. The contribution rates for the City were 11.58% and 11.93% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$638,929, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	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 MP2021 to account for future mortality improvements subject to the 3% floor.

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

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighing the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 20x2 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
	<u>100.0%</u>	

Discount Rate

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

Schedule of Changes in Net Pension Liability

	(a)	(b)	(a) - (b)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2022	\$ 9,514,468	\$ 8,352,773	\$ 1,161,695
Service cost	870,482	-	870,482
Interest	660,032	-	660,032
Difference between expected/actual experience	(11,085)	-	(11,085)
Changes of assumptions	(146,389)	-	(146,389)
Contributions - employer	-	559,595	(559,595)
Contributions - employee	-	345,429	(345,429)
Net investment income	-	968,310	(968,310)
Benefit payments, including refunds of employee contributions	(342,902)	(342,902)	-
Administrative expenses	-	(6,150)	6,150
Other charges	-	(43)	43
Net changes	<u>1,030,138</u>	<u>1,524,239</u>	<u>(494,101)</u>
Balance at December 31, 2023	<u>\$ 10,544,606</u>	<u>\$ 9,877,012</u>	<u>\$ 667,594</u>

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

Net pension liability amounts are allocated between the primary government on the statement of net position. The City's portion of the net pension liability includes \$570,997 for governmental activities and \$96,596 for business-type activities.

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Decrease in Discount Rate (7.75%)
City's net pension liability	\$ 2,540,113	\$ 667,593	\$ (808,996)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized a pension expense in the amount of \$615,662. At September 30, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 37,041	\$ 7,653
Changes in actuarial assumption	-	101,067
Difference between projected and actual investment earnings (net of current year amortization)	200,402	-
Contributions subsequent to the measurement date	490,203	-
Total	<u>\$ 727,646</u>	<u>\$ 108,720</u>

\$499,091 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

Year ended September 30,	City
2025	\$ 40,648
2026	22,598
2027	146,375
2028	<u>(80,898)</u>
	<u>\$ 128,723</u>

NOTE M - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City voluntarily participates in the defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The SDBF is considered to be a single-employer plan. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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 other postemployment benefit ("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).

Employees covered by benefit terms

As of December 31, 2023, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>111</u>
	<u>143</u>

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions

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

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.58% and 11.93% in calendar year 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$12,939 and were equal to the required contributions.

Accounting Policy

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statements No.75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Funding Policy

The benefits levels and contribution rate are approved annually by the City management and the Commission as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contribution are equal to the benefits that are paid on behalf of the retirees. OPEB expenses as actuarially determined for the City was \$13,679.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2023; actuarial valuation are as follows:

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation. The actuarial valuation report determines, as of the actuarial valuations date, the service cost, total OPEB liability, and related actuarial present value of projected benefits.

Total OPEB Liability

The total OPEB Liability of \$151,876 (City) was measured as of December 31, 2023. And was determined by an actuarial valuation as of the date.

The total OPEB liability and related information are as follows for the city at December 31, 2023.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	(a) Total OPEB Liability
Balance at December 31, 2022	\$ 135,354
Service cost	11,843
Interest	5,652
Difference between expected/actual experience	(3,841)
Changes of assumptions	6,322
Benefit payments, including refunds of employee contributions	(3,454)
Net changes	16,522
Balance at December 31, 2023	\$ 151,876

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

The following presents the total OPEB liability of the City, calculated using the discount rate of (3.77%) as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	\$ 180,793	\$ 151,876	\$ 128,958

OPEB Expense and Deferred Outflows of Resources Related to OPEB:

For the year ended September 20, 2024, the city recognized OPEB expenses of \$13,679.

OPEB Expense:	
Service cost	\$ 11,843
Interest on total OPEB liability	5,652
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(2,462)
Changes in assumptions or other inputs ¹	(1,354)
Total OPEB expense	\$ 13,679

At September 30, 2024, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 200	\$ 11,063
Changes in actuarial assumptions	26,060	51,430
Contributions subsequent to the measurement date	10,041	-
Total	\$ 36,301	\$ 62,493

**CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE M - OTHER POST EMPLOYMENT BENEFITS – (CONTINUED)

\$10,040 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2024.

Other amounts to reported as deferred outflow related to OPEB will be recognized in OPEB expense as follow:

Year ended September 30,	
2025	\$ (4,206)
2026	(4,453)
2027	(9,847)
2028	(11,485)
2029	(6,484)
Thereafter	243
	<u>\$ (36,232)</u>

NOTE N - CONTINGENCIES

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all of these programs including the year ended September 30, 2024 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved in litigation claims against it from time to time that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements for these contingent liabilities.

NOTE O - FUND BALANCES

The City has classified its fund balance with the following hierarchy:

Restricted – External parties have restricted these funds to be used for their intended purpose. For the 2024 fiscal year, the City had a restricted fund balance of \$13,133,053 for governmental funds.

Committed – The City Commission has committed to use these funds for specific purposes and cannot be used for any other purpose unless formal action is taken that changes or lifts the constraints. For the 2024 fiscal year, the City had no committed fund balance.

Assigned – The City Commission has authorized the City manager to assign to these funds for specifically identified purposes. For the 2024 fiscal year, the City had no assigned fund balance.

Unassigned – The unassigned fund balance has no constraints. For the 2024 fiscal year, the City had an unassigned fund balance of \$2,689,029 for governmental funds.

NOTE P - SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

CITY OF ALTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE Q – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments (PPA) were needed to properly state the correct financial position of the City. The PPA amounts and the reasons are as follows:

<u>Description</u>	<u>General Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>	<u>Fiduciary Funds</u>
Adjustment for right of use asset and liability	\$ -	\$ 195,195	\$ 195,195	\$ -
Adjustment due to inaccurate reporting in prior year financial statements	-	(177,408)	(177,408)	521
Adjustment to accounts payable	-	-	-	-
Total for Fund Financials	-	17,787	17,787	521
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds</u>
Adjustment for capital assets & right-to-use asset	(294,428)	-	(294,428)	-
Adjustment for right-of-use liability	207,784	-	207,784	-
Total for Government Wide Financials	(86,644)	-	(86,644)	-
Increase (Decrease) to Net Position	<u>\$ (86,644)</u>	<u>\$ 17,787</u>	<u>\$ (68,857)</u>	<u>\$ 521</u>

End of Notes.

CITY OF ALTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 2,468,576	\$ 2,387,000	\$ 2,382,875	\$ (4,125)
Nonproperty taxes	1,459,312	1,480,000	1,493,911	13,911
Fees and charges for services	848,089	722,322	729,297	6,975
Fines and forfeitures	702,432	749,530	765,840	16,310
Licenses and permits	644,750	551,600	560,792	9,192
Intergovernmental	628,068	926,457	972,496	46,039
Investment earnings	40,812	46,932	47,913	981
Miscellaneous income	31,016	39,617	39,906	289
Total revenue	<u>6,823,055</u>	<u>6,903,458</u>	<u>6,993,030</u>	<u>89,572</u>
EXPENDITURES				
General government:				
Personnel services	740,222	782,548	788,719	(6,171)
Maintenance & repairs	1,000	1,000	382	618
Supplies & materials	17,800	15,625	11,433	4,192
Contractual services	491,019	521,244	495,668	25,576
Operational expenditures	278,005	263,543	226,581	36,962
Other expenditures	-	-	-	-
Emergency expense	30,000	18,500	8,500	10,000
Total general government	<u>1,558,046</u>	<u>1,602,460</u>	<u>1,531,283</u>	<u>71,177</u>
Public safety:				
Personnel services	3,588,689	3,647,396	3,600,617	46,779
Maintenance & repairs	94,500	101,500	104,334	(2,834)
Supplies & materials	37,340	37,230	34,686	2,544
Contractual services	351,115	381,716	364,707	17,009
Operational expenditures	290,205	307,540	298,794	8,746
Total public safety	<u>4,361,849</u>	<u>4,475,382</u>	<u>4,403,138</u>	<u>72,244</u>
Public works:				
Personnel services	229,515	284,735	283,666	1,069
Maintenance & repairs	62,000	115,500	116,888	(1,388)
Supplies & materials	13,000	22,000	21,347	653
Contractual services	56,173	102,563	105,055	(2,492)
Operational expenditures	219,877	262,775	255,343	7,432
Total public works	<u>580,565</u>	<u>787,573</u>	<u>782,299</u>	<u>5,274</u>
Culture and recreation:				
Personnel services	610,732	491,159	486,638	4,521
Maintenance & repairs	30,000	31,400	29,604	1,796
Supplies & materials	12,850	16,900	16,914	(14)
Contractual services	43,578	120,152	119,439	713
Operational expenditures	33,885	28,901	28,774	127
Total culture and recreation	<u>731,045</u>	<u>688,512</u>	<u>681,369</u>	<u>7,143</u>

CITY OF ALTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Conservation and development:				
Personnel services	296,303	284,929	283,941	988
Maintenance & repairs	4,000	4,000	3,498	502
Supplies & materials	6,820	4,520	2,781	1,739
Contractual services	138,653	114,233	109,892	4,341
Operational expenditures	42,800	43,600	38,076	5,524
Total conservation and development	<u>488,576</u>	<u>451,282</u>	<u>438,188</u>	<u>13,094</u>
Capital outlay	<u>127,281</u>	<u>310,851</u>	<u>307,062</u>	<u>3,789</u>
Total capital outlay	<u>127,281</u>	<u>310,851</u>	<u>307,062</u>	<u>3,789</u>
Debt service:				
Principal retirement	47,062	47,062	47,065	(3)
Interest and fiscal agent fees	<u>6,108</u>	<u>6,108</u>	<u>6,105</u>	<u>3</u>
Total debt service	<u>53,170</u>	<u>53,170</u>	<u>53,170</u>	<u>-</u>
Total expenditures	<u>7,900,532</u>	<u>8,369,230</u>	<u>8,196,509</u>	<u>172,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,077,477)</u>	<u>(1,465,772)</u>	<u>(1,203,479)</u>	<u>262,293</u>
OTHER FINANCING SOURCES (USES)				
Other	-	285,731	285,731	-
Transfers in	<u>1,150,000</u>	<u>1,192,270</u>	<u>1,192,270</u>	<u>-</u>
Total other financing sources (uses)	<u>1,150,000</u>	<u>1,478,001</u>	<u>1,478,001</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	72,523	12,229	274,522	262,293
FUND BALANCE, BEGINNING	<u>2,595,778</u>	<u>2,595,778</u>	<u>2,595,778</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,668,301</u>	<u>\$ 2,608,007</u>	<u>\$ 2,870,300</u>	<u>\$ 262,293</u>

CITY OF ALTON, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except as a management control device during the year for the General, Debt Service and Special Revenue funds, as well as the Sewer and Solid Waste collection funds.

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter individual expenditure category or department totals within a fund must be approved by the City Commissioners. Therefore, the legal level of budgetary responsibility is the department level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Commissioners.

CITY OF ALTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Total pension liability										
Service Cost	\$ 870,482	\$ 805,772	\$ 733,316	\$ 644,079	\$ 669,409	\$ 628,618	\$ 564,796	\$ 522,560	\$ 489,728	\$ 376,918
Interest (on the total pension liability)	660,032	581,350	510,946	457,085	408,634	382,064	342,457	298,556	260,999	234,794
Difference between expected and actual experience	(11,085)	93,987	127,979	(26,014)	(58,093)	(342,103)	(139,186)	(47,677)	7,936	(153,570)
Changes of assumptions	(146,389)	-	-	-	17,992	-	-	-	72,960	-
Benefit payments, including refunds of employee contributions	(342,902)	(352,685)	(378,208)	(265,466)	(349,502)	(241,192)	(185,221)	(103,119)	(203,961)	(76,411)
Net change in total pension liability	1,030,138	1,128,424	994,033	809,684	688,440	427,387	582,846	670,320	627,662	381,731
Total pension liability - beginning	9,514,468	8,386,044	7,392,011	6,582,327	5,893,887	5,466,500	4,883,654	4,213,334	3,585,672	3,203,941
Total pension liability - ending (a)	<u>\$ 10,544,606</u>	<u>\$ 9,514,468</u>	<u>\$ 8,386,044</u>	<u>\$ 7,392,011</u>	<u>\$ 6,582,327</u>	<u>\$ 5,893,887</u>	<u>\$ 5,466,500</u>	<u>\$ 4,883,654</u>	<u>\$ 4,213,334</u>	<u>\$ 3,585,672</u>
B. Plan fiduciary net position										
Contributions - Employer	\$ 559,595	\$ 514,490	\$ 469,693	\$ 474,978	\$ 419,775	\$ 377,753	\$ 300,020	\$ 249,859	\$ 229,877	\$ 194,604
Contributions - Employee	345,429	324,161	296,204	263,043	242,046	227,172	202,126	192,623	187,328	158,584
Net Investment Income	968,310	(619,668)	935,845	473,152	793,010	(147,163)	558,657	234,353	4,798	161,110
Benefit payments, including refunds of employee contributions	(342,902)	(352,685)	(378,208)	(265,466)	(349,502)	(241,192)	(185,221)	(103,119)	(203,962)	(76,411)
Administrative Expenses	(6,150)	(5,360)	(4,323)	(3,057)	(4,475)	(2,842)	(2,900)	(2,645)	(2,922)	(1,681)
Other	(43)	6,396	30	(119)	(134)	(148)	(147)	(143)	(144)	(138)
Net change in plan fiduciary net position	1,524,239	(132,666)	1,319,241	942,531	1,100,720	213,580	872,535	570,928	214,975	436,068
Plan fiduciary net position - beginning	8,352,774	8,485,440	7,166,199	6,223,668	5,122,948	4,909,368	4,036,833	3,465,905	3,250,930	2,814,862
Plan fiduciary net position - ending (b)	<u>\$ 9,877,012</u>	<u>\$ 8,352,774</u>	<u>\$ 8,485,440</u>	<u>\$ 7,166,199</u>	<u>\$ 6,223,668</u>	<u>\$ 5,122,948</u>	<u>\$ 4,909,368</u>	<u>\$ 4,036,833</u>	<u>\$ 3,465,905</u>	<u>\$ 3,250,930</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 667,594</u>	<u>\$ 1,161,694</u>	<u>\$ (99,396)</u>	<u>\$ 225,812</u>	<u>\$ 358,659</u>	<u>\$ 770,939</u>	<u>\$ 557,132</u>	<u>\$ 846,821</u>	<u>\$ 747,429</u>	<u>\$ 334,742</u>
D. Plan fiduciary net position as a percentage of total pension liability	93.67%	87.79%	101.19%	96.95%	94.55%	86.92%	89.81%	82.66%	82.26%	90.66%
E. Covered payroll	\$ 4,934,703	\$ 4,630,873	\$ 4,231,483	\$ 3,757,752	\$ 3,457,691	\$ 3,245,318	\$ 2,887,507	\$ 2,751,763	\$ 2,676,107	\$ 2,534,440
F. Net position liability as a percentage of covered employee payroll	13.53%	25.09%	-2.35%	6.01%	10.37%	23.76%	19.29%	30.77%	27.93%	13.21%

The information in this schedule has been determined as the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

Note: 10 years of data is presented in accordance with GASB 68, since this is the only information available that is measured in accordance with this statement.

CITY OF ALTON, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 638,929	\$ 554,179	\$ 532,360	\$ 459,559	\$ 450,046	\$ 414,915	\$ 418,941	\$ 382,298	\$ 300,020	\$ 246,558
Contributions in relation to the actuarially determined contribution	<u>(638,929)</u>	<u>(554,179)</u>	<u>(532,360)</u>	<u>(459,559)</u>	<u>(450,046)</u>	<u>(414,915)</u>	<u>(418,941)</u>	<u>(382,298)</u>	<u>(300,020)</u>	<u>(246,558)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 5,391,075	\$ 4,910,947	\$ 4,792,931	\$ 3,987,323	\$ 3,597,743	\$ 3,456,489	\$ 3,456,489	\$ 3,245,318	\$ 2,887,507	\$ 2,751,763
Contributions as a percentage of covered employee payroll	11.85%	11.28%	11.11%	11.53%	12.51%	12.00%	12.12%	11.78%	10.39%	8.96%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB)10 mortality tables, with 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

CITY OF ALTON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Plan Year Ended December 31,	2023	2022	2021	2020	2019	2018	2017
A. Total OPEB liability							
Service Cost	\$ 11,843	\$ 19,913	\$ 18,195	\$ 13,152	\$ 10,373	\$ 10,710	\$ 8,374
Interest (on the total OPEB liability)	5,652	3,741	3,563	3,746	3,650	3,049	2,752
Difference between expected and actual experience	(3,841)	(8,602)	(1,535)	(1,434)	(1,634)	956	-
Changes of assumptions	6,322	(71,683)	6,757	25,592	24,770	(7,594)	7,488
Benefit payments, including refunds of employee contributions	<u>(3,454)</u>	<u>(2,779)</u>	<u>(2,539)</u>	<u>(752)</u>	<u>(692)</u>	<u>(649)</u>	<u>(289)</u>
Net change in total OPEB liability	16,522	(59,410)	24,441	40,304	36,467	6,472	18,325
Total OPEB liability - beginning	<u>135,354</u>	<u>194,764</u>	<u>170,323</u>	<u>130,019</u>	<u>93,552</u>	<u>87,080</u>	<u>68,755</u>
Total OPEB liability - ending	<u>\$ 151,876</u>	<u>\$ 135,354</u>	<u>\$ 194,764</u>	<u>\$ 170,323</u>	<u>\$ 130,019</u>	<u>\$ 93,552</u>	<u>\$ 87,080</u>
E. Covered payroll	\$ 4,934,703	\$ 4,630,873	\$ 4,231,483	\$ 3,757,752	\$ 3,457,691	\$ 3,245,318	\$ 2,887,507
Total OPEB liability as a percentage of covered employee payroll	3.08%	2.92%	4.60%	4.53%	3.76%	2.88%	3.02%

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

**CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,036,412	\$ 3,440	\$ 199,969	\$ 3,239,821
Investments	1,315,604	-	-	1,315,604
Receivables, net:				
Property taxes	-	-	139,858	139,858
Nonproperty taxes	62,387	-	-	62,387
Accounts	100	-	-	100
Other	134,754	-	-	134,754
Due from other funds	-	-	10,949	10,949
Total assets	<u>\$ 4,549,257</u>	<u>\$ 3,440</u>	<u>\$ 350,776</u>	<u>\$ 4,903,473</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,784	\$ -	\$ -	\$ 24,784
Accrued liabilities	8,423	-	-	8,423
Unearned revenue	334,696	-	-	334,696
Other liabilities	<u>4,029</u>	<u>-</u>	<u>-</u>	<u>4,029</u>
Total liabilities	<u>371,932</u>	<u>-</u>	<u>-</u>	<u>371,932</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>139,858</u>	<u>139,858</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>139,858</u>	<u>139,858</u>
Fund balances:				
Restricted	<u>4,177,325</u>	<u>3,440</u>	<u>210,918</u>	<u>4,391,683</u>
Total fund balances	<u>4,177,325</u>	<u>3,440</u>	<u>210,918</u>	<u>4,391,683</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,549,257</u>	 <u>\$ 3,440</u>	 <u>\$ 350,776</u>	 <u>\$ 4,903,473</u>

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 985,592	\$ -	\$ 781,700	\$ 1,767,292
Nonproperty taxes	1,042,623	-	-	1,042,623
Fees and charges for services	98,615	-	-	98,615
Fines and forfeitures	136,127	-	25,357	161,484
Licenses and permits	153,332	73,200	-	226,532
Intergovernmental revenue	806,477	-	-	806,477
Interest and investment income	99,602	113	13,470	113,185
Miscellaneous income	32,281	-	-	32,281
Total revenues	<u>3,354,649</u>	<u>73,313</u>	<u>820,527</u>	<u>4,248,489</u>
EXPENDITURES				
Current:				
General government	106,810	-	-	106,810
Public safety	117,513	-	-	117,513
Public works	364,868	-	-	364,868
Culture and recreation	10,215	-	-	10,215
Economic development and assistance	463,048	-	-	463,048
Capital outlay	763,840	73,200	-	837,040
Debt service:				
Principal retirement	-	-	1,302,931	1,302,931
Interest and fiscal agent fees	-	-	593,960	593,960
Total expenditures	<u>1,826,294</u>	<u>73,200</u>	<u>1,896,891</u>	<u>3,796,385</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	<u>1,528,355</u>	<u>113</u>	<u>(1,076,364)</u>	<u>452,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,785,340	1,785,340
Transfers (out)	<u>(1,159,720)</u>	<u>-</u>	<u>(755,957)</u>	<u>(1,915,677)</u>
Total other financing sources (uses)	<u>(1,159,720)</u>	<u>-</u>	<u>1,029,383</u>	<u>(130,337)</u>
NET CHANGE IN FUND BALANCES	368,635	113	(46,981)	321,767
FUND BALANCES, BEGINNING	<u>3,808,690</u>	<u>3,327</u>	<u>257,899</u>	<u>4,069,916</u>
FUND BALANCES, ENDING	<u>\$ 4,177,325</u>	<u>\$ 3,440</u>	<u>\$ 210,918</u>	<u>\$ 4,391,683</u>

**CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2024**

	03 Seizures & Forfeitures Fund	05 Municipal Court Fund	06 Federal Asset Forfeiture Fund
ASSETS			
Cash and cash equivalents	\$ 21,472	\$ 142	\$ 92,596
Investments	-	-	-
Receivables, net:			
Nonproperty taxes	-	-	-
Accounts	-	-	-
Other	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 21,472</u>	<u>\$ 142</u>	<u>\$ 92,596</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Unearned revenue	-	-	-
Other liabilities	4,029	-	-
Total liabilities	<u>4,029</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	17,443	142	92,596
Total fund balances	<u>17,443</u>	<u>142</u>	<u>92,596</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,472</u>	<u>\$ 142</u>	<u>\$ 92,596</u>

33 TIRZ Fund	42 Development Corp B Fund	43 PEG Fund	44 Texas Leverage Fund	55 Facilities & Infrastructure Fund
\$ 1,361,316	\$ 340,958	\$ 87,840	\$ 393,701	\$ 22,096
-	1,012,003	-	-	303,601
-	30,520	1,347	-	-
-	-	-	100	-
-	-	-	134,754	-
<u>\$ 1,361,316</u>	<u>\$ 1,383,481</u>	<u>\$ 89,187</u>	<u>\$ 528,555</u>	<u>\$ 325,697</u>
\$ -	\$ 4,714	\$ -	\$ -	\$ -
-	5,281	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>9,995</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,361,316</u>	<u>1,373,486</u>	<u>89,187</u>	<u>528,555</u>	<u>325,697</u>
<u>1,361,316</u>	<u>1,373,486</u>	<u>89,187</u>	<u>528,555</u>	<u>325,697</u>
<u>\$ 1,361,316</u>	<u>\$ 1,383,481</u>	<u>\$ 89,187</u>	<u>\$ 528,555</u>	<u>\$ 325,697</u>

**CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
SEPTEMBER 30, 2024**

57 Municipal Roads Maintenance Fund	70 Alton Youth Club Activity Fund	71 Volunteer Firefighter Fund	72 Alton Chamber of Commerce Fund	85 2021 Local Fiscal Recovery Fund	Total Nonmajor Special Revenue
\$ 302,205	\$ 2,032	\$ 1,523	\$ 4,118	\$ 406,413	\$ 3,036,412
-	-	-	-	-	1,315,604
30,520	-	-	-	-	62,387
-	-	-	-	-	100
-	-	-	-	-	134,754
<u>\$ 332,725</u>	<u>\$ 2,032</u>	<u>\$ 1,523</u>	<u>\$ 4,118</u>	<u>\$ 406,413</u>	<u>\$ 4,549,257</u>
\$ 8,608	\$ -	\$ -	\$ -	\$ 11,462	\$ 24,784
3,142	-	-	-	-	8,423
-	-	-	-	334,696	334,696
-	-	-	-	-	4,029
<u>11,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,158</u>	<u>371,932</u>
<u>320,975</u>	<u>2,032</u>	<u>1,523</u>	<u>4,118</u>	<u>60,255</u>	<u>4,177,325</u>
<u>320,975</u>	<u>2,032</u>	<u>1,523</u>	<u>4,118</u>	<u>60,255</u>	<u>4,177,325</u>
<u>\$ 332,725</u>	<u>\$ 2,032</u>	<u>\$ 1,523</u>	<u>\$ 4,118</u>	<u>\$ 406,413</u>	<u>\$ 4,549,257</u>

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	03 Seizures & Forfeitures Fund	05 Municipal Court Fund	06 Federal Asset Forfeiture Fund
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Nonproperty taxes	-	-	-
Fees and charges for services	-	-	-
Fines and forfeitures	17,315	-	118,812
Licenses and permits	-	-	-
Intergovernmental revenue	-	-	-
Interest and investment income	364	11	619
Miscellaneous income	-	-	-
Total revenues	<u>17,679</u>	<u>11</u>	<u>119,431</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	768	-	1,085
Public works	-	-	-
Culture and recreation	-	-	-
Economic development and assistance	-	-	-
Capital outlay	-	-	25,855
Total expenditures	<u>768</u>	<u>-</u>	<u>26,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>16,911</u>	<u>11</u>	<u>92,491</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	16,911	11	92,491
FUND BALANCES, BEGINNING	<u>532</u>	<u>131</u>	<u>105</u>
FUND BALANCES, ENDING	<u>\$ 17,443</u>	<u>\$ 142</u>	<u>\$ 92,596</u>

33 TIRZ Fund	42 Development Corp B Fund	43 PEG Fund	44 Texas Leverage Fund	55 Facilities & Infrastructure Fund
\$ 985,592	\$ -	\$ -	\$ -	\$ -
-	518,288	6,047	-	-
-	-	-	-	98,190
-	-	-	-	-
-	-	-	-	153,332
-	-	-	-	-
16,123	34,024	1,679	8,080	14,811
-	300	-	4,161	-
<u>1,001,715</u>	<u>552,612</u>	<u>7,726</u>	<u>12,241</u>	<u>266,333</u>
-	-	-	-	47,606
-	-	-	-	-
-	-	-	-	94,888
-	-	-	-	-
-	398,243	-	36,145	-
-	-	-	-	32,557
<u>-</u>	<u>398,243</u>	<u>-</u>	<u>36,145</u>	<u>175,051</u>
<u>1,001,715</u>	<u>154,369</u>	<u>7,726</u>	<u>(23,904)</u>	<u>91,282</u>
<u>(737,705)</u>	<u>(129,745)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
<u>(737,705)</u>	<u>(129,745)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
264,010	24,624	7,726	(23,904)	(158,718)
<u>1,097,306</u>	<u>1,348,862</u>	<u>81,461</u>	<u>552,459</u>	<u>484,415</u>
<u>\$ 1,361,316</u>	<u>\$ 1,373,486</u>	<u>\$ 89,187</u>	<u>\$ 528,555</u>	<u>\$ 325,697</u>

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

57 Municipal Roads Maintenance Fund	70 Alton Youth Club Activity Fund	71 Volunteer Firefighter Fund	72 Alton Chamber of Commerce	85 2021 Local Fiscal Recovery	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 985,592
518,288	-	-	-	-	1,042,623
-	-	-	425	-	98,615
-	-	-	-	-	136,127
-	-	-	-	-	153,332
-	-	-	-	806,477	806,477
4,198	40	51	7	19,595	99,602
-	-	3,525	24,295	-	32,281
<u>522,486</u>	<u>40</u>	<u>3,576</u>	<u>24,727</u>	<u>826,072</u>	<u>3,354,649</u>
17,128	-	-	-	42,076	106,810
-	-	2,633	-	113,027	117,513
269,980	-	-	-	-	364,868
-	-	-	-	10,215	10,215
-	-	-	28,660	-	463,048
<u>106,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>598,890</u>	<u>763,840</u>
<u>393,646</u>	<u>-</u>	<u>2,633</u>	<u>28,660</u>	<u>764,208</u>	<u>1,826,294</u>
128,840	40	943	(3,933)	61,864	1,528,355
-	-	-	-	(42,270)	(1,159,720)
-	-	-	-	(42,270)	(1,159,720)
128,840	40	943	(3,933)	19,594	368,635
<u>192,135</u>	<u>1,992</u>	<u>580</u>	<u>8,051</u>	<u>40,661</u>	<u>3,808,690</u>
<u>\$ 320,975</u>	<u>\$ 2,032</u>	<u>\$ 1,523</u>	<u>\$ 4,118</u>	<u>\$ 60,255</u>	<u>\$ 4,177,325</u>

**CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	82 GLO CDR 2018 Floods Fund	86 USDA Sewer Connect Fund	Total Nonmajor Capital Projects Funds
ASSETS			
Cash and cash equivalents	\$ 148	\$ 3,292	\$ 3,440
Total assets	<u>\$ 148</u>	<u>\$ 3,292</u>	<u>\$ 3,440</u>
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted	148	3,292	3,440
Total fund balances	<u>148</u>	<u>3,292</u>	<u>3,440</u>
Total liabilities and fund balances	<u>\$ 148</u>	<u>\$ 3,292</u>	<u>\$ 3,440</u>

**CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	82 GLO CDR 2018 Floods Fund	86 USDA Sewer Connect Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	\$ 73,200	\$ -	\$ 73,200
Interest and investment income	<u>48</u>	<u>65</u>	<u>113</u>
Total revenues	<u>73,248</u>	<u>65</u>	<u>73,313</u>
EXPENDITURES			
Capital outlay	<u>73,200</u>	<u>-</u>	<u>73,200</u>
Total expenditures	<u>73,200</u>	<u>-</u>	<u>73,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>48</u>	<u>65</u>	<u>113</u>
NET CHANGE IN FUND BALANCES	48	65	113
FUND BALANCES, BEGINNING	<u>100</u>	<u>3,227</u>	<u>3,327</u>
FUND BALANCES, ENDING	<u>\$ 148</u>	<u>\$ 3,292</u>	<u>\$ 3,440</u>

**CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	32 Debt Service Fund	34 Debt Service TIRZ Fund	35 Debt Service CO 2021 I&S Fund	36 Debt Service 2016 I&S Fund	37 Debt Service 2016 Reserve Fund	
ASSETS						
Cash and cash equivalents	\$ 27,967	\$ 2,912	\$ 115	\$ 165	\$ 7,627	
Receivables, net:						
Property taxes	139,858	-	-	-	-	
Due from other funds	6,914	-	-	-	-	
Total assets	<u>\$ 174,739</u>	<u>\$ 2,912</u>	<u>\$ 115</u>	<u>\$ 165</u>	<u>\$ 7,627</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Deferred inflows of resources						
Unavailable revenue - property taxes	\$ 139,858	\$ -	\$ -	\$ -	\$ -	\$
Total deferred inflows of resources	<u>139,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances:						
Restricted	34,881	2,912	115	165	7,627	
Total fund balances	<u>34,881</u>	<u>2,912</u>	<u>115</u>	<u>165</u>	<u>7,627</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 174,739</u>	<u>\$ 2,912</u>	<u>\$ 115</u>	<u>\$ 165</u>	<u>\$ 7,627</u>	

38 CO 2016-A Debt Service Fund	39 Debt Service 2017 Fund	40 Debt Service 2019 Fund	45 Debt Service CADC Fund	Total Nonmajor Debt Service Funds
\$ 2,116	\$ 118,201	\$ 40,284	\$ 582	\$ 199,969
-	-	-	-	139,858
-	4,035	-	-	10,949
<u>\$ 2,116</u>	<u>\$ 122,236</u>	<u>\$ 40,284</u>	<u>\$ 582</u>	<u>\$ 350,776</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,858</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,858</u>
<u>2,116</u>	<u>122,236</u>	<u>40,284</u>	<u>582</u>	<u>210,918</u>
<u>2,116</u>	<u>122,236</u>	<u>40,284</u>	<u>582</u>	<u>210,918</u>
<u>\$ 2,116</u>	<u>\$ 122,236</u>	<u>\$ 40,284</u>	<u>\$ 582</u>	<u>\$ 350,776</u>

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	32	34	35	36	37
	Debt Service	Debt	Debt Service	Debt Service	Debt Service
	Fund	Service TIRZ	CO 2021 I&S	2016 I&S	2016 Reserve
	Fund	Fund	Fund	Fund	Fund
REVENUES					
Property Taxes	\$ 781,700	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	25,357	-	-	-	-
Interest and investment income	9,314	221	13	15	151
Total revenues	<u>816,371</u>	<u>221</u>	<u>13</u>	<u>15</u>	<u>151</u>
EXPENDITURES					
Debt service:					
Principal retirement	277,000	480,000	197,000	5,000	-
Interest and other fees	<u>56,471</u>	<u>257,704</u>	<u>200</u>	<u>3,510</u>	<u>-</u>
Total expenditures	<u>333,471</u>	<u>737,704</u>	<u>197,200.00</u>	<u>8,510</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	<u>482,900</u>	<u>(737,483)</u>	<u>(197,187)</u>	<u>(8,495)</u>	<u>151</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	183,996	737,705	197,200	6,755	901
Transfers (out)	<u>(732,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(548,997)</u>	<u>737,705</u>	<u>197,200</u>	<u>6,755</u>	<u>901</u>
NET CHANGE IN FUND BALANCES	(66,097)	222	13	(1,740)	1,052
FUND BALANCES, BEGINNING	<u>100,978</u>	<u>2,690</u>	<u>102</u>	<u>1,905</u>	<u>6,575</u>
FUND BALANCES, ENDING	<u>\$ 34,881</u>	<u>\$ 2,912</u>	<u>\$ 115</u>	<u>\$ 165</u>	<u>\$ 7,627</u>

38 CO 2016-A Debt Service Fund	39 Debt Service 2017 Fund	40 Debt Service 2019 Fund	45 Debt Service CADC Fund	Total Nonmajor Debt Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 781,700
-	-	-	-	25,357
72	2,704	810	170	13,470
<u>72</u>	<u>2,704</u>	<u>810</u>	<u>170</u>	<u>820,527</u>
200,000	-	70,000	73,931	1,302,931
<u>120,662</u>	<u>400</u>	<u>138,375</u>	<u>16,638</u>	<u>593,960</u>
<u>320,662</u>	<u>400</u>	<u>208,375</u>	<u>90,569</u>	<u>1,896,891</u>
(320,590)	2,304	(207,565)	(90,399)	(1,076,364)
320,663	-	247,520	90,600	1,785,340
-	(22,964)	-	-	(755,957)
<u>320,663</u>	<u>(22,964)</u>	<u>247,520</u>	<u>90,600</u>	<u>1,029,383</u>
73	(20,660)	39,955	201	(46,981)
<u>2,043</u>	<u>142,896</u>	<u>329</u>	<u>381</u>	<u>257,899</u>
<u>\$ 2,116</u>	<u>\$ 122,236</u>	<u>\$ 40,284</u>	<u>\$ 582</u>	<u>\$ 210,918</u>

CITY OF ALTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Budget	Final		
REVENUES				
Property Taxes	\$ 853,835	\$ 853,835	\$ 781,700	\$ (72,135)
Fines and forfeitures	-	-	25,357	25,357
Interest and investment income	1,105	1,105	13,470	12,365
Total revenue	<u>854,940</u>	<u>854,940</u>	<u>820,527</u>	<u>(34,413)</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,317,930	1,317,930	1,302,931	14,999
Interest and other fees	<u>589,818</u>	<u>589,818</u>	<u>593,960</u>	<u>(4,142)</u>
Total expenditures	<u>1,907,748</u>	<u>1,907,748</u>	<u>1,896,891</u>	<u>10,857</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,052,808)</u>	<u>(1,052,808)</u>	<u>(1,076,364)</u>	<u>(23,556)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,051,320	1,051,320	1,785,340	(734,020)
Transfers out	-	-	(755,957)	755,957
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,051,320</u>	<u>1,051,320</u>	<u>1,029,383</u>	<u>21,937</u>
NET CHANGE IN FUND BALANCE	(1,488)	(1,488)	(46,981)	(45,493)
FUND BALANCES, BEGINNING	<u>257,899</u>	<u>257,899</u>	<u>257,899</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 256,411</u>	<u>\$ 256,411</u>	<u>\$ 210,918</u>	<u>\$ (45,493)</u>



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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

To the Honorable Mayor and Members
Of the City Commission
City of Alton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Cascos & Associates, PC
Brownsville, Texas
March 25, 2025



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members
Of the City Commission
City of Alton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Alton, Texas (the "City")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
March 25, 2025

CITY OF ALTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

(1)	(2)	(3)	(4)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Texas General Land Office</i>			
Community Development Block Grant Disaster Recovery	14.228	23-152-001-E068	\$ 73,200
Total U.S. Department of Housing and Urban Development			<u>73,200</u>
U.S. DEPARTMENT OF THE INTERIOR			
<i>Passed through Texas Parks and Wildlife Commission</i>			
Alton Josefa Garcia Park Renewal	15.916	48-001150	437,209
Total U.S. Department of the Interior			<u>437,209</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through Office of the Governor</i>			
Crime Victims Liaison Program	16.575	4196603	45,475
Sex Crimes Investigator Project	16.588	4723301	42,640
Sex Crimes Investigator Project	16.588	4723302	3,486
Total Assistance Listing Number 16.588			<u>46,126</u>
Criminal Justice Division	16.609	4416402	29,930
Enhancing Community Safety through Technology	16.738	4415901	32,585
Total Passed through Office of the Governor			<u>154,116</u>
<i>Direct Grant</i>			
FY 2021 COPS Hiring Program (CHP)	16.710	15JCOPS-21-GG-03429-UHPX	239,269
FY 2022 COPS Hiring Program (CHP)	16.710	15JCOPS-22-GG-03410-UHPX	295,363
FY 2023 COPS Hiring Program (CHP)	16.710	15JCOPS-22-GG-04754-UHPX	75,081
Total Assistance Listing Number 16.710			<u>609,713</u>
Total Direct Grant			<u>609,713</u>
Total U.S. Department of Justice			<u>763,829</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Texas Department of Transportation</i>			
STEP - Comprehensive	20.600	2024-AltonPD-S-1YG-00004	8,709
STEP - Operation Slowdown	20.600	2024-AltonPD-OpSlow-00015	4,675
Total Assistance Listing Number 20.600			<u>13,384</u>
STEP - Impaired Driving Mobilization	20.616	2024-AltonPD-IDM-00005	612
STEP - Click-It-Or-Ticket-It Mobilization	20.616	2024-AltonPD-CIOT-00016	4,813
Total Assistance Listing Number 20.616			<u>5,425</u>
Total Passed through Texas Department of Transportation			<u>18,809</u>
Total U.S. Department of Transportation			<u>18,809</u>
U.S. DEPARTMENT OF TREASURY			
<i>Passed through Texas Department of Emergency Management</i>			
COVID-19 - Coronavirus Local Fiscal Recovery Funds (CLFRF)	21.027	272021C0007558	806,477
Total U.S. Department of Treasury			<u>806,477</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Office of the Governor</i>			
Hidalgo- 2022 OPSG	97.067	3694506	26,699
Hidalgo- 2023 OPSG	97.067	3694507	75,253
Total Assistance Listing Number 97.067			<u>101,952</u>
Total U.S. Department of Homeland Security			<u>101,952</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,201,476</u>

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

CITY OF ALTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

1. GENERAL

The Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all applicable federal award programs of the City of Alton, Texas (the “City”) for the year ended September 30, 2024. The City’s reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

2. BASIS OF ACCOUNTING AND PRESENTATION

The Schedule is presented using the modified accrual basis of accounting. The City’s significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements.

The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were provided to subrecipients.

4. INDIRECT COSTS

The City did not elect to use the de minimis cost rate of 10% as described at 2 CFR §200.414(f) - Indirect (F&A) costs.

CITY OF ALTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. Summary of the Auditors' Results

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	No
Type of auditors' report on compliance with major programs:	Unmodified
Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major programs are as follows:	
<u>Assistance Listing Number:</u>	<u>Name of Federal Program or Cluster:</u>
21.027	COVID-19 Coronavirus Local Fiscal Recovery Fund (CLFRF)
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee:	Yes

II. Financial Statement Findings

None.

II. Federal Award Findings and Questioned Costs

None.

**CITY OF ALTON, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

None.