PRELIMINARY OFFICIAL STATEMENT

Dated August 18, 2025

Ratings:
Moody's: "Aa1"
(See "OTHER INFORMATION Ratings" herein)-

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Certificates (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Certificates for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof (1) will be excludable from the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and (2) will not be included in computing the alternative minimum income of the owners thereof who are individuals.

$53,285,000*
CITY OF MONT BELVIEU, TEXAS
(A political subdivision of the State of Texas located in Chambers and Liberty Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: September 1, 2025 **Due: August 15, as shown on Page 2**
Interest Accrues from Delivery Date (anticipated September 23, 2025)

PAYMENT TERMS . . . Interest on the $53,285,000* City of Mont Belvieu, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"), will accrue from the date of initial delivery (anticipated September 23, 2025) to the purchaser hereof (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the applicable provisions of the Texas Constitution and the general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, an ordinance to be adopted by the City Council of the City of Mont Belvieu, Texas (the "City"), on August 25, 2025, authoring the issuance of the Certificates (the "Ordinance").

SECURITY FOR THE CERTIFICATES . . . The Certificates are direct obligations of the City and are secured by and payable from a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, levied against all taxable property located within the City. The Certificates are further secured by a limited pledge of a subordinate lien on the Net Revenues (as defined in the Ordinance) of the City's water and sewer system in an amount not to exceed $1,000 (see "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund study, design, acquisition, demolition, construction, reconstruction, installation, purchasing, equipping, renovation, rehabilitation, extension, enlarging, and improvement of (1) City sewer systems (2) City water supply systems; (3) City flood prevention and drainage systems (4) streets, thoroughfares, bridges, and parking structures within the City; (5) parks and recreational facilities that are generally accessible to the public, including Joe Matthews Park, City Park, Hackberry Park, Cherry Point, Cotton Bayou, a City Recreational Center, and a City golf course owned by the City as a part of the City's park system; (6) City administrative facilities housing the Public Works Department, including parking structure and landscaping incidental thereto; (7) public safety facilities, including a City police station; (8) the purchase of land and public rights-of-way related to the abovementioned; and (9) certain other costs related and incidental thereto. (see "THE CERTIFICATES – PURPOSE").

MATURITY SCHEDULE - CERTIFICATES

See page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part from time to time in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

MANDATORY REDEMPTION . . . In the event any of the Certificates are structured as "Term" Certificates, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION ").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the winning bidder for the Certificates (the "Initial Purchaser") subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Houston, Texas (see APPENDIX C - "FORM OF BOND COUNSEL'S OPINION").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on September 23, 2025.

BIDS DUE MONDAY, AUGUST 25, 2025, AT 10:15 AM, CDT

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* Preliminary, subject to change.

$53,285,000*
CITY OF MONT BELVIEU, TEXAS
(A political subdivision of the State of Texas located in Chambers and Liberty Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE*
(Due August 15)

CUSIP [2]: 611766

Principal Amount*	Maturity 8-15	Interest Rate	Price or Yield[1]	CUSIP Suffix[2]	Principal Amount*	Maturity 8-15	Interest Rate	Price or Yield[1]	CUSIP Suffix[2]
1,870,000	2026				$ 2,610,000	2036 [3]			
1,685,000	2027				$ 2,740,000	2037 [3]			
1,770,000	2028				$ 2,880,000	2038 [3]			
1,855,000	2029				$ 3,025,000	2039 [3]			
1,950,000	2030				$ 3,175,000	2040 [3]			
2,045,000	2031				$ 3,335,000	2041 [3]			
2,150,000	2032				$ 3,500,000	2042 [3]			
2,255,000	2033				$ 3,675,000	2043 [3]			
2,370,000	2034				$ 3,860,000	2044 [3]			
2,485,000	2035 [3]				$ 4,050,000	2045 [3]			

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(1) The initial price or yield is furnished by the Initial Purchaser(s) and represents the initial offering price or yield to the public, which may be changed by the Initial Purchaser(s) at any time.
(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(3) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption.

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* Preliminary, subject to change.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Certificates described herein "deemed final" by the City as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create an implication that there have not been changes in the matters discussed herein since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the City, the Financial Advisor or the Initial Purchaser to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or any other person. The information and expressions of opinion 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 matters described herein since the date hereof.

This Official Statement is delivered in connection with the sale of the Certificates and may not be reproduced or used, in whole or in part, for any other purposes.

All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.

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

Neither the City, the Financial Advisor nor the Initial Purchaser make any representations or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been furnished by The Depository Trust Company.

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

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

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

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Initial Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Mont Belvieu, Texas (the "City") is a duly incorporated home-rule city and municipal corporation of the State of Texas, located in Chambers County, Texas and Liberty County, Texas. The City covers approximately 15 square miles (see "INTRODUCTION – DESCRIPTION OF CITY").
THE CERTIFICATES	The $53,285,000* City of Mont Belvieu, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 are to mature on August 15 in the years 2026 through 2045 (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Texas Constitution and the general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, Chapter 1502, Texas Government Code, as amended, as amended, and an ordinance to be adopted by the City Council of the City (the "Ordinance").
SECURITY FOR THE CERTIFICATES	The Certificates are direct obligations of the City and are payable from and secured by a continuing direct, annual ad valorem tax levied, within the limits prescribed by law, levied against all taxable property located within the City. The Certificates are further payable by and secured from a limited pledge of a subordinate lien on the Net Revenues (as defined in the Ordinance) of the City's water and sewer system in an amount not to exceed $1,000 (see "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").
REDEMPTION	The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION"). In the event any of the Certificates are structured as term Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund study, design, acquisition, demolition, construction, reconstruction, installation, purchasing, equipping, renovation, rehabilitation, extension, enlarging, and improvement of (1) City sewer systems (2) City water supply systems; (3) City flood prevention and drainage systems (4) streets, thoroughfares, bridges, and parking structures within the City; (5) parks and recreational facilities that are generally accessible to the public, including Joe Matthews Park, City Park, Hackberry Park, Cherry Point, Cotton Bayou, a City Recreational Center, and a City golf course owned by the City as a part of the City's park system; (6) City administrative facilities housing the Public Works Department, including parking structure and landscaping incidental thereto; (7) public safety facilities, including a City police station; (8) the purchase of land and public rights-of-way related to the abovementioned; and (9) certain other costs related and incidental thereto. (see "THE CERTIFICATES – PURPOSE") .
RATINGS	The Certificates and presently outstanding general obligation debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") (see "OTHER INFORMATION - RATINGS").
BOOK-ENTRY-ONLY SYSTEM	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM").
PAYMENT RECORD	The City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Sep	Estimated City Population [(1)]	Net Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2021	8,600	$ 4,267,791,819	$ 496,255	$ 78,555,000	$ 9,134	1.84%	99.40%
2022	9,330	4,184,583,456	448,508	81,590,000	8,745	1.95%	99.78%
2023	10,700	5,315,849,814	496,808	112,485,000	10,513	2.12%	98.47%
2024	11,922	5,917,401,202	496,343	124,100,000	10,409	2.10%	97.94% [(5)]
2025	12,400	5,879,965,539 [(3)]	474,191	169,075,000 [(4)]	13,635 [(4)]	2.88% [(4)]	99.48% [(6)]

(1) Estimates provided by the City Officials.
(2) As reported by the Chambers County Appraisal District ("CCAD") and Liberty County Central Appraisal District ("LCCAD"), subject to change during the ensuing year.
(3) The decrease in value for 2024 to 2025 is due to a decline in industrial values and tangible personal business values as addressed by CCAD and LCCAD.
(4) Projected, includes the Certificates. Preliminary, subject to change.
(5) Decrease in Total Collections is due to prior year taxpayer protests.
(6) Collections as of July 31, 2025

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Total Revenues	$47,877,687	$42,743,406	$32,622,065	$30,891,977	$34,591,538
Total Expenditures	24,842,326	21,173,261	17,413,391	15,300,001	13,797,520
Other Sources (Uses)	(20,560,765)	(16,336,546)	(11,962,058)	(13,631,380)	(18,984,075)
Beginning Fund Balance	30,737,560	25,503,961	22,257,345	20,296,749	18,486,806
Increase (decrease) in Fund Balance		-	-	-	-
Ending Fund Balance	$ 33,212,156	$ 30,737,560	$ 25,503,961	$ 22,257,345	$ 20,296,749

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CITY OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

City Council	Position	Term Expires (May)
Joey McWilliams	Mayor	2026
Mike Pomykal	Council Position 1/Mayor Pro Tem	2026
Mickey Bertrand	Council Position 2	2026
Arnold Peters	Council Position 3	2027
Tim Duree	Council Position 4	2027
Don Price	Council Position 5	2028
Jabo Leonard	Council Position 6	2028

Selected Administrative Staff

Name	Position	Year Employed
Brian Winningham	City Manager	2022
Allison Dunning	City Secretary	2021
Calyn Wesson	Chief Financial Officer	2018

Consultants and Advisors

City Attorney .... J. Grady Randle, LLP
Houston, Texas

Auditors .... Crowe, LLP
Houston, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Houston, Texas

Financial Advisor .... Hilltop Securities Inc.
Houston, Texas

For additional information regarding the City, please contact:

Calyn Wesson Chief Financial Officer City of Mont Belvieu 1 Town Center Mont Belvieu, Texas 77523 (281) 576-2213 Phone	or	Joe Morrow Managing Director Hilltop Securities Inc. 700 Milam, Suite 1200 Houston, Texas 77002 (713) 654-8690 Phone

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$53,285,000*
CITY OF MONT BELVIEU, TEXAS
(Chambers and Liberty Counties)
COMBINATION TAX AND REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2025

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $53,285,000* City of Mont Belvieu, Texas (the "City"), Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are being authorized for issuance applicable provisions of the Texas Constitution and the general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, under an ordinance, to be adopted by the City Council of the City of Mont Belvieu, Texas on August 25, 2025 (the "Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance.

There follow in this Official Statement description 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, Hilltop Securities Inc. ("Financial Advisor"), Houston, Texas.

DESCRIPTION OF THE CITY

The City is a duly incorporated home-rule city located in the State of Texas and a municipal corporation organized and existing under the laws of the State of Texas. The City was incorporated on April 11, 1966, and first adopted its Home Rule Charter in 2013. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers elected from the City at large for three (3) year terms. Some of the services that the City provides are: public safety, streets, water and sanitary sewer utilities, culture-recreation, public improvements, and general administrative services. The 2025 estimated population for the City is 12,400. The City covers approximately 15 square miles.

HURRICANE BERYL

The City sustained high levels of wind and rainfall as a result of Hurricane Beryl’s landfall along the Texas gulf coast on July 8, 2024. According to the observations of the City, there were no interruptions of water and sewer service as a result of Hurricane Beryl. Also, the City did not receive reports that any homes or improvements within the City experienced flooding or other structural damage as a result of Hurricane Beryl.

The City is subject to occasional severe weather events, including tropical storms and hurricanes. The City has experienced various storms exceeding a 0.2% probability (i.e. "500-year flood" events). If the City were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the City as a result of such a weather event, the investment security of the Certificates could be adversely affected.

If a future weather event significantly damaged all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

WINTER STORM URI

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the City. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The City did not sustain material damage to its infrastructure during Winter Storm Uri. The City cannot predict the impact of future winter weather events.

* Preliminary, subject to change.

THE 89TH TEXAS LEGISLATURE

On January 14, 2025, the 89th Texas Legislature convened in general session and adjourned on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session to start on July 21, 2025. The City can make no representation or prediction regarding any actions the Legislature may take during the 89th Texas Legislative Session or concerning the substance or the effect of any legislation that may be passed during this session or future session of the Legislature.

INCREASE IN COSTS OF BUILDING MATERIALS AND LABOR SHORTAGES

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, and general contractors to estimate costs, which could have a direct effect on the City's ability to finance water, sanitary, and detention facilities.

Furthermore, The federal administration's immigration policies may impact the Texas' workforce.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated September 1, 2025, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Delivery Date and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, 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 The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to fund study, design, acquisition, demolition, construction, reconstruction, installation, purchasing, equipping, renovation, rehabilitation, extension, enlarging, and improvement of (1) City sewer systems (2) City water supply systems; (3) City flood prevention and drainage systems (4) streets, thoroughfares, bridges, and parking structures within the City; (5) parks and recreational facilities that are generally accessible to the public, including Joe Matthews Park, City Park, Hackberry Park, Cherry Point, Cotton Bayou, a City Recreational Center, and a City golf course owned by the City as a part of the City's park system; (6) City administrative facilities housing the Public Works Department, including parking structure and landscaping incidental thereto; (7) public safety facilities, including a City police station; (8) the purchase of land and public rights-of-way related to the abovementioned; and (9) certain other costs related and incidental thereto.

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, by the City in an amount sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes. Additionally, the Certificates are payable from and secured by a subordinate pledge of surplus net revenues of the City's waterworks and sewer system, in an amount not to exceed $1,000, as provided in the Ordinances.

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, 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 service, based on 90% tax collection, as calculated at the time of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem the Certificates maturing on and after August 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 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 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 sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless 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 may, at the option of the City, be 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 sufficient moneys are not received or 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.

MANDATORY SINKING FUND REDEMPTION

In the event any of the Certificates are structured as "Term" Certificates, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date, the City shall cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City’s expense, by the Paying Agent to each holder of a Certificate to be redeemed in whole or from time to time in part at the address of the holder appearing on the security register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the holder. All notices of redemption shall state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount and identification (by City and Certificate name, CUSIP number, stated maturity, interest rate, dated date, and, in the case of partial redemption, the Certificate numbers and respective principal amounts) of Certificates to be redeemed,

(4) that on the redemption date the redemption price of each of the Certificates to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and

(5) that the Certificates to be redeemed are to be surrendered for payment of the redemption price at the place of payment, and the address of such place of payment.

TRANSFER, EXCHANGE AND REGISTRATION

The City shall cause to be kept at the place of payment a register in which, subject to such reasonable regulations as the City or the Paying Agent may prescribe, the Paying Agent shall provide for the registration of the Certificates and of transfers of the Certificates as provided in the Ordinance.

Upon surrender for transfer of any Certificate at the place of payment, the City shall execute, and the Paying Agent shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates of the same stated maturity, of any authorized denominations, and of a like aggregate principal amount. New Certificates registered, and delivered in an exchange or transfer will be delivered by the Paying Agent at the place of payment or sent by United States mail at the registered owner’s written request, risk, and expense.

At the option of the registered owner, Certificates may be exchanged for other Certificates of the same stated maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Certificates to be exchanged at the place of payment. Whenever any Certificates are so surrendered for exchange, the City shall execute, and the Paying Agent shall register and deliver, the Certificates which the registered owner of Certificates making the exchange is entitled to receive.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the registered owners at the principal corporate trust office of the Paying Agent or sent by United States Mail, first class, postage prepaid to the registered owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Ordinance, as the Certificates surrendered in such transfer or exchange.

Every Certificate presented or surrendered for transfer or exchange must be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent duly executed, by the registered owner thereof or his attorney duly authorized in writing.

No service charge may be made to the registered owner for any registration, transfer, or exchange of Certificates, but the City or the Paying Agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Certificates.

Neither the City nor the Paying Agent is required (1) to transfer or exchange any Certificate during a period beginning 45 days prior to a redemption date hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Certificate so selected for redemption provided, however, such limitation or transfer will not be applicable to an exchange by the registered owner of the incalled balance of a Certificate.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by 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 considers the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City, the Financial Advisor nor the Initial Purchaser takes responsibility for the accuracy thereof.

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

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

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

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is 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 of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent 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 their 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 shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

DEFEASANCE

Any Certificate is deemed paid and is no longer considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Certificate to the stated maturity thereof or to the redemption date has been made or has been provided for by deposit with the Paying Agent for such payment (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and governmental obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Certificates with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made with respect to some but not all of the Certificates then outstanding, the City shall designate the stated maturities of Certificates with respect to which such deposit is made. If such deposit is sufficient so to provide for the payment of the principal of and interest on some but not all outstanding certificates of a particular stated maturity so designated, the Paying Agent shall select the outstanding certificates of such stated maturity with respect to which such deposit is made by such random method as the Paying Agent deems fair and appropriate and which may provide for the selection of portions (equal to and leaving unredeemed an authorized denomination) of Certificates a denomination larger than $5,000.

Notwithstanding anything in the Ordinance to the contrary, no such deposit has the effect described in the Ordinance (a) if made during the subsistence of a default in the payment of any Certificate unless made with respect to all of the Certificates then outstanding or (b) unless accompanied by an opinion of counsel of recognized standing in the field of federal income taxation to the effect that neither such deposit nor the investment thereof adversely affects the excludability of interest on any Certificate from the gross income of any owner thereof for federal income tax purposes.

At such times as a Certificate is deemed to be paid hereunder, as aforesaid, it is no longer entitled to the benefits of the Ordinance, except for the purposes of any such payment from such money or Governmental Obligations.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved 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 bank and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Governmental Obligations means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law at the time of deposit for discharge and final payment of governmental obligations which, at the time of deposit, have been assigned ratings in the highest rating category by nationally – recognized investment rating firm, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

REPLACEMENT CERTIFICATES

If (1) any mutilated Certificate is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent such security or indemnity as they require to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Certificate has been acquired by a bona fide purchaser, the City shall execute and upon its request the Paying Agent shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same stated maturity, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may pay such Certificate instead of issuing a new Certificate.

Upon the issuance of any new Certificate under the Ordinance, the City or the Paying Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Certificate issued pursuant to the Ordinance in lieu of any mutilated, destroyed, lost, or stolen Certificate constitutes an original additional contractual obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate is at any time enforceable by anyone, and the new Certificate is entitled to all the benefits of the Ordinance equally and ratably with all other outstanding certificates.

OWNERSHIP

The City, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Certificate is registered as the owner of such Certificate for the purposes of receiving payment of the principal thereof and the interest on the Certificate and for all other purposes whatsoever, whether or not such Certificate is due or overdue. Neither the City, the Paying Agent/Registrar, or any agent of either will be affected by any notice to the contrary. All payments made to or duly provided for the holder in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City to the extent of the sums paid in or duly provided for.

RECORD DATE FOR INTEREST PAYMENT

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

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate to be paid on the Special Payment Date that appears 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 does not provide for the appointment of a trustee to represent the interests of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificate; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The City is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders 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 other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

AMENDMENT TO THE ORDINANCES

The City may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the consent of registered owners holding a majority in aggregate principal amount of the Certificates, then Outstanding, amend, add to, or rescind any of the provisions of the Ordinances; provided that, without the consent of all registered owners of Outstanding Certificates, affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any such Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any such Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on any such Certificate, (2) give any preference to any Certificate over any other Certificate, (3) modify any of the provisions in the definition in the Ordinance of the term "Outstanding" or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition, or waiver.

The Ordinances constitutes a contract with the registered owners entered into upon the initial purchase of the Certificates, is binding on the City and its successors and assigns whether or not so expressed and may not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in the Ordinances.

Any consent to any amendment hereof by the registered owner of any Certificate binds every future registered owner of the same Certificate and the registered owner of every Certificate issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the City in reliance thereon, whether or not notation of such action is made upon such Certificate.

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 Chambers County Appraisal District and the Liberty County Central Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS

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

LOCAL OPTION HOMESTEAD EXEMPTIONS

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

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 aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY

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

TAX INCREMENT REINVESTMENT ZONES

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

TAX ABATEMENT AGREEMENTS

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

For a discussion of how the various exemptions described above are applied by the City, see "AD VALOREM PROPERTY TAXATION – CITY APPLICATION OF PROPERTY TAX CODE" herein.

CHAPTER 380 AGREEMENTS

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

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

City and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

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

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

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

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

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of 20% plus $360,000; the disabled are also granted an exemption of 20% plus $360,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

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

The City does not tax nonbusiness personal property; and Chambers County Tax Office collects taxes for the City.

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

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

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

TAX ABATEMENT POLICY

The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement.

The city entered into an abatement agreement with Cedar bayou Fractionators, LP in 2015 in the approximate amount of $225,000,000 of value abated for Fractionation Plant III. During the agreement the City will receive $425,785 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2016	100%	2022	100%
2017	100%	2023	100%
2018	100%	2024	100%
2019	100%	2025	100%
2020	100%	2026	Abatement expires and all taxes are paid
2021	100%		

The City entered into an abatement agreement with Energy Transfer in 2015 in the approximate amount of $285,000 value abated for Fractionation Plant III. During the agreement the City will receive $441,268 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2016	100%	2022	100%
2017	100%	2023	100%
2018	100%	2024	100%
2019	100%	2025	100%
2020	100%	2026	Abatement expires and all taxes are paid
2021	100%		

The City entered into an abatement agreement with Oneok MB4, Inc in 2018 in the approximate amount of $265,000,000 of value abated. During the agreement the City will receive $424,889 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2020	100%	2026	100%
2021	100%	2027	100%
2022	100%	2028	100%
2023	100%	2029	100%
2024	100%	2030	Abatement expires and all taxes are paid
2025	100%		

The City entered into an abatement agreement with Targa Downstream in 2018 in the approximate amount of $231,000,000 of value abated. During the agreement the City will receive $276,301 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2020	100%	2026	100%
2021	100%	2027	100%
2022	100%	2028	100%
2023	100%	2029	100%
2024	100%	2030	Abatement expires and all taxes are paid
2025	100%		

The City entered into an abatement agreement with Targa Train 7 in 2019 in the approximate amount of $250,000,000 of value abated. During the agreement the City will receive $402,088 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2020	100%	2026	100%
2021	100%	2027	100%
2022	100%	2028	100%
2023	100%	2029	100%
2024	100%	2030	Abatement expires and all taxes are paid
2025	100%		

The City entered into an abatement agreement with Targa Train 8 in 2019 in the approximate amount of $250,000,000 of value abated. During the agreement the City received $400,838 each year. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2020	100%	2026	100%
2021	100%	2027	100%
2022	100%	2028	100%
2023	100%	2029	100%
2024	100%	2030	Abatement expires and all taxes are paid
2025	100%		

The City entered into an abatement agreement with Oneok MB5 Fractionator 5 in 2019 in the approximate amount of $275,000,000 of value abated. During the agreement the City received payments of $2,068,703 in FY 2020, $1,062,203 in FY 2021, $1,062,203 in FY 2022 and $465,208.01 each year from FY 2023-2032. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2020	100%	2026	100%
2021	100%	2027	100%
2022	100%	2028	100%
2023	100%	2029	100%
2024	100%	2030	Abatement expires and all taxes are paid
2025	100%		

The City has entered into an abatement agreement with Oneok MB6 in the approximate amount of $275,000,000 of value abated. During the agreement the City received an initial payment of $962,500 in August 2024 and $450,263.07 each tax year from 2026-2035. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2026	100%	2032	100%
2027	100%	2033	100%
2028	100%	2034	100%
2029	100%	2035	100%
2030	100%	2036	Abatement expires and all taxes are paid
2031	100%		

The City has entered into an abatement agreement with Targa Train 9 in the approximate amount of $275,000,000 of value abated. During the agreement the City received an initial payment of $962,500 in August 2024 and $450,263.07 each tax year from 2025-2034. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2025	100%	2031	100%
2026	100%	2032	100%
2027	100%	2033	100%
2028	100%	2034	100%
2029	100%	2035	Abatement expires and all taxes are paid
2030	100%		

The City has entered into an abatement agreement with Targa Train 10 in the approximate amount of $295,000,000 of value abated. During the agreement the City received an initial payment of $1,032,500 in August 2024 and $483,009.48 each year from 2026-2035. The abatement schedule is as follows:

Tax Year	Percent Abated	Tax Year	Percent Abated
2026	100%	2032	100%
2027	100%	2033	100%
2028	100%	2034	100%
2029	100%	2035	100%
2030	100%	2036	Abatement expires and all taxes are paid
2031	100%		

CHAPTER 380 AGREEMENTS

Texas Local Government Code, Chapter 380, provides for the ability of the City to offer economic development incentives to promote economic development and stimulate business and commercial activity within the City. The City has entered into agreements with several developers that may allow abatement of a portion of their property taxes. The City has also entered into several agreements with developers that would allow rebate of a portion of their sales taxes. See APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # IV-D)

INDUSTRIAL DEVELOPMENT DISTRICT

The City taxes property within its corporate limits but has no such power for property located outside its boundaries. Pursuant to a Texas statute adopted in 1963 specifically enabling Texas cities to do so, in 2013 the City Council authorized and caused the City to enter into a contract ("Industrial District Contract") with a corporation which provided that the City would not annex such corporate property during the term of the contract unless the City determined that such annexation is reasonably necessary to promote and protect the general health, safety and welfare of the persons residing within the City (but that annexation would not be made for revenue purposes only).

Firm	Contract Expiration Date	Contractual Payment for FY 2025
Enterprise Products Operating LLP	December 31, 2028	$ 584,490
		$ 584,490

The Industrial District Payment in fiscal year ended September 30, 2025, will be $584,490 with payments made through fiscal year 2028/2029.

MUNICIPAL UTILITY DISTRICTS WITHIN THE CITY

The City has entered into utility agreements with three municipal utility districts which are within the City's boundaries: Riceland Municipal Utility District No. 1, Riceland Municipal Utility District No. 2, and Riceland Municipal Utility District No. 3 in the master planned community of Riceland. Pursuant to the agreements, the districts are to acquire and construct water, sanitary sewer, storm sewer, roads, parks, recreational facilities, fire protection facilities and drainage facilities to serve the area within the districts and may issue bonds to finance such facilities. Such agreements provide the following:

(1) The Districts will convey all infrastructure to the City in sections. Conveyance includes a 1 year warranty and all assets become the responsibility of the City to maintain.

(2) The water and wastewater rates charged by the City will be equal and uniform to those charged other similar users within the City, with all revenues belonging exclusively to the City.

(3) The City will contribute a rebate back to the District equal to 18 cents of the City's ad valorem taxes which the District shall deposit into the debt service fund for payment of bonds issued for the project. The City's obligation to make the annual payments shall terminate after all of the District debt obligations have been made.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Market Valuation Established by the Appraisal District (excluding totally exempt property)		$ 8,925,767,853
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	30,628,380	
Homestead Cap Loss	62,255,155	
Homestead Exemption	211,396,370	
EX366	109,776,811	
Surviving Spouse	2,321,946,997	
Pollution Control	5,647	
Abatements	110,737,809	
Local Discount	251,222	
DV 100%	35,361,610	
Interstate	281,084,295	
Under $500	926,000	
Exempt Property	177,101,653	
23.231 Cap	15,753,204	$ 3,357,225,153
Adjustments made after Certification		$ 311,422,839
2024/2025 Taxable Assessed Valuation		$ 5,879,965,539 (1)
2025/2026 Estimated Taxable Assessed Valuation		6,791,798,986 (2)
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/30/2024)		
Combination Tax and Revenue Certificates of Obligation		$ 124,095,000
The Certificates		53,285,000 (3)
Debt Payable from Ad Valorem Taxes		$ 177,380,000
Interest and Sinking Fund Balance (as of 9/30/2024)		$ 527,891
Ratio Net General Obligation Debt to 2024/2025 Net Taxable Assessed Valuation		3.02%

2025 Estimated Population - 12,400

Per Capita Taxable Assessed Valuation - $474,191

Per Capita Net General Obligation Funded Debt - $14,305

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(1) For tax year 2025 (fiscal year 2026), the City has received certified net taxable assessed values from Chambers County Appraisal District in the amount of $6,828,596,840 and a certified estimate of net taxable assessed values from Liberty County Appraisal District in the amount of $3,077,116. The aggregate estimated net taxable value for the City for tax year 2025 (fiscal year 2026) from the Appraisal Districts is $6,831,673,956. Values are subject to change throughout the year.

(2) Estimated Taxable Assessed Value from Chambers County Appraisal District and Liberty County Central Appraisal District.

(3) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Fiscal Year Ended September 30,					
	2026[1]		2025		2024	
Category			Amount	% of Total	Amount	% of Total
Real Residential, Single- Family	1,477,094,880	14.95%	1,319,293,370	14.78%	$ 1,198,402,490	13.89%
Real, Residential, Multi-Family	14,698,500	0.15%	13,314,870	0.15%	24,339,700	0.28%
Real, Vacant Platted Lots/Tracts	49,137,280	0.50%	34,227,200	0.38%	36,071,960	0.42%
Real, Acreage (Land Only)	910,610	0.01%	778,280	0.01%	21,303,850	0.25%
Real, Farm and Ranch Improvements	106,253,540	1.08%	77,084,650	0.86%	89,298,290	1.03%
Real, Commercial	217,038,650	2.20%	184,106,680	2.06%	135,447,490	1.57%
Real, Industrial	6,456,871,798	65.37%	6,026,787,733	67.52%	6,064,709,485	70.28%
Real, Oil, Gas & Other Mineral Reserves	3,168,946	0.03%	4,167,058	0.05%	3,819,895	0.04%
Real and Intangible Personal, Utilities	128,110,010	1.30%	115,942,380	1.30%	94,643,030	1.10%
Tangible Personal, Industrial	27,474,540	0.28%	25,793,540	0.29%	25,907,560	0.30%
Tangible Personal, Business	1,084,428,118	10.98%	1,094,045,712	12.26%	1,378,445,206	15.97%
Tangible Personal, Other	1,064,810	0.01%	757,680	0.01%	883,090	0.01%
Real, Inventory	1,524,790	0.02%	27,438,320	0.31%	2,457,060	0.03%
Special Inventory	12,776,410	0.13%	2,029,490	0.02%	2,180,290	0.03%
Exempt Property	296,488,925	3.00%	890	0.00%		
Total Appraised Value Before Exemptions	$ 9,877,041,807	100.00%	$ 8,925,767,853	100.00%	$ 9,077,909,396	105.20%
Less: Total Exemption/Reductions	(3,085,242,821)		(3,357,225,153)		(3,160,623,504)	
Plus: Adjustments Made after Certification	-		311,422,839		115,310.00	
Taxable Assessed Value	$ 6,791,798,986		$ 5,879,965,539 (2)		$ 5,917,401,202	

	Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 893,174,250	10.35%	$ 768,132,850	9.93%
Real, Residential, Multi-Family	22,878,240	0.27%	21,715,940	0.28%
Real, Vacant Platted Lots/Tracts	35,551,650	0.41%	13,628,860	0.18%
Real, Acreage (Land Only)	45,048,750	0.52%	7,939,540	0.10%
Real, Farm and Ranch Improvements	64,497,260	0.75%	22,785,600	0.29%
Real, Commercial	135,610,610	1.57%	93,225,440	1.21%
Real, Industrial	5,897,486,008	68.34%	5,848,115,387	75.62%
Real, Oil, Gas & Other Mineral Reserves	6,487,586	0.08%	3,878,814	0.05%
Real and Intangible Personal, Utilities	79,030,247	0.92%	73,834,124	0.95%
Tangible Personal, Commercial	22,808,800	0.26%	22,641,490	0.29%
Tangible Personal, Industrial	1,407,015,919	16.30%	852,431,723	11.02%
Tangible Personal, Other	279,340	0.00%	293,290	0.00%
Real, Inventory	17,311,870	0.20%	3,210,330	0.04%
Special Inventory	2,340,920	0.03%	2,104,960	0.03%
Total Appraised Value Before Exemptions	$ 8,629,521,450	100.00%	$ 7,733,938,348	100.00%
Less: Total Exemption/Reductions	(3,313,671,636)		(3,548,355,561)	
Plus: Adjustments Made after Certification	-		(999,331)	
Taxable Assessed Value	$ 5,315,849,814		$ 4,184,583,456	

(1) Estimated Taxable Assessed Value from Chambers County Appraisal District and Liberty County Central Appraisal District.
(2) The decrease in value for 2024 to 2025 is due to a decline in industrial values and tangible personal business values as assessed by CCAD and LCCAD. For tax year 2025 (fiscal year 2026), the City has received certified net taxable assessed values from Chambers County Appraisal District in the amount of $6,828,596,840 and a certified estimate of net taxable assessed values from Liberty County Appraisal District in the amount of $3,077,116. The aggregate estimated net taxable value for the City for tax year 2025 (fiscal year 2026) from the Appraisal Districts is $6,831,673,956. Values are subject to change throughout the year.

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Year Ended 9/30	Estimated Population (1)	Taxable Assessed Valuation (2)	Assessed Valuation Per Capita	Outstanding at End of Year	to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	8,600	$ 4,267,791,819	$ 496,255	$ 78,555,000	1.84%	9,134
2022	9,330	4,184,583,456	448,508	81,590,000	1.95%	8,745
2023	10,700	5,315,849,814	496,808	112,485,000	2.12%	10,513
2024	11,922	5,917,401,202	496,343	124,100,000	2.10%	10,409
2025	12,400	5,879,965,539 (3)	474,191	169,075,000 (4)	2.88% (4)	13,635

(1) Estimates provided by the City Officials.
(2) As reported by CCAD and LCCAD, subject to change during the ensuing year.
(3) The decrease in value for 2024 to 2025 is due to a decline in industrial values and tangible personal business values as assessed by CCAD and LCCAD.
(4) Projected, includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.43666	$ 0.21122	$ 0.22544	$18,635,697	99.39%	99.40%
2022	0.45475	0.23180	0.22295	19,033,728	99.85%	99.78%
2023	0.44349	0.25402	0.18948	23,644,748	98.61%	98.47%
2024	0.44425	0.23804	0.20621	25,273,693	99.82%	97.94% (1)
2025	0.47119	0.25823	0.21296	27,709,993	99.45% (2)	99.48% (2)

(1) Decrease in Total Collections is due to prior year taxpayer protests.
(2) Collection as of July 31, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Much of the taxable value of the City is derived from liquefied petroleum gas stored in a salt dome formation within the City and related pipeline operations. The appraised value of the stored product fluctuates because of changes in market value. The valuation criteria for stored product to be used in inter-state commerce is lower than market value. The City cannot project and has no control over changes in the taxable values of taxable petrochemical property within the City.

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Exxon Mobil Corp.	Oil & Gas	$ 764,019,245	12.99%
Oneok Hydrocarbon LP	Oil & Gas	719,972,811	12.24%
Enterprise TX Operating LP	Oil & Gas	688,269,764	11.71%
Energy Transfer GC NGL	Natural Gas	590,633,094	10.04%
Enterprise Products Operating	Oil & Gas	436,656,947	7.43%
Cedar Bayou Fractionators LP	Natural Gas	316,002,004	5.37%
Targa Train 10 LLC	Natural Gas Liquids	215,318,272	3.66%
MTBV Caverns LLC	Natural Gas Storage	142,428,759	2.42%
Belvieu Environmental Fuels	Chemical Plant	131,523,879	2.24%
Targa Downstream LP	Oil & Gas	119,369,997	2.03%
		$4,124,194,772	44.90%

GENERAL OBLIGATION DEBT LIMITATION

No general obligation debt limitation is imposed on the City under current state law (see "THE CERTIFICATES – TAX RATE LIMITATION").

TABLE 6 - TAX ADEQUACY

Net Principal and Interest Requirements (2025)	$ 13,237,896 (1)
$0.23460 Tax Rate at 99% Collection Produces	13,656,455
Average Net Principal and Interest Requirements on outstanding debt (2025-2045)	$ 12,254,391 (1)
$0.21710 Tax Rate at 99% Collection Produces	12,637,751
Maximum Principal and Interest Requirements on Net Funded Debt (2026)	$ 16,121,400 (1)
$0.28560 Tax Rate at 99% Collection Produces	16,625,250

(1) Projected, includes the Certificates. Interest on the Certificates estimated at market rates for purpose of illustration. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

	Total G.O. Debt as of 7/31/2025	Estimated % Applicable	City's Overlapping G.O. Debt as of 7/31/2025
City of Mont Belvieu	$ 184,095,000 (1)	100.00%	$ 184,095,000
Barbers Hill Independent School District	566,885,000	28.14%	159,521,439
Chambers County	169,280,000	26.43%	44,740,704
Dayton Independent School District	52,235,000	0.09%	47,012
Liberty County	23,255,000	0.03%	6,977
Riceland Management District	4,245,000	98.69%	4,189,391
Riceland MUD #1	5,670,000	99.17%	5,622,939
Total Direct and Overlapping Funded Debt			$ 398,223,461
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation			6.77%
Per Capita Overlapping Funded Debt			$ 32,115

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

Source: Texas Municipal Reports.

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DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service Principal	Outstanding Debt Service Interest	Outstanding Debt Service Total	The Certificates (1) Principal	The Certificates (1) Interest	The Certificates (1) Total	Total Debt Service Requirements	% of Principal Retired
2025	$ 8,305,000	$ 4,932,896	$ 13,237,896	$ -	$ -	$ -	$ 13,237,896	
2026	7,135,000	4,733,376	11,868,376	1,870,000	2,383,024	4,253,024	16,121,400	
2027	5,905,000	4,451,856	10,356,856	1,685,000	2,570,750	4,255,750	14,612,606	
2028	5,440,000	4,174,356	9,614,356	1,770,000	2,486,500	4,256,500	13,870,856	
2029	5,700,000	3,912,956	9,612,956	1,855,000	2,398,000	4,253,000	13,865,956	17.68%
2030	5,970,000	3,638,606	9,608,606	1,950,000	2,305,250	4,255,250	13,863,856	
2031	6,245,000	3,364,406	9,609,406	2,045,000	2,207,750	4,252,750	13,862,156	
2032	6,535,000	3,076,956	9,611,956	2,150,000	2,105,500	4,255,500	13,867,456	
2033	6,815,000	2,790,506	9,605,506	2,255,000	1,998,000	4,253,000	13,858,506	
2034	7,105,000	2,501,225	9,606,225	2,370,000	1,885,250	4,255,250	13,861,475	42.17%
2035	7,385,000	2,223,213	9,608,213	2,485,000	1,766,750	4,251,750	13,859,963	
2036	7,680,000	1,932,513	9,612,513	2,610,000	1,642,500	4,252,500	13,865,013	
2037	7,945,000	1,663,738	9,608,738	2,740,000	1,512,000	4,252,000	13,860,738	
2038	7,210,000	1,385,038	8,595,038	2,880,000	1,375,000	4,255,000	12,850,038	
2039	7,465,000	1,125,919	8,590,919	3,025,000	1,231,000	4,256,000	12,846,919	71.16%
2040	5,855,000	856,881	6,711,881	3,175,000	1,079,750	4,254,750	10,966,631	
2041	4,685,000	643,656	5,328,656	3,335,000	921,000	4,256,000	9,584,656	
2042	4,875,000	449,656	5,324,656	3,500,000	754,250	4,254,250	9,578,906	
2043	4,325,000	244,344	4,569,344	3,675,000	579,250	4,254,250	8,823,594	
2044	1,515,000	60,600	1,575,600	3,860,000	395,500	4,255,500	5,831,100	93.03%
2045	-	-	-	4,050,000	202,500	4,252,500	4,252,500	
	$124,095,000	$48,162,697	$172,257,697	$ 53,285,000	$31,799,524	$ 85,084,524	$257,342,221	

(1) Interest on the Certificates has been estimated at market rates for the purpose of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2025		$13,237,896
Interest and Sinking Fund, 9/30/2024	$ 527,891	
Budgeted Interest and Sinking Fund Tax Collections	12,288,425	
Budgeted Transfer from MB Link	1,015,519 (1)	
Budgeted Investment Income	211,800	
Budgeted Other Income	15,000	14,058,635
Estimated Balance, 9/30/2025		$ 820,739

(1) The City will pay debt service related to the Combination Tax & Revenue Certificates of Obligation, Series 2017 with user fees associated with MB Link.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date of Authorization	Amount Authorized	Amount Previously Issued	Unissued Balance
Sewer System	5/12/93	$ 500,000	$ -	$ 500,000
Sewer System	1/21/95	3,000,000	2,990,000	10,000
Water & Sewer System	11/8/05	10,250,000	9,210,000	1,040,000
Library	5/11/13	2,000,000	-	2,000,000
		$ 15,750,000	$ 12,200,000	$ 3,550,000

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 11 – OTHER OBLIGATIONS

The City currently has no other obligations outstanding.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # IV-D)

OTHER POST-EMPLOYMENT BENEFITS

The City also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). (For more detailed information concerning the death benefits plan, see APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note # IV-E.)

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Revenues:					
Ad Valorem Taxes	$ 13,065,409	$ 13,264,073	$ 9,541,849	$ 8,821,172	$ 8,943,397
Sales Tax	14,169,421	11,657,309	8,567,998	8,614,302	10,356,807
Franchise & Local Taxes	7,709,941	7,109,642	7,022,787	6,545,378	6,363,869
Other Taxes	99,862	52,951	47,807	31,978	11,707
Licenses & Permits	523,395	631,533	687,768	557,469	476,139
Fines & Forfeitures	183,356	150,041	94,909	117,298	148,301
Charges for Services	630,228	433,157	332,602	260,791	291,717
Intergovernmental	865,962	946,990	757,888	823,744	829,423
Investment Income	1,968,203	971,182	389,883	149,108	241,202
Other Revenue	8,661,910	7,526,528	5,178,574	4,970,737	6,928,976
Total Revenues	$ 47,877,687	$ 42,743,406	$ 32,622,065	$ 30,891,977	$ 34,591,538
Expenditures:					
General Government	$ 8,086,329	$ 6,007,235	$ 5,338,793	$ 4,551,653	$ 3,653,649
Public Safety	10,741,992	8,847,423	7,034,563	6,224,398	6,106,389
Community Development	1,796,215	2,539,343	1,841,079	1,781,191	1,687,650
Community Services	4,217,790	3,779,260	3,198,956	2,742,759	2,349,832
Total Expenditures	$ 24,842,326	$ 21,173,261	$ 17,413,391	$ 15,300,001	$ 13,797,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 23,035,361	$ 21,570,145	$ 15,208,674	$ 15,591,976	$ 20,794,018
Other Financing Sources (Uses)					
Transfers in	$ 35,000	$ 570,500	$ 727,942	$ 424,042	$ 737,421
Transfers (out)	(20,595,765)	(16,907,046)	(12,690,000)	(14,055,422)	(19,721,496)
Total Other Financing Sources (Uses)	$(20,560,765)	$(16,336,546)	$(11,962,058)	$(13,631,380)	$(18,984,075)
Net Change in Fund Balance	$ 2,474,596	$ 5,233,599	$ 3,246,616	$ 1,960,596	$ 1,809,943
Beginning Fund Balance	30,737,560	25,503,961	22,257,345	20,296,749	18,486,806
Ending Fund Balance	$ 33,212,156	$ 30,737,560	$ 25,503,961	$ 22,257,345	$ 20,296,749

Source: City's audited financial statements.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On May 22, 2003, the voters of the City approved the disposition of an additional sales and use tax of one-half of one percent (½% of 1%) that was collected by the Economic Development Corporation. The City has enacted an additional one-half of one percent (½ of 1%) sales and use tax to be collected by the City for property tax reduction. Beginning October 1, 2003, the City began to collect the one-half of one percent (½ of 1%) sales and use tax.

Fiscal Year Ended 9/30	Total Collected [(1)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate [(2)]	Per Capita [(3)]
2020	$10,356,807	58.23%	$0.2427	$ 1,295
2021	8,614,302	46.22%	0.2018	1,002
2022	8,567,998	45.01%	0.2048	918
2023	11,657,309	49.30%	0.2193	1,089
2024	14,169,421	56.06%	0.2395	1,189

The City has entered into several agreements for a rebate of sales taxes. See APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - NOTE # IV-C).

During 2004 and 2006, the Texas Comptroller remitted sales taxes to the City that were not collected within the City limits. See APPENDIX B, "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" - Note #III-D OBLIGATIONS TO STATE – TAX REFUND AGREEMENTS).

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(1) Represents only the sales taxes remitted to the City based on its 1.5% levy.
(2) The pandemic had a particularly negative effect on sales tax revenues in the region, and while such revenues are not pledged to payment of the Certificates, future decreases in sales tax revenues could adversely affect the operations of the City.
(3) Based on population estimates by the City.

The sales tax breakdown for the City is as follows:

County Sales and Use	0.500%
Property Tax Relief	0.500%
City Sales & Use Tax	1.000%
State Sales & Use Tax	6.250%
Total	8.250%

FINANCIAL POLICIES

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund Types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing uses) in net current assets. The modified accrual basis of accounting is followed by the Governmental Funds Types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which are recorded when due.

Those revenues susceptible to accrual are ad valorem taxes, franchise taxes, hotel occupancy taxes, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

The Budget Officer (City Manager) and City Council follow these procedures in establishing the budgets reflected in the financial statements:

1. At least 60 days prior to the beginning of each fiscal year, the Budget Officer (City Manager) submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. The department level is the legal level of budgetary control. The City has also adopted policy for budgetary control at the operating and capital spending account levels within each department, therefore individual account variances may occur at both the operating and capital expenditure department levels. Transfers between operating departments must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

5. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

6. Budgeted amounts remain as originally adopted or as amended by the City Council.

INVESTMENTS

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

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal, (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest, (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended) (the "PFIA"). All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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 engage in any investment transaction with 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 business organizations (defined as local government investment pool or discretionary investment management firm) 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 relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority 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 agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of June 30, 2025, the City's investable funds were invested in the following categories:

Description	Percent of Total	Book Value	Market Value
Investment Pools	75.23%	115,083,200	115,083,200
Cash Insured Accounts	21.56%	32,986,973	32,986,973
Checking Accounts	3.21%	4,903,440	4,903,440
	100.00%	$152,973,613	$152,973,613

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), 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 the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, 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 owners thereof from the date of the issuance of the Certificates.

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 City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and 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 tax-exempt Certificates. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City 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 City 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.

Except as described above, Bond Counsel expresses 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. 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, 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, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to bondholders 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.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates 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 Certificate. A portion of such original issue discount allocable to the holding period of a Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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 the tax year.

However, such interest may be required to be taken into account in determining 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, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, 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. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such 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. 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 Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City ending in or after 2025, financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and (2) if not provided as part such financial information and operating data, audited financial statements of the City within the twelve months after the end of each fiscal year. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in the Ordinance or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation, and in substantially the form included in the Official Statement, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Accordingly, the City must provide updated information included in the above-referenced tables by March 31 in each year, and audited financial statements for the preceding fiscal year must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

NOTICE OF CERTAIN EVENTS . . . The City shall notify the MSRB through EMMA of any of the following events with respect to the Certificates in a timely manner, and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies; Non-payment related defaults, if material;

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-exempt status of the Certificates, or other material events affecting the tax status of the Certificates;

7. Modifications to rights of Registered Owners of the Certificates, if material;

8. Certificate calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 the financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) "Financial Obligation" in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

LIMITATIONS AND AMENDMENTS . . . The City will be obligated to observe and perform its disclosure covenants while it remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by the Ordinance of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person".

The provisions in the Ordinance are for the sole benefit of the registered owners and beneficial owners of the Certificates, and nothing, express or implied, will give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the City or the State or hereby undertake to update any information except as expressly provided. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES WILL THE CITY BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE ORDINANCE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations will constitute a breach of or default.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Certificates.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has substantially complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Certificates and presently outstanding general obligation debt of the City are rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATES

The City will furnish to the Initial Purchaser, a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate, and to the effect that such Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described in "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement to verify that such information conforms to the provisions of the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited the DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

The legal opinion to be delivered concurrently with the delivery of the Certificates expresses the professional judgment of the attorneys rendering the opinion 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.

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by an appropriate official of the City, to the effect that no litigation of any nature is then pending or threatened in any court, restraining or enjoining the issuance or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Certificates; or affecting the validity of the Certificates.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

Hilltop Securities Inc. 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. HilltopSecurities, 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.

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _______________________(the "Initial Purchaser") to purchase the Certificates at the interest rates shown on Page 2 of the Official Statement at a price of par plus a cash premium (if any) of $_______________. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the City Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for City staff and administration.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

GENERAL

The City, located in Chambers County, Texas and Liberty County, Texas at the junction of State Highway 146 and Interstate 10, approximately 30 miles east of Houston, was incorporated April 11, 1966, but has been in existence as a community for a considerably longer period. The community had previously been known as Barbers Hill, a name still preserved by the local school district, taken from a geological formation peculiar to the area, a salt dome.

The City has excellent access to recreational facilities. Trinity Bay, which is ten minutes from the City, offers beaches and fishing year-round. The City of Houston is located approximately 35 miles west of the City. Houston's many colleges and universities, hospitals and its cultural and entertainment facilities are readily available.

INDUSTRY

With a major oil field within the city limits, the City benefits from mineral production and satellite industries. The Barbers Hill Oil Field was the sixth major oil field discovered in Texas, production of which began in 1916.

The salt dome at the City is reputedly the largest developed salt dome in the world. Salt is solution mined and the brine is piped to industry along the Houston Ship Channel for the production of chlorine. Besides mineral production, the dome has proven a unique method of storage for gaseous and other products. Deep cavities created are especially well-suited for underground storage purposes. Using an excavation method similar to the Frasch process of sulfur mining, water is forced into underground deposits and the stored products are brought to the surface.

The major companies involved in these operations are included in the "Principal Taxpayers" section. Overall, it is estimated that industry employs approximately 1,300 people within the City resulting in a direct payroll of approximately $63 million. These companies in turn serve many of the major petrochemical plants, pipelines and other industries along the Texas Gulf Coast.

OPERATIONS

The City provides water and sewer utilities to the area which is administered by a department within the City. The City also operates police, parks, the Eagle Point Golf Course, Eagle Point Recreation Center, sanitation and animal control departments. The City has 223 full-time employees, 75 part-time employees and 33 seasonal positions budgeted for. The City also offers MB Link, a broadband fiber network to residents.

Texas law prohibits municipal employees from engaging in strikes and collective bargaining. An exception allows firefighters and police officers to engage in collective bargaining (but not to strike) after a favorable vote of the electorate. The voters have not approved collective bargaining for either firefighters or police officers. In 1993, a state law was enacted that permits firefighters to organize bargaining units to negotiate wages and working conditions with the Mayor and City council. The statute does not mandate that City officials open meetings to the public.

EDUCATION

Barbers Hill Independent School District (the "District") has one early childhood center, two elementary schools, two intermediate schools, two middle schools, one high school and one alternative campus with a total enrollment of approximately 7,000 students. The District encompasses a 192.3-square mile area.

Located in the neighboring City of Baytown since 1934, Lee College is a public co-educational, two-year community college offering liberal arts, technical and continuing education. The 37-acre campus, comprised of ten major buildings and several small facilities, serves in excess of 12,000 students per year. The college offers quality education that serves a wide range of needs and ambitions. A branch campus will open in Mont Belvieu in the Fall of 2027.

TRANSPORTATION

Transportation opportunities are extensive due to the already existing enterprises within and surrounding the City. Interstate 10 is the main corridor through Chambers County, and as with all portions of the county, this thoroughfare provides Mont Belvieu with many financial opportunities. Also, a wide range of efficient transportation sources, including rail, air, and water are available to companies and individuals located in the Baytown/West Chambers County Area. Freight rail service is provided by the Union Pacific and Southern Pacific railroad.

There are two major airports within 30 miles of the area, George Bush Intercontinental Airport to the north and William P. Hobby Airport to the south of downtown Houston. Both provide passenger and cargo service throughout the United States and to 29 foreign markets. Additionally, Houston is served by every major overnight delivery service in the United States.

The Houston Ship Channel, located minutes away from the Mont Belvieu area, is 40 feet deep and 400 feet wide, stretching 50 miles from the Gulf of Mexico just east of Galveston Island to the Turning Basin six miles from downtown Houston.

West Chambers County is bisected by Interstate 10 (east and west), State Highway 146 (north and south), and State Highway 99 (north and south) respectively. Other state and local highways linking the area are FM 565, FM 1492, FM 3180, and FM 207.

The County

Chambers County (the "County") is located on the Upper Texas Gulf Coast, bordered on the east by Jefferson County (Beaumont - Port Arthur), on the west by Harris County (Houston), on the north by Liberty County and on the south and southwest by Galveston County. The county seat, Anahuac, is located at the mouth of the Trinity River. It comprises an area of 613.5 square miles of land and 294.4 square miles of water. The County has an estimated population of 46,571. Physiographically, Chambers County can be described as having broad areas of relatively flat coastal plains inland from coastal marshes, between wooded belts along rivers and minor streams and bordering the large coastal estuaries of Trinity and Galveston Bays. Environmentally, the County has suffered relatively little natural degradation and alteration from outside development.

The County's diversity is also shown in its economic makeup. The oil and gas industry can be seen throughout the County. Numerous petrochemical plants in the area produce a variety of products. The County's flat coastal plains water supply provide the basis for agriculture including ranching, rice, and soybean farming being primary. The commercial fishing industry of Galveston and Trinity Bays also play an important part in the County's economy. Throughout the county the construction and service industries, along with a growing number of retail and manufacturing businesses all play a part in the county's economy.

Employment Statistics

	May	Average Annual				
	2025	2024	2023	2022	2021	2020
Civilian Labor Force	27,131	26,794	21,715	21,015	20,767	20,331
Employed	25,888	25,551	20,550	19,906	19,080	18,424
Unemployed	1,243	1,243	1,165	1,109	1,687	1,907
Percent Unemployed	4.58%	4.64%	5.36%	5.28%	8.12%	9.38%

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

CITY OF MONT BELVIEU, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Mont Belvieu, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Mont Belvieu, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mont Belvieu, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 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.

Crowe LLP

Crowe LLP

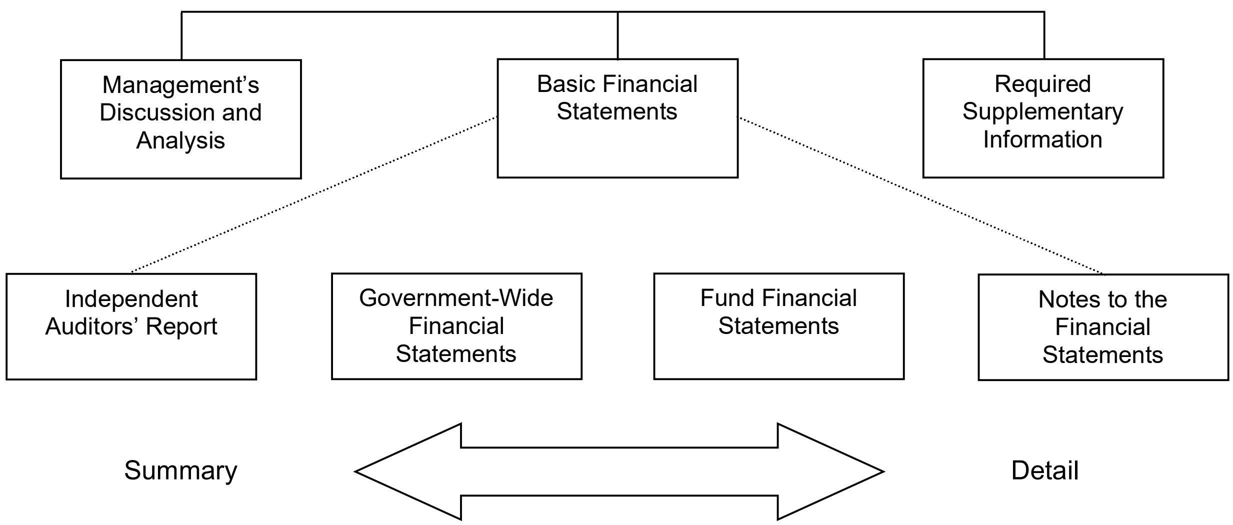
Houston, Texas
April 14, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Mont Belvieu, Texas (the "City") for the year ending September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

<u>Government-Wide Statements</u>

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here, including public safety (police, fire, and emergency medical services), community services (building permits/inspection), community development, and general government (City administrator, City secretary, finance, human resources, and information technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

2. *Business-Type Activities* – City-provided services where a fee is paid for those services are reported here. These services include the City's golf course, recreation center, water and wastewater public utilities, high speed internet, and solid waste services.

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

FUND FINANCIAL STATEMENTS

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

<u>Governmental Funds</u>

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

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

The City maintains 24 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects-CIP fund, fixed asset replacement fund, and 2023 construction fund, which are considered to be major funds for reporting purposes.

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

(Continued)

Proprietary Fund

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its golf course, recreation center, water distribution and wastewater collection/treatment (public utility), high speed internet, and solid waste. The proprietary fund financial statements provide separate information for the respective enterprise funds. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System (TMRS), schedule of the City's proportionate share of the net pension liability – Texas Emergency Services Retirement System (TESRS), schedule of changes in the total OPEB liability and related ratios – Supplemental Death Benefits Fund, and schedules of contributions for TMRS and TESRS. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $278,007,218 as of year end, representing an increase of $23,584,130 over the prior year. A portion of the City's net position, 70 percent, reflects its investments in capital assets (e.g., land, City Hall, police station, fleet equipment, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

(Continued)

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2024			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	$ 122,216,635	$ 7,992,370	$ -	$ 130,209,005
Capital assets, net	195,612,755	80,089,949	-	275,702,704
Total assets	317,829,390	88,082,319	-	405,911,709
DEFERRED OUTFLOWS ON RESOURCES				
Deferred outflows - pensions/OPEB	2,453,637	493,781	-	2,947,418
Total deferred outflows on resources	2,453,637	493,781	-	2,947,418
LIABILITIES				
Long-term liabilities	105,222,695	12,344,195	-	117,566,890
Other liabilities	11,225,317	1,708,429	-	12,933,746
Total liabilities	116,448,012	14,052,624	-	130,500,636
DEFERRED INFLOWS ON RESOURCES				
Deferred inflows - pensions/OPEB	274,765	76,508	-	351,273
Total deferred inflows on resources	274,765	76,508	-	351,273
NET POSITION				
Net investment in capital assets	124,870,398	68,974,729	(531,041)	193,314,086
Restricted	961,012	-	-	961,012
Unrestricted	77,728,840	5,472,239	531,041	83,732,120
Total net position	$ 203,560,250	$ 74,446,968	$ -	$ 278,007,218

(Continued)

	2023			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	$ 134,307,873	$ 7,480,578	$ -	$ 141,788,451
Capital assets, net	178,262,746	68,764,849	-	247,027,595
Total assets	312,570,619	76,245,427	-	388,816,046
DEFERRED OUTFLOWS ON RESOURCES				
Deferred outflows - pensions/OPEB	3,236,402	655,291	-	3,891,693
Total deferred outflows on resources	3,236,402	655,291	-	3,891,693
LIABILITIES				
Long-term liabilities	114,484,442	13,037,583	-	127,522,025
Other liabilities	8,783,408	1,470,206	-	10,253,614
Total liabilities	123,267,850	14,507,789	-	137,775,639
DEFERRED INFLOWS ON RESOURCES				
Deferred inflows - pensions/OPEB	409,968	99,044	-	509,012
Total deferred inflows on resources	409,968	99,044	-	509,012
NET POSITION				
Net investment in capital assets	116,213,373	56,987,956	(1,574,265)	171,627,064
Restricted	1,088,066	-	-	1,088,066
Unrestricted	74,827,764	5,305,929	1,574,265	81,707,958
Total net position	$ 192,129,203	$ 62,293,885	$ -	$ 254,423,088

The City's governmental activities net position increased from $192,129,203 to $203,560,250, largely as a result of increases in sales taxes and investment income. The net position of business-type activities increased to $74,446,968 from $62,293,885 primarily due to transfers in from governmental activities. The City can use the unrestricted portion of net position of $83,732,120 as needed to provide municipal services.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of $531,041 is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

(Continued)

Statement of Activities

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

	For the Year Ended September 30 ,2024			For the Year Ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,417,378	$ 13,487,517	$ 14,904,895	$ 1,842,534	$ 12,862,153	$ 14,704,687
Operating grants and contributions	3,086,188	-	3,086,188	2,055,741	-	2,055,741
General revenues:						
Ad valorem taxes	24,603,363	-	24,603,363	23,255,076	-	23,255,076
Sales taxes	14,169,421	-	14,169,421	11,699,619	-	11,699,619
Franchise fees and local taxes	7,709,941	-	7,709,941	7,109,642	-	7,109,642
Other taxes	276,016	-	276,016	191,203	-	191,203
Investment income	6,828,796	323,114	7,151,910	3,385,970	215,242	3,601,212
Other	12,101,748	(41,383)	12,060,365	11,659,115	-	11,659,115
Total revenues	70,192,851	13,769,248	83,962,099	61,198,900	13,077,395	74,276,295
Expenses						
General government	13,128,224	-	13,128,224	8,721,207	-	8,721,207
Public safety	14,163,073	-	14,163,073	11,969,976	-	11,969,976
Community development	6,069,881	-	6,069,881	5,320,924	-	5,320,924
Community services	4,990,435	-	4,990,435	5,378,852	-	5,378,852
Interest and fees on debt	3,143,267	-	3,143,267	2,496,665	-	2,496,665
Golf course	-	3,645,520	3,645,520	-	3,188,401	3,188,401
Public utilities	-	7,048,339	7,048,339	-	6,556,082	6,556,082
High speed internet	-	2,960,693	2,960,693	-	2,966,603	2,966,603
Recreation center and solid waste	-	5,228,537	5,228,537	-	4,754,562	4,754,562
Total expenses	41,494,880	18,883,089	60,377,969	33,887,624	17,465,648	51,353,272
Increase (decrease) in net position before transfers	28,697,971	(5,113,841)	23,584,130	27,311,276	(4,388,253)	22,923,023
Transfers in (out)	(17,266,924)	17,266,924	-	(11,245,462)	11,245,462	-
Change in net position	11,431,047	12,153,083	23,584,130	16,065,814	6,857,209	22,923,023
Net position-beginning of year	192,129,203	62,293,885	254,423,088	176,063,389	55,436,676	231,500,065
Net position-end of year	$ 203,560,250	$ 74,446,968	$ 278,007,218	$ 192,129,203	$ 62,293,885	$ 254,423,088

(Continued)

For the year ended September 30, 2024, revenue from governmental activities before transfers totaled $70,192,851, which represents a 15 percent increase. The increase is primarily due to increases in sales taxes due to an increase in economic activity within the City as well as increases in investment income as returns on the City's investments were favorable in the current year. For the year ended September 30, 2024, expenses from governmental activities before transfers totaled $41,494,880 , which is a 22 percent increase from the previous year. The increase is primarily due to increases in public safety, community development, and community services expenses mainly as a result of additional positions and expenses related to activity in the City's pension plan during the year.

Business-type activities are shown comparing expenses of $18,883,089 to total revenues of $13,769,248 generated by related services. Business-type activities revenue increased by $691,853 from the prior year mainly due to charges for services. Charges for services primarily increased due to growth in the City increasing customer counts, as well as additional customers being added to the high speed internet service. Business-type activities expenses increased by $1,417,441 from the prior year mainly due to increases in high speed internet personnel salaries, costs of sales and services, and capital asset depreciation expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of $109,392,133. Of this, $33,188,492 is unassigned and available for day-to-day operations of the City, $46,239,251 is assigned to various capital project items, $6,506 is assigned for animal services, $28,973,208 is restricted for capital projects, $527,891 is restricted for debt service, $433,121 is restricted by legal statutes and for special revenue projects, and $23,664 is nonspendable.

The general fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance in the general fund was $33,188,492, while total fund balance reached $33,212,156. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 133% percent of total general fund expenditures, while total fund balance also represents 133% percent of total general fund expenditures. There was an increase in fund balance of $2,474,596 from the prior year for the general fund. The increase in fund balance is primarily related to increases across most revenue items from the prior year, in particular sales tax revenue that increased as a result of continued growth within the City.

The debt service fund fund balance totaled $527,891 as of year end, which is a net increase of $329,729 from the previous year. This increase can primarily be attributed to increases in property tax revenue in the debt service fund.

There was an increase of $3,431,282 in the capital projects-CIP fund balance for a total of $27,256,944 at year end. This increase is primarily due to transfers in from the general fund to continue ongoing capital projects.

(Continued)

The fixed asset replacement fund fund balance decreased by $5,832,384 for a total fund balance of $13,476,096 at year end. This decrease is primarily due to an increase in capital outlay expenditures in the current year.

The 2023 construction fund ended the year with $27,189,575 in fund balance which represented a decrease of $12,838,170 as a result of the use of bond funding for continued capital projects ongoing within the City.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund actual revenues exceeded budgeted revenues by a net $11,098,140. This is largely due to actual sales tax revenue exceeding the budget by $6,778,624. This was primarily related to increased commercial activity throughout the City, as well as conservative estimates by the City.

Total expenditures in the general fund were less than budgeted by $2,155,234. The positive variance in the general government, public safety, and community development departments contributed to the overall positive variance. This variance is primarily due to less personnel-related expenditures than anticipated during the year.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested $275,702,704 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $28,675,109.

Significant capital asset acquisitions during the current year included the following:

- Significant road and related infrastructure improvements
- Purchase of land
- 15 new vehicles

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

LONG-TERM DEBT

At the end of the current year, the City had general obligation debt of $92,920,000 related to governmental activities and $10,640,000 related to business-type activities.

More detailed information about the City's long-term liabilities is presented in note 3 to the financial statements.

(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sales tax revenue grew by 18% in 2024, largely driven by maintenance activities and oil and gas sector expansions. Property tax revenue increased by $184 million in assessed value, facilitating essential capital improvements to support the City's growth. Mont Belvieu maintains a strong financial position with 365 days of reserves in the general fund, underscoring the City's fiscal discipline.

In 2024, the City initiated over $56.2 million in capital projects, including:

- Wastewater Treatment Plant (WWTP) Expansion
- Joe Matthews Park
- Eagle Pointe Drive Widening
- Eagle Pointe Golf Course Phase 1B
- SH-146 and Subdivision Access Sidewalks
- Water Well No. 12 Phase 2

In 2025, the City plans to commence an additional $33.3 million in projects, including:

- Restaurant Loop Road
- Langston Boulevard Widening
- Elevated Storage Tank
- SH-146 and SH-99 Water Line Looping
- Continued renovations to the Golf Course and Eagle Pointe Recreation Center

The City maintained its Aa1 credit rating in 2024, with a true interest cost of 3.65%. According to Moody's, the rating reflects exceptionally strong financial reserves, liquidity, and prudent fiscal management. The issuance of Bond Series 2024 in the amount of $25.5 million will further support key infrastructure investments.

MB Link, Texas's first municipally owned internet service, achieved significant milestones in 2024, surpassing 83% residential penetration with 2,721 subscribers and 96 business connections, including Barbers Hill ISD. Moody's noted MB Link as a unique success among municipal internet utilities, citing its positive financial impact rather than a liability.

The 2024-2025 tax rate was set at $0.471189 per $100 of assessed valuation. The City continues to adhere to fiscally conservative principles, emphasizing future maintenance, operations, and capital investment while maintaining a competitive tax rate.

Mont Belvieu is the model city for strategic planning, diverse tax base, and commitment to innovation and infrastructure that positions the City for sustained growth and success. The comprehensive planning process ensures alignment with City Council priorities, long-term goals, and the needs of the community.

(Continued)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City's finance department, City of Mont Belvieu, P.O. Box 1048, Mont Belvieu, Texas, 77580.

BASIC FINANCIAL STATEMENTS

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
ASSETS				
Cash and cash equivalents	$ 9,475,543	$ 546,124	$ -	$ 10,021,667
Investments	106,924,902	5,541,217	-	112,466,119
Receivables, net	5,792,526	1,652,920	-	7,445,446
Prepaid items	4,202	-	-	4,202
Inventory	19,462	252,109	-	271,571
Capital assets				
Nondepreciable	40,539,682	28,653,724	-	69,193,406
Net depreciable capital assets	155,073,073	51,436,225	-	206,509,298
Total assets	317,829,390	88,082,319	-	405,911,709
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions - TMRS	2,216,250	493,781	-	2,710,031
Deferred outflows - pensions - TESRS	190,344	-	-	190,344
Deferred outflows - OPEB - TMRS	47,043	-	-	47,043
Total deferred outflows of resources	2,453,637	493,781	-	2,947,418
LIABILITIES				
Accounts payable and accrued liabilities	9,938,387	1,372,683	-	11,311,070
Unearned revenue	1,046,373	287,400	-	1,333,773
Accrued interest payable	240,557	48,346	-	288,903
Long-term liabilities				
Due within one year	7,955,213	933,861	-	8,889,074
Due in more than one year	97,267,482	11,410,334	-	108,677,816
Total long-term liabilities	105,222,695	12,344,195	-	117,566,890
Total liabilities	116,448,012	14,052,624	-	130,500,636
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions - TMRS	147,592	76,508	-	224,100
Deferred inflows - pensions - TESRS	788	-	-	788
Deferred inflows - OPEB - TMRS	126,385	-	-	126,385
Total deferred inflows of resources	274,765	76,508	-	351,273
NET POSITION				
Net investment in capital assets	124,870,398	68,974,729	(531,041)	193,314,086
Restricted for:				
Debt service	527,891	-	-	527,891
Special projects	433,121	-	-	433,121
Unrestricted	77,728,840	5,472,239	531,041	83,732,120
Total net position	$ 203,560,250	$ 74,446,968	$ -	$ 278,007,218

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

		Program Revenues		Net Revenue (Expense) and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Government Activities	Business-Type Activities	Total
Primary Government						
Governmental activities						
General government	$ 13,128,224	$ -	$ 865,962	$ (12,262,262)	$ -	$ (12,262,262)
Public safety	14,163,073	893,983	330,324	(12,938,766)	-	(12,938,766)
Community development	6,069,881	523,395	-	(5,546,486)	-	(5,546,486)
Community services	4,990,435	-	1,889,902	(3,100,533)	-	(3,100,533)
Interest and fees on debt	3,143,267	-	-	(3,143,267)	-	(3,143,267)
Total governmental activities	41,494,880	1,417,378	3,086,188	(36,991,314)	-	(36,991,314)
Business-type activities						
Golf course	3,645,520	3,125,232	-	-	(520,288)	(520,288)
Public utilities	7,048,339	4,278,729	-	-	(2,769,610)	(2,769,610)
High speed internet	2,960,693	2,712,594	-	-	(248,099)	(248,099)
Recreation and solid waste	5,228,537	3,370,962	-	-	(1,857,575)	(1,857,575)
Total business-type activities	18,883,089	13,487,517	-	-	(5,395,572)	(5,395,572)
Total primary government	$ 60,377,969	$ 14,904,895	$ 3,086,188	(36,991,314)	(5,395,572)	(42,386,886)
General revenues						
Taxes						
Ad valorem taxes				24,603,363	-	24,603,363
Sales taxes				14,169,421	-	14,169,421
Franchise fees and local taxes				7,709,941	-	7,709,941
Other taxes				276,016	-	276,016
Investment income				6,828,796	323,114	7,151,910
Other revenues				11,308,852	-	11,308,852
Gain (loss) on sale of assets				792,896	(41,383)	751,513
Transfers and contributions				(17,266,924)	17,266,924	-
Total general revenues and transfers				48,422,361	17,548,655	65,971,016
Change in net position				11,431,047	12,153,083	23,584,130
Beginning net position				192,129,203	62,293,885	254,423,088
Ending net position				$ 203,560,250	$ 74,446,968	$ 278,007,218

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Debt Service	Capital Projects-CIP	Fixed Asset Replacement	2023 Construction	Nonmajor Governmental	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 48,257	$ 6,803	$ 6,425,326	$ 28,073	$ 1,348,707	$ 1,618,377	$ 9,475,543
Investments	33,888,271	514,087	22,327,499	14,566,637	28,103,545	7,524,863	106,924,902
Receivables, net	5,031,303	34,685	628,124	21,199	-	77,215	5,792,526
Inventory	19,462	-	-	-	-	-	19,462
Prepaid items	4,202	-	-	-	-	-	4,202
Total assets	$ 38,991,495	$ 555,575	$ 29,380,949	$ 14,615,909	$ 29,452,252	$ 9,220,455	$ 122,216,635
LIABILITIES							
Accounts payable and accrued liabilities	$ 3,770,444	$ -	$ 2,124,005	$ 1,139,813	$ 2,262,677	$ 641,448	$ 9,938,387
Unearned revenue	196,837	-	-	-	-	849,536	1,046,373
Total liabilities	3,967,281	-	2,124,005	1,139,813	2,262,677	1,490,984	10,984,760
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	28,837	27,684	-	-	-	-	56,521
Unavailable revenue - EMS charges	1,783,221	-	-	-	-	-	1,783,221
Total deferred inflows of resources	1,812,058	27,684	-	-	-	-	1,839,742

(Continued)

CITY OF MONT BELVIEU, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Debt Service	Capital Projects-CIP	Fixed Asset Replacement	2023 Construction	Nonmajor Governmental	Total Governmental Funds
FUND BALANCES							
Nonspendable							
Inventory	19,462	-	-	-	-	-	19,462
Prepaid items	4,202	-	-	-	-	-	4,202
Restricted							
Debt service	-	527,891	-	-	-	-	527,891
Special projects	-	-	-	-	-	433,121	433,121
Capital projects	-	-	-	-	27,189,575	1,783,633	28,973,208
Assigned							
Animal services	-	-	-	-	-	6,506	6,506
Capital projects	-	-	27,256,944	13,476,096	-	5,506,211	46,239,251
Unassigned	33,188,492	-	-	-	-	-	33,188,492
Total fund balances	33,212,156	527,891	27,256,944	13,476,096	27,189,575	7,729,471	109,392,133
Total liabilities, deferred inflows of resources, and fund balances	$ 38,991,495	$ 555,575	$ 29,380,949	$ 14,615,909	$ 29,452,252	$ 9,220,455	$ 122,216,635

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balances for governmental funds	$ 109,392,133
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.	
Capital assets - nondepreciable	40,539,682
Capital assets - depreciable, net	155,073,073
Long-term liabilities and deferred outflows and deferred inflows related to bonds and the net pension and total other post employment benefit (OPEB) liability are deferred in the governmental funds.	
Net pension liability	(4,169,165)
Total OPEB liability	(247,984)
Deferred outflows - pensions	2,406,594
Deferred outflows - OPEB	47,043
Deferred inflows - pensions	(148,380)
Deferred inflows - OPEB	(126,385)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,839,742
Some liabilities, including bonds payable, the net pension and total OPEB liability, accrued interest, and compensated absences, are not reported as liabilities in the governmental funds.	
Accrued interest payable	(240,557)
Noncurrent liabilities due in one year	(7,955,213)
Noncurrent liabilities due in more than one year	(92,850,333)
Net position of governmental activities	$ 203,560,250

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	General	Debt Service	Capital Projects-CIP	Fixed Asset Replacement	2023 Construction	Nonmajor Governmental	Total Governmental Funds
Revenues							
Ad valorem taxes	$ 13,065,409	$ 11,537,954	$ -	$ -	$ -	$ -	$ 24,603,363
Sales tax	14,169,421	-	-	-	-	-	14,169,421
Franchise fees and local taxes	7,709,941	-	-	-	-	-	7,709,941
Other taxes	99,862	-	-	-	-	176,154	276,016
Licenses and permits	523,395	-	-	-	-	-	523,395
Fines and forfeitures	183,356	-	-	-	-	10,589	193,945
Charges for services	630,228	-	-	-	-	-	630,228
Intergovernmental	865,962	-	1,889,902	-	-	330,324	3,086,188
Investment income	1,968,203	305,096	1,134,263	817,837	1,997,141	606,256	6,828,796
Other revenue	8,661,910	-	1,340,676	-	-	1,306,266	11,308,852
Total revenues	47,877,687	11,843,050	4,364,841	817,837	1,997,141	2,429,589	69,330,145
Expenditures							
Current							
General government	8,086,329	-	-	-	-	998,896	9,085,225
Public safety	10,741,992	-	-	-	-	29,085	10,771,077
Community development	1,796,215	-	921,828	-	-	-	2,718,043
Community services	4,217,790	-	-	-	-	138,496	4,356,286
Capital outlay	-	-	17,180,826	8,785,221	14,835,311	4,232,723	45,034,081
Debt service							
Principal	-	8,300,000	-	-	-	-	8,300,000
Interest and fiscal charges	-	3,872,546	-	-	-	-	3,872,546
Total expenditures	24,842,326	12,172,546	18,102,654	8,785,221	14,835,311	5,399,200	84,137,258
Excess (deficiency) of revenues over (under) expenditures	23,035,361	(329,496)	(13,737,813)	(7,967,384)	(12,838,170)	(2,969,611)	(14,807,113)

(Continued)

	General	Debt Service	Capital Projects-CIP	Fixed Asset Replacement	2023 Construction	Nonmajor Governmental	Total Governmental Funds
Other Financing Sources (Uses)							
Transfers in	35,000	659,225	17,146,540	2,500,000	-	771,464	21,112,229
Transfers (out)	(20,595,765)	-	(770,341)	(365,000)	-	(1,123)	(21,732,229)
Sale of capital assets	-	-	792,896	-	-	-	792,896
Total other financing sources (uses)	(20,560,765)	659,225	17,169,095	2,135,000	-	770,341	172,896
Net change in fund balances	2,474,596	329,729	3,431,282	(5,832,384)	(12,838,170)	(2,199,270)	(14,634,217)
Beginning fund balances	30,737,560	198,162	23,825,662	19,308,480	40,027,745	9,928,741	124,026,350
Ending fund balances	$ 33,212,156	$ 527,891	$ 27,256,944	$ 13,476,096	$ 27,189,575	$ 7,729,471	$ 109,392,133

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Net change in fund balances - total governmental funds	$ (14,634,217)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay, net of disposals	25,352,744
Depreciation expense	(8,002,735)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred ad valorem tax revenue	(466)
Deferred emergency medical services revenue	70,276
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.	
Bond premium, net	698,019
Principal expenditures	8,300,000
Accrued interest payable	31,260
Sales tax refund agreement	42,313
Compensated absences	(587,461)
Deferred outflows - pensions	(780,823)
Deferred inflows - pensions	110,151
Deferred outflows - OPEB	25,052
Deferred inflows - OPEB	(1,942)
Net pension liability	853,909
Total OPEB liability	(45,033)
Change in net position of governmental activities	$ 11,431,047

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	Business-Type Activities - Enterprise Funds				
	Golf Course	Public Utility	High Speed Internet	Total Nonmajor Enterprise	Total Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 220,157	$ 70,388	$ 78,198	$ 177,381	$ 546,124
Investments	377,902	2,631,670	2,531,645	-	5,541,217
Receivables, net	118,113	784,343	443,815	306,649	1,652,920
Inventory	213,422	18,925	-	19,762	252,109
Total assets	929,594	3,505,326	3,053,658	503,792	7,992,370
Noncurrent assets					
Capital assets:					
Nondepreciable	7,249,691	20,911,862	-	492,171	28,653,724
Net depreciable	2,420,028	33,205,923	11,802,392	4,007,882	51,436,225
Total noncurrent assets	9,669,719	54,117,785	11,802,392	4,500,053	80,089,949
Total assets	10,599,313	57,623,111	14,856,050	5,003,845	88,082,319
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	-	302,342	120,980	70,459	493,781
Total deferred outflows of resources	-	302,342	120,980	70,459	493,781

(Continued)

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	Business-Type Activities - Enterprise Funds				
	Golf Course	Public Utility	High Speed Internet	Total Nonmajor Enterprise	Total Funds
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	212,499	647,705	356,797	204,028	1,421,029
Compensated absences	47,927	123,357	43,394	59,183	273,861
Unearned revenue	129,293	-	-	158,107	287,400
Bonds payable within one year	-	-	660,000	-	660,000
Total current liabilities	389,719	771,062	1,060,191	421,318	2,642,290
Noncurrent liabilities					
Compensated absences	5,325	13,706	4,822	6,576	30,429
Net pension liability	-	524,185	278,020	122,480	924,685
Bonds payable, net	-	-	10,455,220	-	10,455,220
Total liabilities	395,044	1,308,953	11,798,253	550,374	14,052,624
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	-	28,971	41,739	5,798	76,508
Total deferred inflows of resources	-	28,971	41,739	5,798	76,508
NET POSITION					
Net investment in capital assets	9,669,719	54,117,785	687,172	4,500,053	68,974,729
Unrestricted	534,550	2,469,744	2,449,866	18,079	5,472,239
Total net position	$ 10,204,269	$ 56,587,529	$ 3,137,038	$ 4,518,132	$ 74,446,968

See notes to financial statements.

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds						
	Golf Course	Formerly Major Recreation Center	Public Utility	High Speed Internet	Formerly Major Solid Waste	Total Ionmajor Enterpris	Total Funds
Operating revenues							
Water charges	$ -		$ 2,414,819	$ -		$ -	$ 2,414,819
Sewer charges	-		1,643,311	-		-	1,643,311
Sanitation	-		-	-		1,445,122	1,445,122
Other services	3,125,232		220,599	2,712,594		1,925,840	7,984,265
Total operating revenues	3,125,232		4,278,729	2,712,594		3,370,962	13,487,517
Operating expenses							
Personnel	1,574,791		2,275,972	918,173		2,030,342	6,799,278
Costs of sales and services	1,523,128		2,204,810	823,205		1,888,063	6,439,206
Depreciation	547,601		2,567,557	867,894		1,310,132	5,293,184
Total operating expenses	3,645,520		7,048,339	2,609,272		5,228,537	18,531,668
Operating income (loss)	(520,288)		(2,769,610)	103,322		(1,857,575)	(5,044,151)
Nonoperating revenues (expenses)							
Investment income	25,533		150,569	144,569		2,443	323,114
Loss on the sale of capital asset	-		(41,383)	-		-	(41,383)
Interest and fiscal charges	-		-	(351,421)		-	(351,421)
Total nonoperating revenues	25,533		109,186	(206,852)		2,443	(69,690)
Income (loss) before contributions and transfers	(494,755)		(2,660,424)	(103,530)		(1,855,132)	(5,113,841)
Contributions and transfers							
Capital contributions	2,840,310		12,737,257	-		1,069,357	16,646,924
Transfers in	-		81,000	-		574,000	655,000
Transfers (out)	(35,000)		-	-		-	(35,000)
Total contributions and transfers	2,805,310		12,818,257	-		1,643,357	17,266,924
Change in net position	2,310,555		10,157,833	(103,530)		(211,775)	12,153,083
Beginning net position, previously presented	7,893,714	3,182,149	46,429,696	3,240,568	1,547,758	-	62,293,885
Change within financial reporting entity	-	(3,182,149)	-	-	(1,547,758)	4,729,907	-
Net position, as adjusted	7,893,714	-	46,429,696	3,240,568	-	4,729,907	62,293,885
Ending Net Position	$ 10,204,269	$ -	$ 56,587,529	$ 3,137,038	$ -	$ 4,518,132	$ 74,446,968

See notes to financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds				
	Golf Course	Public Utility	High Speed Internet	Total Nonmajor Enterprise	Total Funds
Cash flows from operating activities					
Receipts from customers	$ 3,128,296	$ 4,420,666	$ 2,668,513	$ 3,345,048	$ 13,562,523
Payments to employees	(1,574,791)	(2,302,460)	(930,429)	(2,038,875)	(6,846,555)
Payments to suppliers	(1,450,996)	(2,103,650)	(747,388)	(1,844,666)	(6,146,700)
Net cash provided (used) by operating activities	102,509	14,556	990,696	(538,493)	569,268
Cash flows from noncapital and financing activities					
Transfers from other funds	-	81,000	-	574,000	655,000
Transfer to other funds	(35,000)	-	-	-	(35,000)
Net cash provided (used) by noncapital financing activities	(35,000)	81,000	-	574,000	620,000
Cash flows from capital and related financing activities					
Capital purchases	(12,743)	-	-	-	(12,743)
Principal paid on capital debt	-	-	(625,000)	-	(625,000)
Interest and fiscal charges	-	-	(388,094)	-	(388,094)
Net cash provided (used) by capital and related financing activities	(12,743)	-	(1,013,094)	-	(1,025,837)
Cash flows from investing activities					
Sale (purchase) of investments	136,175	(178,211)	(169,216)	-	(211,252)
Interest on investments	25,533	150,569	144,569	2,443	323,114
Net cash provided (used) by investing activities	161,708	(27,642)	(24,647)	2,443	111,862
Net Increase (decrease) in cash and cash and equity in pooled cash	216,474	67,914	(47,045)	37,950	275,293
Beginning cash and cash equivalents	3,683	2,474	125,243	139,431	270,831
Ending cash and cash equivalents	$ 220,157	$ 70,388	$ 78,198	$ 177,381	$ 546,124

(Continued)

CITY OF MONT BELVIEU, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds				
	Golf Course	Public Utility	High Speed Internet	Total Nonmajor Enterprise	Total Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ (520,288)	$ (2,769,610)	$ 103,322	$ (1,857,575)	$ (5,044,151)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	547,601	2,567,557	867,894	1,310,132	5,293,184
Changes in operating assets and liabilities					
(Increase) decrease in					
Accounts receivable	(22,584)	141,937	(44,081)	(78,690)	(3,418)
Deferred outflows - pensions	-	90,490	41,868	29,151	161,509
Inventory	(22,509)	(474)	-	1,156	(21,827)
Increase (decrease) in					
Accounts payable and accrued liabilities	94,641	101,634	75,817	42,241	314,333
Deferred inflows - pensions	-	(12,627)	(5,842)	(4,068)	(22,537)
Net pension liability	-	(104,351)	(48,282)	(33,616)	(186,249)
Unearned revenue	25,648	-	-	52,776	78,424
Net cash provided (used) by operating activities	$ 102,509	$ 14,556	$ 990,696	$ (538,493)	$ 569,268
Noncash investing, capital, and financing activities					
Contributions of capital assets from governmental funds/developers	$ 2,840,310	$ 12,737,257	$ -	$ 1,069,357	$ 16,646,924

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Mont Belvieu, Texas (the "City") was incorporated as a "Home Rule Charter" on November 11, 2013. The City has a "Council-Manager" form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police, fire, and emergency medical services; parks; sanitation, water, and sewer services; recreation; public improvements; planning and zoning; general administration; high speed internet; and solid waste.

The City is an independent political subdivision of the State of Texas (the "State") governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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 wastewater 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following governmental fund:

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

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

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

Capital Projects Funds: The *capital projects funds* are used for the expenditures of resources accumulated from the issuance of debt and related interest earnings as well as other monies assigned for capital improvement projects. The capital projects-CIP fund, fixed asset replacement fund, and 2023 construction fund are considered major funds for reporting purposes.

The City reports the following proprietary fund:

Enterprise Fund: The *enterprise fund* is used to account for the operations that provide water and wastewater services, sanitation services, high speed internet services, solid waste, as well as operations of the Eagle Pointe golf course and recreation center. These services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The public utility, solid waste, and high-speed internet enterprise funds are considered major funds for reporting purposes. The golf course and recreation center funds are not considered major funds.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers’ acceptances
- Statewide investment pools

Inventories and Prepaid Items: Inventories are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflecting costs applicable to a future accounting period are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets Depreciation	Estimated Useful Life
Vehicles	2 to 15 years
Furniture and equipment	5 to 20 years
Infrastructure	25 to 30 years
Water and sewer system	3 to 40 years
Building and improvements	5 to 40 years

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

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

Compensated Employee Absences: It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount that will be paid as compensation for services provided is recorded as a liability in the general fund. All eligible time is accrued when incurred in the government-wide and proprietary fund financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Leases: The City has noncancellable leases of equipment. The City would recognize a lease liability and an intangible, right-to-use asset (the “lease asset”) in the government-wide financial statements. The City’s leases to report are immaterial to the financial statement as a whole and are not recognized as a lease liability or a lease asset.

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses:

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

Property Taxes: Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 20 percent is added in July for attorney costs. There are no discounts allowed on taxes.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital project funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control as defined by the charter is the department in the approved budget. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets.

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: As of September 30, 2024, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	$ 28,651,760	0.04
TexSTAR	35,490,942	0.01
Money market	48,323,417	0.00
Total value	$ 112,466,119	
Portfolio weighted average maturity		0.02

Credit risk - State law and the City's investment policy limits investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent. Further, commercial paper must be rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2024, the City's investments in investment pools were rated "AAAm" by Standard & Poor's. The municipal bonds are all rated AAA, Aaa, or Aa2 by S&P or Moody's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Concentration of credit risk – The City's investment policy does not allow for an investment in any one issuer that is in excess of 50 percent of the portfolio's total investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2024, market values of pledged securities and FDIC coverage exceeded bank balances.

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

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

TexPool - TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR - The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexSTAR's liquidity.

Receivables: The following comprises receivable balances at year end for governmental activities:

	General	Debt Service	Capital Projects-CIP	Fixed Asset Replacement	Nonmajor Governmental	Total Funds
Ad valorem taxes	$ 28,837	$ 27,685	$ -	$ -	$ -	$ 56,522
Other taxes	3,188,037	-	-	-	74,215	3,262,252
EMS receivable	1,783,221	-	-	-	-	1,783,221
Other	31,208	7,000	628,124	21,199	3,000	690,531
	$ 5,031,303	$ 34,685	$ 628,124	$ 21,199	$ 77,215	$ 5,792,526

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following comprises receivable balances at year end for business-type activities:

	Golf Course	Recreation	Public Utility	Internet	Solid Waste	Total Funds
Other	$ 118,113	$ 30,007	$ 784,343	$ 443,815	$ 276,642	$ 1,652,920

Capital Assets: A summary of changes in capital assets for governmental activities for the year end is as follows:

	Primary Government			
	Beginning Balance	Increases/ Reclassifications	(Decreases)/ Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 15,288,339	$ 6,582,579	$ -	$ 21,870,918
Construction in progress	22,364,418	17,075,441	(20,771,095)	18,668,764
Total capital assets not being depreciated	37,652,757	23,658,020	(20,771,095)	40,539,682
Other capital assets				
Buildings	39,265,292	9,418,623	(4,500)	48,679,415
Improvements other than buildings	140,161,537	11,167,941	-	151,329,478
Machinery and equipment	10,271,088	1,957,271	(260,951)	11,967,408
Total other capital assets	189,697,917	22,543,835	(265,451)	211,976,301
Less accumulated depreciation for				
Buildings	(8,144,977)	(1,366,885)	4,500	(9,507,362)
Improvements other than buildings	(34,618,804)	(5,465,037)	-	(40,083,841)
Machinery and equipment	(6,324,147)	(1,170,813)	182,935	(7,312,025)
Total accumulated depreciation	(49,087,928)	(8,002,735)	187,435	(56,903,228)
Total capital assets being depreciated, net	140,609,989	14,541,100	(78,016)	155,073,073
Governmental activities capital assets, net	$ 178,262,746	$ 38,199,120	$ (20,849,111)	195,612,755
Less associated debt				(99,715,565)
Plus unspent bond proceeds				28,973,208
Net investment in capital assets				$ 124,870,398

Depreciation was charged to governmental functions as follows:

General government	$ 1,841,323
Public safety	2,746,547
Community development	2,877,403
Community services	537,462
Total governmental activities depreciation expense	$ 8,002,735

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 520,138	$ -	$ -	$ 520,138
Golf course	2,325,698	19,800	-	2,345,498
Construction in progress	11,729,377	15,098,767	(1,040,056)	25,788,088
Total capital assets not being depreciated	14,575,213	15,118,567	(1,040,056)	28,653,724
Capital assets, being depreciated				
Buildings	19,741,870	250,888	-	19,992,758
Improvements other than buildings	79,462,880	-	1,040,056	80,502,936
Machinery and equipment	14,141,165	1,290,212	(370,158)	15,061,219
Total capital assets being depreciated	113,345,915	1,541,100	669,898	115,556,913
Less accumulated depreciation for				
Buildings	(16,601,591)	(821,607)	-	(17,423,198)
Improvements other than buildings	(34,896,479)	(3,017,667)	-	(37,914,146)
Machinery and equipment	(7,658,209)	(1,453,910)	328,775	(8,783,344)
Total accumulated depreciation	(59,156,279)	(5,293,184)	328,775	(64,120,688)
Total capital assets being depreciated, net	54,189,636	(3,752,084)	998,673	51,436,225
Business-type activities capital assets, net	$ 68,764,849	$ 11,366,483	$ (41,383)	80,089,949
		Less associated debt		(11,115,220)
		Net investment in capital assets		$ 68,974,729

Depreciation was charged to business-type functions as follows:

Golf course	$ 547,601
Recreation center	946,517
Public utilities	2,567,557
High speed internet	867,894
Solid waste	363,615
Total business-type activities depreciation expense	$ 5,293,184

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental and business-type long-term liabilities.

	Beginning Balances	Additions	Reductions	Ending Balances		Amounts Due Within One Year
Governmental activities						
Bonds, notes, and other payables						
Certificates of obligation	$ 101,220,000	$ -	$ (8,300,000)	$ 92,920,000	*	$ 6,970,000
Bond premium	7,493,584	-	(698,019)	6,795,565	*	-
Tax refund agreements	84,625	-	(42,313)	42,312		42,312
Other liabilities:						
Net pension liability - TMRS	4,667,754	-	(902,025)	3,765,729		-
Net pension liability - TESRS	355,320	48,116	-	403,436		-
Total OPEB liability - TMRS	202,951	45,033	-	247,984		-
Compensated absences	460,208	1,001,648	(414,187)	1,047,669		942,901
Total governmental activities	$ 114,484,442	$ 1,094,797	$ (10,356,544)	$ 105,222,695		$ 7,955,213
	Long-term debt due in more than one year			$ 97,267,482		
	*Debt associated with governmental capital assets			$ 99,715,565		
	Net debt associated with business-type capital assets			$ 531,041		

	Beginning Balance	Additions	Reductions	Ending Balance		Due Within One Year
Business-type activities						
Bonds, notes, and other payables:						
Certificates of obligation	$ 11,265,000	$ -	$ (625,000)	$ 10,640,000	**	$ 660,000
Bond premium	511,893	-	(36,673)	475,220	**	-
Other liabilities						
Compensated absences	149,757	289,315	(134,782)	304,290		273,861
Net pension liability - TMRS	1,110,933	-	(186,248)	924,685		-
Total business-type activities	$ 13,037,583	$ 289,315	$ (982,703)	$ 12,344,195		$ 933,861
	Long-term liabilities due in more than one year			$ 11,410,334		
	**Debt associated with business-type capital assets			$ 11,115,220		

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

General obligation bonds and certificates of obligation at year end were comprised of the following debt issues:

Description	Interest Rate	Balance
Governmental activities		
Certificates of obligation		
Series 2015	2.50-4.00%	$ 1,390,000
Series 2016	2.00-4.00%	2,835,000
Series 2017A	3.00-5.00%	2,145,000
Series 2019	3.00-5.00%	22,055,000
Series 2020	2.00-4.00%	17,880,000
Series 2022A	4.00-5.00%	8,615,000
Series 2022B	4.00-5.00%	725,000
Series 2023	4.36-6.00%	37,275,000
Total certificates of obligation		92,920,000
Total governmental activities debt		$ 92,920,000
Business-type activities		
Certificates of obligation		
2017 Series	4.00%	10,640,000
Total business-type activities debt		$ 10,640,000

The annual requirements to amortize debt issues outstanding at year end were as follows:

Fiscal Year Ended September 30,	Governmental Activities: Certificates of Obligation Principal	Governmental Activities: Certificates of Obligation Interest	Governmental Activities: Tax Refund Agreements	Business-Type Activities: Certificates of Obligation Principal	Business-Type Activities: Certificates of Obligation Interest
2025	$ 6,970,000	$ 3,761,696	$ 42,312	$ 660,000	$ 355,519
2026	5,790,000	3,488,108	-	690,000	322,519
2027	4,490,000	3,273,838	-	725,000	288,019
2028	3,975,000	3,052,588	-	745,000	266,269
2029	4,170,000	2,849,538	-	770,000	243,919
2030-2034	24,070,000	11,023,940	-	4,200,000	858,513
2035-2039	29,225,000	5,869,221	-	2,850,000	187,200
2040-2044	14,230,000	1,390,131	-	-	-
	$ 92,920,000	$ 34,709,060	$ 42,312	$ 10,640,000	$ 2,521,958

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Obligations to State – Tax Refund Agreements: During 2004 and 2006, the Texas State Comptroller of Public Accounts notified the City that the State had remitted additional sales tax receipts to the City that were not collected within the City limits. During 2009, the City was notified that it had been overpaid by an additional $186,965. The terms of the settlement require the City to repay the State in non-interest installments of $3,527 being withheld from the sales tax remittance each month from the Texas State Comptroller of Public Accounts through November 2025. The balance due as of year end was $42,312.

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

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

Transfer Out	Transfer In	Amount
General	Capital Projects - CIP	$ 16,781,540
General	Fixed asset replacement	2,500,000
Capital projects - CIP	Nonmajor funds	750,016
General	Debt Service	659,225
General	Recreation center	478,000
Fixed Asset Replacement	Capital Projects - CIP	365,000
General	Solid Waste	96,000
General	Public Utility	81,000
Golf course	General	35,000
Capital projects - CIP	Nonmajor funds	20,325
Nonmajor funds	Nonmajor funds	1,123
		$ 21,767,229

Amounts transferred between funds are related to amounts transferred to fund the purchase of assets and capital improvement projects and various government expenditures.

NOTE 4 - OTHER INFORMATION

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

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

Chapter 380 Economic Development Agreements: Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

Property Tax: The City has entered into property tax abatement agreements (the "Agreements") with several developers (the "Developers") as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their property taxes abated. The minimum limitation value varies by Agreement.

The following summarizes the current Agreements:

- Each Agreement, with the exception of Lone Star NGL, abates 100% of taxes while the Lone Star NGL Agreement abates 75% of taxes. Each Agreement base term is for 10 years and requires a payment in lieu of taxes calculated on an agreement-by-agreement basis.
- Each Agreement retains a contingency that terms and payments may change if assessed values vary by 5%, and Agreements will be reevaluated at that time.

A summary of the Agreements entered into by the City can be found below:

Company	Payment in Lieu of Taxes	Approximate Tax Value	Approximate Tax Abated
Enterprise Products Operating	$ 686,993	$ 549,977,498	$ 2,443,286
Exxon Mobil	1,800,000	615,796,500	2,735,688
Cedar Bayou Fractionators	425,785	237,771,000	1,056,302
Energy Transfer	441,268	336,244,704	1,493,774
Oneok Hydrocarbon	1,852,597	399,250,178	1,773,677
Targa	3,074,227	710,860,596	3,158,012
JRI Investments	-	732,050	3,252
Talke Improvements	-	3,000,000	13,328
Three JK	-	970,000	4,309
Total	$ 8,280,870	$2,854,602,526	$ 12,681,628

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Sales Tax:

The City has entered into sales tax abatement agreements (the “Agreements”) with several developers (the “Developers”) as authorized by Chapter 380 of the Texas Local Government Code.

Under each Agreement, the Developers must meet certain commercial/retail development and/or employment requirements in order to have a portion of their sales tax abated. The minimum limitation value varies by Agreement. Each Agreement provides for the recapture in the event of material breach. The following summarizes the current Agreements:

- Each Agreement, with the exception of MB Retail Associates and Floyds, requires the City to abate 50% of sales taxes collected throughout the year, while the MB Retail Associates and Floyds Agreements require 100% of sales tax to be abated. The City returns each of these amounts in a lump sum payment at the end of the year, with the exception of the MB Retail Associates Agreement which require quarterly returns of sales tax collections.
- All 50% tax abatements are calculated net of the stated benchmark for collections. This benchmark varies per Agreement.

Below is a summary of the taxes abated and payments made by the City:

Company	Total Sales Tax Collected	Sales Tax Rebate
Exxon Mobil	$ 682,686	$ 273,339
Cedar Bayou	259,583	64,511
Targa	1,977,160	808,580
MB Retail Associates	851,714	851,714
Casa Julia	67,883	67,883
Total	$ 3,839,026	$ 2,066,027

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

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

NOTE 4 - OTHER INFORMATION (Continued)

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility		
(expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

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	39
Inactive employees entitled to, but not yet receiving, benefits	89
Active employees	227
Total	355

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.54% and 13.08% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were $2,234,569, which 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 NPL was determined by an actuarial valuation as of that date.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions: The TPL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payment growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale 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, 2012. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global public equity	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real estate	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	100.00%	

Discount Rate: The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 2,731,652	$ -	$ 2,731,652
Interest	2,310,003	-	2,310,003
Differences between expected and actual experience	271,265	-	271,265
Changes of assumptions	(48,857)	-	(48,857)
Contributions - employer	-	2,069,523	(2,069,523)
Contributions - employee	-	1,069,915	(1,069,915)
Net investment income	-	3,233,530	(3,233,530)
Benefit payments, including refunds of employee contributions	(1,496,799)	(1,496,799)	-
Administrative expense	-	(20,488)	20,488
Other changes	-	(143)	143
Net Changes	3,767,264	4,855,538	(1,088,274)
Balance at September 30, 2022	33,604,833	27,826,146	5,778,687
Balance at September 30, 2023	$ 37,372,097	$ 32,681,684	$ 4,690,413

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 10,576,133	$ 4,690,413	$ (79,462)

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

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized pension expense of $1,963,345.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 450,069	$ 183,784
Changes in actuarial assumptions	11,352	40,316
Difference between projected and actual investment earnings	669,856	-
Contributions subsequent to the measurement date	1,578,754	-
Total	$ 2,710,031	$ 224,100

$1,578,754 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended September 30,	Pension Expense
2025	$ 228,448
2026	296,962
2027	557,913
2028	(204,142)
2029	27,996
Total	$ 907,177

Texas Emergency Services Retirement System

Plan Description: The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by Texas Emergency Services Retirement System (TESRS) and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2023, there were 241 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2023, TESRS's membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,929
Terminated members entitled to benefits but not yet receiving them	1,689
Active participants (vested and nonvested)	3,343

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Pension Plan Fiduciary Net Position: Detailed information about TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary Information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefit Provided: Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees (the "Board") authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percentage increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his/her vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On- and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy: Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2022 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to 15 years of credit for prior service per member. Prior service purchased must have occurred before the department began participation in TESRS.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2023, the money-weighted rate of return on pension plan investments was 5.68%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

Contributions: The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending September 30, 2023, total contributions (dues, prior service, and interest on prior service financing) of $63,750 were paid by the City. The State appropriated $1,262,763 for the fiscal year ending August 31, 2022 to TESRS as a whole.

Actuarial Assumptions: The TPL in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	August 31, 2022
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial assumptions	
Investment rate of return*	7.50%
Projected salary increases	N/A
* Includes inflation at	3.00%
Cost-of-living adjustments	None

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.6%) and by adding expected inflation (3.0%).

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	20%	5.8%
Small/mid Cap Domestic	10%	5.9%
Developed International	15%	6.2%
Emerging Markets	5%	7.4%
Global Infrastructure	5%	6.6%
Real Estate	10%	4.5%
Multi-asset income	5%	3.86%
Fixed Income	30%	1.95%
Total	100.00%	
Weighted Average		4.61%

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected 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.

Discount Rate Sensitivity Analysis: The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the NPL	$ 624,689	$ 403,436	$ 223,976

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At September 30, 2024, the City reported a liability of $403,436 for its proportionate share of the TESRS's TPL. This liability reflects a reduction for State pension support provided to the City.

The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	$ 403,436
State's proportionate share that is associated with the City*	106,927
	$ 510,363

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective NPL.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2022, which was rolled forward to a measurement date of August 31, 2023. GASB Statement No. 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report a NPL measured as of August 31, 2023. The City used the assumption that any differences in the NPL measured as of August 31, 2023 versus September 30, 2023 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru September 30, 2023.

At September 30, 2023, the City's proportion of the collective NPL was 0.932%, which was an increase of 0.066% from its proportion measured as of September 30, 2023.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended September 30, 2023 the City recognized pension expense of $219,429. On-behalf revenues and expenditures were immaterial and not recognized by the City.

At September 30, 2024, the City reported its proportionate share of the TESRS's deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 120,702	$ -
Changes in assumptions	-	788
Difference between expected and actual experience	5,892	-
Contributions paid to TESRS subsequent to the measurement date	63,750	-
Total	$ 190,344	$ 788

The contributions paid to TESRS subsequent to the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The net amounts of the City's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended September 30,	Pension Expense
2025	$ 31,647
2026	32,861
2027	57,184
2028	4,114
Total	$ 125,806

NOTE 4 - OTHER INFORMATION (Continued)

Other Postemployment Benefits:

TMRS Supplemental Death Benefit

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

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

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

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

Participation in the SDBF as of December 31, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to, but not yet receiving, benefits	14
Active employees	227
Total	272

Total OPEB Liability: The City's total OPEB liability of $247,984 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables. Males rates are multiplied by 103% and remale rates are multuplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence)

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	$ 30,521
Interest	8,745
Difference between expected and actual experience	(2,803)
Changes of assumptions	13,148
Benefit payments*	(4,578)
Net Changes	45,033
Beginning balance	202,951
Ending balance	$ 247,984

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

NOTE 4 - OTHER INFORMATION (Continued)

The discount rate decreased from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 302,212	$ 247,984	$ 205,985

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2024, the City recognized OPEB expense of $33,742. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 1,607	$ 36,870
Changes in actuarial assumptions	41,815	89,515
Contributions subsequent to the measurement date	3,621	-
Total	$ 47,043	$ 126,385

$3,621 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2025.

NOTE 4 - OTHER INFORMATION (Continued)

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

Year ended September 30,	OPEB Expense Amount
2025	$ (12,754)
2026	(11,637)
2027	(13,985)
2028	(19,732)
2029	(17,003)
Thereafter	(7,852)
Total	$ (82,963)

NOTE 5 – SUBSEQUENT EVENT

On October 8, 2024, the City closed on its issuance of Series 2024 Combination Tax and Revenue Certificates of Obligation (the "Certificates"). The total principal on the Certificates issued was $20,535,000 and carried interest rates from 4.00 to 5.00%. The Certificates are set to mature August 15, 2044.

NOTE 6 – CHANGE WITHIN REPORTING ENTITY

The recreation center and solid waste enterprise funds were presented as major funds in the prior year and are considered nonmajor enterprise funds in the current year.

	Reporting Units Affected by Adjustments to Beginning Balances		
	Funds		
	Recreation Center	Solid Waste	Nonmajor Enterprise
Beginning net position, previously presented	$ 3,182,149	$ 1,547,758	$ -
Change within financial reporting entity	(3,182,149)	$ (1,547,758)	$ 4,729,907
Beginning net position, as adjusted	-	-	4,729,907

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[DATE]

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We have acted as bond counsel in connection with the issuance by the City of Mont Belvieu, Texas (the "*Issuer*") of its $57,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "*Certificates*").

In rendering the opinions herein we have examined and relied upon an executed certificate; original or certified copies of the proceedings had in connection with issuance of the Certificates, including the Ordinance of the governing body of the Issuer which authorizes issuance of the Certificates (the "*Ordinance*"); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we 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.

Based upon such examination, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates are valid and legally binding obligations of the Issuer payable from the sources, and 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.

2. The Certificates are payable from and equally and ratably secured solely by a lien on and pledge of taxes within the limits prescribed by law and are further payable from and secured by a pledge of and lien on certain net revenues from the operation of the Issuer's waterworks and sanitary sewer system.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates is excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof who are individuals.

We express no other 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, "S" corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, 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.

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 change 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 or any court; 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.

Very truly yours,

/s/ Norton Rose Fulbright US LLP

Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions