

PRELIMINARY OFFICIAL STATEMENT

Dated October 13, 2025

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

NEW ISSUE - Book-Entry-Only

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

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

\$8,495,000*
CITY OF RICHMOND, TEXAS
(Fort Bend County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: November 1, 2025

Due: March 1, as shown on page 2 hereof

Interest Accrues from: ("Delivery Date")

PAYMENT TERMS . . . Interest on the \$8,495,000* City of Richmond, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery, expected November 18, 2025, to the initial Purchaser (as defined herein) thereof (the "Delivery Date") and will be payable March 1 and September 1 of each year commencing March 1, 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 principal 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" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), and constitute direct obligations of the City of Richmond, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Ordinances") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the construction or acquisition of and/or improvements to the City's water, wastewater, and surface water system, including the improvements in the Wall Street development, (ii) the construction or acquisition of and/or improvements to the City's street system and related drainage, and (iii) the cost of professional services incurred in connection therewith.

CUSIP PREFIX: 765378
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create term Certificates ("Term Certificates"), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Certificate and continuing on March 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and will be subject to the approving opinion of the Attorney General of Texas and the opinion of Hunton Andrews Kurth LLP, Houston, Texas, Bond Counsel (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 November 18, 2025.

BIDS DUE MONDAY, OCTOBER 20, 2025, AT 10:15 AM, CDT

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP Prefix: 765378 ⁽²⁾

Principal Amount*	Maturity 1-Mar	Interest Rate	Price or Yield ⁽¹⁾	CUSIP Suffix ⁽²⁾	Principal Amount*	Maturity 1-Mar	Interest Rate	Price or Yield ⁽¹⁾	CUSIP Suffix ⁽²⁾
\$ 265,000	2027				\$ 430,000	2037 ⁽³⁾			
275,000	2028				445,000	2038 ⁽³⁾			
290,000	2029				465,000	2039 ⁽³⁾			
310,000	2030				480,000	2040 ⁽³⁾			
320,000	2031				505,000	2041 ⁽³⁾			
335,000	2032				525,000	2042 ⁽³⁾			
355,000	2033				545,000	2043 ⁽³⁾			
375,000	2034				565,000	2044 ⁽³⁾			
395,000	2035 ⁽³⁾				590,000	2045 ⁽³⁾			
415,000	2036 ⁽³⁾				610,000	2046 ⁽³⁾			

- (1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (2) CUSIP Numbers have been assigned to the Certificates by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Certificates. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Neither 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 or after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Initial Purchaser may designate one or more maturities as Term Certificates. See "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION."

* Preliminary, subject to change.

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

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

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

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

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

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

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

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

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the 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 sales to dealers who may sell the Certificates into investment accounts.

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

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	5	THE WATERWORKS AND SEWERSYSTEM	28
SELECTED FINANCIAL INFORMATION	6	GENERAL	28
GENERAL FUND CONSOLIDATED STATEMENT SUMMARY	6	GROUND WATER REDUCTION PLAN AND SURFACE WATER FEES	28
CITY OFFICIALS, STAFF AND CONSULTANTS.....	7	TABLE 16 – WATERWORKS AND SEWER SYSTEM AND SURFACE WATER CONDENSED STATEMENTS OF OPERATIONS.....	29
ELECTED OFFICIALS	7	WATER AND SEWER REVENUE AND EXPENSE ..	29
SELECTED ADMINISTRATIVE STAFF.....	7	SURFACE WATER REVENUE AND EXPENSE	29
CONSULTANTS AND ADVISORS.....	7	TAX EXEMPTION	30
INTRODUCTION.....	8	OPINION OF BOND COUNSEL	30
THE CERTIFICATES	8	ALTERNATIVE MINIMUM TAX.....	30
TAX INFORMATION.....	13	OTHER TAX MATTERS	30
AD VALOREM PROPERTY TAXATION	13	ORIGINAL ISSUE DISCOUNT	31
2025 PROPERTY TAX LEGISLATION	15	CERTIFICATE PREMIUM.....	31
CITY APPLICATION OF TAX CODE	17	OTHER INFORMATION	31
TAX ABATEMENT POLICY	17	RATING.....	31
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT	18	POTENTIAL FOR GULF STORM IMPACTS	31
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY	19	LITIGATION.....	31
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY	19	REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE.....	31
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY	20	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS	32
TABLE 5 - TEN LARGEST TAXPAYERS 2025	20	LEGAL MATTERS	32
GENERAL OBLIGATION DEBT LIMITATION	20	AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION	32
TABLE 6 - TAX ADEQUACY.....	20	QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS	32
TABLE 7 - ESTIMATED OVERLAPPING DEBT.....	21	CONTINUING DISCLOSURE OF INFORMATION ...	33
DEBT INFORMATION	22	FINANCIAL ADVISOR	34
TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS	22	INITIAL PURCHASER.....	34
TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION	23	FORWARD-LOOKING STATEMENTS DISCLAIMER	34
TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT.....	23	CERTIFICATION OF THE OFFICIAL STATEMENT	34
ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT	23	MISCELLANEOUS	35
TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS.....	23	APPENDICES	
TABLE 12 – OTHER OBLIGATIONS	23	GENERAL INFORMATION REGARDING THE CITY	A
CAPITAL LEASES	23	EXCERPTS FROM THE ANNUAL FINANCIAL REPORT	B
PENSION FUND	23	FORM OF BOND COUNSEL'S OPINION.....	C
OTHER POST-EMPLOYMENT BENEFITS	23		
FINANCIAL INFORMATION.....	24		
TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY.....	24		
TABLE 14 - MUNICIPAL SALES TAX HISTORY ..	25		
FINANCIAL POLICIES	25		
INVESTMENTS.....	26		
LEGAL INVESTMENTS	26		
ADDITIONAL PROVISIONS.....	27		
TABLE 15 - CURRENT INVESTMENTS	27		

The cover page 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 Richmond is a political subdivision and municipal corporation of the State, located in Fort Bend County, Texas. The City covers approximately 4.5 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").
THE CERTIFICATES.....	The Certificates are issued as \$8,495,000* Combination Tax and Revenue Certificates of Obligation, Series 2025. The Certificates are issued as serial certificates maturing 2027 through 2046 unless the purchaser designates one or more maturities as a Term Certificate (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Delivery Date, expected to be November 18, 2025, and is payable March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").
AUTHORITY FOR ISSUANCE.....	The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Commission of the City (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").
SECURITY FOR THE CERTIFICATES.....	The Certificates constitute direct obligations of the City, payable from and secured by a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's Waterworks and Sewer System (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). In addition, if principal amounts designated in the serial maturity schedule above are combined by the Initial Purchaser (as defined herein) to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption as described herein (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION.....	In the opinion of Bond Counsel, under current law and subject to conditions described in the Section herein "Tax Exemption," interest on the Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. A holder may be subject to other federal tax consequences as described in the Section herein "TAX EXEMPTION."
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Certificates have been designated as "qualified tax-exempt obligations" for financial institutions.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with (i) the construction or acquisition of and/or improvements to the City's water, wastewater, and surface water system, including the improvements in the Wall Street development, (ii) the construction or acquisition of and/or improvements to the City's street system and related drainage, and (iii) the cost of professional services incurred in connection therewith.
RATING	The Certificates and presently outstanding tax supported debt of the City are rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement. (see "OTHER INFORMATION - RATING").

* Preliminary, Subject to change.

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 principal 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.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2021	12,504	\$ 575,276,327	\$ 46,007	\$ 30,295,000	\$ 2,423	5.27%	98.32%
2022	12,578	621,188,247	49,387	45,510,000	3,618	7.33%	99.20%
2023	13,000	770,717,123	59,286	42,940,000	3,303	5.57%	98.83%
2024	13,000	983,837,129	75,680	49,890,000	3,838	5.07%	98.52%
2025	13,000	1,095,099,122	84,238	66,205,000	5,093	6.05%	97.84% ⁽⁵⁾
2026	13,000	1,085,427,379	83,494	71,695,000 ⁽⁴⁾	5,515 ⁽⁴⁾	6.61% ⁽⁴⁾	N/A

(1) Source: The City.

(2) As reported by the Fort Bend Central Appraisal District.

(3) Includes self-supporting debt.

(4) Projected, subject to change.

(5) As of July 31, 2025.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,					
	2025 ⁽¹⁾	2024	2023	2022	2021	2020
Total Revenue	\$ 18,656,602	\$ 20,080,774	\$ 17,582,756	\$ 15,924,097	\$ 16,574,837	\$ 16,013,848
Total Expenditures	18,343,181	20,021,320	17,928,517	17,175,611	16,055,960	16,723,568
Other Sources (Uses)	1,076,427	(132,744)	1,493,088	1,229,499	1,568,990	2,038,629
Beginning Fund Balance	10,421,000	10,494,290	9,346,963	9,368,978	7,281,111 ⁽²⁾	5,820,114
Increase (decrease) in Fund Balance	1,389,848	(73,290)	1,147,327	(22,015)	2,087,867	1,328,909
Ending Fund Balance	\$ 11,810,848	\$ 10,421,000	\$ 10,494,290	\$ 9,346,963	\$ 9,368,978 ⁽³⁾	\$ 7,149,023

(1) Unaudited information through August 31, 2025.

(2) Restated.

(3) Increase due to conservative management practices during COVID-19 Pandemic and an increase in sales tax receipts.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Commission	Position	Term Expires (May)	Occupation
Rebecca Kennelly Haas	Mayor	2026	Business Owner
Terry Gaul	Commissioner Position 1	2027	Retired Exxon/Mobil
Barry Beard	Commissioner Position 2	2028	Retired
Carl Drozd	Commissioner Position 3	2027	Co-owner CED Investments, LLC & US Army, Retired
Alex BeMent	Commissioner Position 4	2028	Attorney

SELECTED ADMINISTRATIVE STAFF

Name	Position	Number of Years in Current Position	Number of Years of Municipal Experience
Terri Vela	City Manager	16 yrs	26
Lasha Gillespie	City Secretary	3 yrs	10
Isaias Preza	Director of Finance	2 yrs	14

CONSULTANTS AND ADVISORS

Auditors	Whitley Penn, LLP Houston, Texas
Bond Counsel.....	Hunton Andrews Kurth LLP Houston, Texas
Financial Advisor.....	Hilltop Securities Inc. Houston, Texas

For additional information regarding the City, please contact:

Augusto Isaias Preza
Director of Finance
City of Richmond
402 Morton Street
Richmond, Texas 77469
(281) 342-5456

or

Joe Morrow
Managing Director
Hilltop Securities Inc.
700 Milam, Suite 1200
Houston, Texas 77002
(713) 654-8690

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$8,495,000*

CITY OF RICHMOND, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$8,495,000* City of Richmond, Texas, Combination Tax and Revenue, Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") to be adopted by the City Commission of the City of Richmond (the "City") on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City was incorporated in 1837 as one of the first three cities in the Republic of Texas. The City operates under the Commission-Manager form of government. The Commission consists of a Mayor and four at-large Commission positions. All of these elected positions are volunteer. The Mayor and Commissioners are all elected at large for staggered three-year terms, with no term limits. The City provides a full range of municipal services: public safety (police and fire protection), public improvements, sanitation, repair and maintenance of infrastructure, recreation and general administrative services. The City estimates the 2025 population is 13,000. The City covers approximately 4.5 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates will accrue from the date of initial delivery (the "Delivery Date") to the Initial Purchaser (as defined herein) and mature on March 1 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on March 1 and September 1, commencing March 1, 2026. 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, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **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, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Commission.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a limited pledge of a subordinate lien on the net revenues of the City's Waterworks and Sewer System, as provided in the Ordinance authorizing the Certificates.

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, as calculated at the time of issuance. The City Commission shall have the power, and is hereby authorized, to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each One Hundred Dollars (\$100) assessed valuation of all property having a location within the corporate limits of the City and not exempt from taxation by the Constitution and laws of the State of Texas.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 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.

* Preliminary, subject to change.

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

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's 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 Financial Advisor and the City believe the source of such information to be reliable but take 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. 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 such purchases on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein is discontinued.

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

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

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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 or the Initial Purchaser.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City also covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Holders and thereafter, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the 15th day of the preceding month.

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

DEFEASANCE . . . The City reserves the right to defease the Certificates in any manner now or hereafter allowed by law.

REMEDIES OF HOLDERS OF THE CERTIFICATES . . . The Ordinance does not establish specific events of default with respect to the Certificates or provide for the appointment of a trustee to represent the interests of the Certificate holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, 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.

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

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

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 to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

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

Sources of Funds:

Par Amount of Certificates

Net Premium

Total:	\$ -
--------	------

Uses of Funds:

Deposit to Project Fund

Costs of Issuance⁽¹⁾

Underwriters' Discount

Total:	\$ -
--------	------

(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency and other costs of issuance.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TAX INFORMATION

AD VALOREM PROPERTY TAXATION

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

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

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

State law provides 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 school district in the State, (1) a \$100,000 exemption of the market value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

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

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a 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.

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total.

"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 Commission by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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.

2025 PROPERTY TAX LEGISLATION

The regular session of the 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions"). The Governor called for a special session on June 23, 2025, which commenced on July 21, 2025 and adjourned sine die on August 15, 2025 (the "First Special Session"). The Governor had identified eighteen (18) agenda items to be considered during the First Special Session. The Governor called for a second special session on August 12, 2025,

which commenced on August 15, 2025 and adjourned sine die on September 3, 2025 (the "Second Special Session"), which identified the exact same eighteen (18) agenda items that were the subject of the First Special Session. Among the items considered was "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." However, no bills related to property taxes were passed in the First Special Session or Second Special Session. The City is unable to predict the substance of such legislation or the effect, if any, it will have on the City's finances or operations. The City is still in the process of reviewing legislation passed during the 89th Regular Session, the First Special Session, and the Second Special Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding any additional legislation that may be considered during any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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.

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "— PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes unless it elects to transfer such functions to another governmental entity. Taxes are due 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.

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

PENALTIES AND INTEREST . . .Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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 \$6,000.

The City has granted an additional exemption of 3.5% of the market value of residence homesteads, minimum exemption \$5,000. See "TAX INFORMATION – LOCAL OPTION HOMESTEAD EXEMPTION."

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

The City contracts with Fort Bend County Tax Assessor/Collector for tax collection.

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

The City does tax goods-in-transit. See "TAX INFORMATION – FREEPORT AND GOODS IN TRANSIT EXEMPTIONS."

The City has not taken action to tax freeport property. See "TAX INFORMATION – FREEPORT AND GOODS IN TRANSIT EXEMPTIONS." The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes. See "TABLE 13 - MUNICIPAL SALES TAX HISTORY."

See "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for a listing of the amounts of the exemptions described above.

TAX ABATEMENT POLICY

The City has established a tax abatement policy to encourage business development within the City. In order to be eligible for designation as a reinvestment zone and receive tax abatement, the planned improvement (i) must be reasonably expected to increase the appraised value of the property in the amount of at least one million dollars after the period of abatement has expired; (ii) must be expected to prevent the loss of employment, retain or create employment for at least 50 people on a permanent basis in the City of Richmond; (iii) must not be expected to solely or primarily have the effect of transferring employment from one part of Fort Bend County to another, and (iv) must be necessary because capacity cannot be provided efficiently utilizing existing improved property when reasonable allowance is made for necessary improvements.

Tax abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. One-hundred percent of the value of new eligible properties shall be abated for up to two (2) years during the period of construction and for five (5) years thereafter. If the period of construction exceeds two (2) years, the facility shall be considered completed for purposes of abatement and in no case shall the period of abatement inclusive of construction and completion exceed seven (7) years. If a modernization project includes facility replacement, the abated value shall be the value of the new unit less the value of the old unit.

To date, the City does not have any participants receiving this abatement.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Fort Bend Central Appraisal District (excluding totally exempt property)		\$ 1,669,141,406
Less Exemptions/Reductions at 100% Market Value:		
Circuit Breaker Limit Cap Adjustment	\$ 13,962,054	
Productivity Loss	7,455,361	
Homestead Cap Adjustment	26,679,857	
Homestead Exemption	16,807,469	
Lease Vehicles Exemption	273,583	
Historical	291,398	
Disabled Veterans	13,451,214	
Over 65 Homestead Exemptions	4,835,081	
Solar	2,400,482	
House Bill 366	<u>112,926</u>	<u>565,674,202</u>
Adjustments for Exceptions		18,039,825
2025/2026 Net Taxable Assessed Valuation		<u>\$ 1,085,427,379</u> ⁽¹⁾
General Obligation Debt (as of 10/01/2025):		
Combination Tax & Revenue Certificates of Obligation	\$ 61,650,000 ⁽²⁾	
General Obligation Bonds	4,555,000 ⁽²⁾	
The Certificates	<u>8,495,000</u> ⁽²⁾⁽³⁾	<u>\$ 74,700,000</u>
Less: Budgeted Interest & Sinking Fund Balance (as of 10/1/2025)		897,632
Less: Self Supporting Water and Sewer System Debt Service		26,610,000
Less: Self Supporting Surface Water System Debt Service		13,560,000
Less: Self Supporting Economic Development Corporation of Richmond Debt Service		<u>2,560,000</u>
		\$ 43,627,632
Net General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 31,072,368</u>
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		2.86%

2025 Estimated Population - 13,000⁽⁴⁾
Per Capita Taxable Assessed Valuation - \$83,494
Per Capita Funded Debt - \$2,390

(1) Certified Valuation from the Fort Bend County Central Appraisal District. Includes approximately \$13,318,659 of value that is still pending review with the Appraisal Review Board.

(2) Includes self-supported debt.

(3) Preliminary, subject to change.

(4) Population estimate is subject to change.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ending September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family ⁽²⁾	\$ 716,735,099	42.94%	\$ 716,137,979	41.68%	\$ 629,919,300	57.03%
Real, Residential, Multi-Family	132,076,390	7.91%	159,002,912	9.25%	138,606,799	12.55%
Real, Vacant Lots/Tracts	22,392,982	1.34%	18,423,946	1.07%	14,491,648	1.31%
Real, Acreage (Land Only)	7,473,981	0.45%	7,023,625	0.41%	5,696,343	0.52%
Real, Farm and Ranch Improvements	803,253	0.05%	3,473,290	0.20%	5,716,909	0.52%
Real, Commercial and Industrial	203,705,972	12.20%	221,593,193	12.90%	203,660,997	18.44%
Real, Oil, Gas & Other Mineral Reserves	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	21,622,584	1.30%	19,283,656	1.12%	17,533,168	1.59%
Tangible Personal, Commercial and Industrial	65,803,070	3.94%	63,045,973	3.67%	62,963,000	5.70%
Tangible Personal, Other	10,377,503	0.62%	10,324,674	0.60%	10,443,197	0.95%
Real Inventory	8,120,870	0.49%	13,218,309	0.77%	15,263,319	1.38%
Special Inventory	182,799	0.01%	216,961	0.01%	279,316	0.03%
Exempt	479,846,903	28.75%	486,539,254	28.32%	-	0.00%
Total Appraised Value Before Exemptions	\$1,669,141,406	100.00%	\$ 1,718,283,772	100.00%	\$1,104,573,996	100.00%
Less: Total Exemptions/Reductions	(565,674,202)		(605,009,284)		(120,786,995)	
Adjustment for Exceptions	(18,039,825)		(18,175,366)		50,128	
Taxable Assessed Value	<u>\$1,085,427,379 ⁽¹⁾</u>		<u>\$ 1,095,099,122</u>		<u>\$ 983,837,129</u>	

(1) Certified Valuation from the Fort Bend County Central Appraisal District. Includes approximately \$13,318,659 of value that is still pending review with the Appraisal Review Board.

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	12,578	\$ 621,188,247	\$ 49,387	\$45,510,000	7.33%	\$ 3,618
2023	13,000	770,717,123	59,286	42,940,000	5.57%	3,303
2024	13,000	983,837,129	75,680	49,890,000	5.07%	3,838
2025	13,000	1,095,099,122	84,238	66,205,000	6.05%	5,093
2026	13,000	1,085,427,379 ⁽⁴⁾	83,494	71,695,000 ⁽⁵⁾	6.61% ⁽⁵⁾	5,515

(1) Source: The City. Population estimates are subject to change.

(2) As reported by the Fort Bend Central Appraisal District.

(3) Includes self-supporting debt.

(4) Certified Valuation from the Fort Bend County Central Appraisal District. Includes approximately \$13,318,659 of value that is still pending review with the Appraisal Review Board.

(5) Projected, subject to change.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$ 0.687772	\$ 0.505700	\$ 0.182100	\$ 3,915,395	98.03%	98.32%
2022	0.680000	0.508554	0.171446	4,154,318	98.52%	99.20%
2023	0.660000	0.441954	0.218046	5,009,224	98.04%	98.83%
2024	0.650000	0.429017	0.220983	6,368,301	98.11%	98.52%
2025	0.640000	0.384801	0.255199	6,814,510	97.17% ⁽¹⁾	97.84% ⁽¹⁾
2026	0.630000	0.362553	0.267447	6,838,192	N/A ⁽²⁾	N/A ⁽²⁾

(1) Collections through July 31, 2025.

(2) Tax collections start October 1, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS 2025

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Price Wildwood LLC	Apartments	\$ 46,900,085	4.32%
Ransom Road Partners LLC	Apartments	29,475,859	2.72%
The Fairway At Bellevue LP	Apartments	16,079,621	1.48%
Wal-Mart Real Estate Business Trust	Property Holdings	12,371,015	1.14%
Centerpoint Energy Electric	Utility	11,835,550	1.09%
SS Pointe West LP	Storage Unit	11,128,067	1.03%
Apex Bank	Financial/Banking	9,455,860	0.87%
Wolverine Lamar LP	Apartments	7,740,000	0.71%
Riverpoint Hospitality LLC	Hotel	7,466,494	0.69%
Wal-Mart Stores Texas LLC	Retail	7,456,379	0.69%
		<u>\$ 159,908,930</u>	<u>14.73%</u>

Source: The City.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY

2026 Principal and Interest Requirements.....	\$ 2,783,331 ⁽¹⁾
\$0.2644 Tax Rate at 97% Collection Produces	\$ 2,798,123
Average Principal and Interest Requirements (2026-2046).....	\$ 2,285,034 ⁽¹⁾
\$0.2171 Tax Rate at 97% Collection Produces	\$ 2,285,769
Maximum Principal and Interest Requirements (2027).....	\$ 2,847,209 ⁽¹⁾
\$0.2705 Tax Rate at 97% Collection Produces	\$ 2,847,999

(1) Includes the Certificates, excludes self-supporting debt. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax Certificates ("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 Certificates since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Certificates, 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 8/31/2025	Estimated % Applicable	City's Overlapping G.O. Debt 8/31/2025
Fort Bend County	\$ 1,237,428,859	0.75%	\$ 9,280,716
Fort Bend County Drainage District	21,645,000	0.75%	162,338
Lamar CISD	3,058,595,000	2.95%	90,228,553
Total Net Overlapping Debt			\$ 99,671,606
 City of Richmond	 74,700,000 ⁽¹⁾	 100.00%	 74,700,000
 Total Direct and Overlapping Funded Debt			 \$ 174,371,606
 Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation			 16.06%
Per Capita Overlapping Funded Debt			\$ 13,413

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year	Outstanding Debt Service ⁽¹⁾⁽²⁾			The Certificates ⁽³⁾			Total	Less: Self-Supporting	Less: Self-Supporting EDC	Less: Self-Supporting	Total	% of
Ended							Outstanding	Water & Sewer	of Richmond	Surface Water	Funded	Principal
9/30	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Debt Service ⁽⁴⁾	Debt Service	Debt Service ⁽⁴⁾	Debt Service Requirements	Retired
2026	\$ 3,005,000	\$ 2,782,673	\$ 5,787,673	\$ -	\$ 290,075	\$ 290,075	\$ 6,077,748	\$ 1,876,572	\$ 253,513	\$ 1,164,333	\$ 2,783,331	
2027	3,050,000	2,655,979	5,705,979	265,000	362,375	627,375	6,333,354	2,066,669	257,119	1,162,358	2,847,209	
2028	3,165,000	2,523,304	5,688,304	275,000	348,875	623,875	6,312,179	2,063,903	250,519	1,159,708	2,838,050	
2029	3,315,000	2,384,073	5,699,073	290,000	334,750	624,750	6,323,823	2,067,397	253,713	1,161,308	2,841,406	
2030	3,210,000	2,242,551	5,452,551	310,000	319,750	629,750	6,082,301	2,067,966	256,494	1,156,783	2,601,059	22.60%
2031	3,330,000	2,097,673	5,427,673	320,000	304,000	624,000	6,051,673	2,060,700	253,916	1,146,151	2,590,906	
2032	3,490,000	1,947,351	5,437,351	335,000	287,625	622,625	6,059,976	2,061,450	255,975	1,144,820	2,597,731	
2033	3,635,000	1,792,345	5,427,345	355,000	270,375	625,375	6,052,720	2,060,950	257,544	1,137,495	2,596,731	
2034	3,780,000	1,629,701	5,409,701	375,000	252,125	627,125	6,036,826	2,066,975	258,619	1,124,120	2,587,112	
2035	3,815,000	1,462,864	5,277,864	395,000	232,875	627,875	5,905,739	2,055,225	254,375	1,011,214	2,584,925	49.15%
2036	3,845,000	1,300,486	5,145,486	415,000	214,700	629,700	5,775,186	2,056,156	254,956	1,008,674	2,455,400	
2037	4,000,000	1,137,670	5,137,670	430,000	197,800	627,800	5,765,470	2,048,469	255,263	1,009,520	2,452,219	
2038	3,415,000	978,963	4,393,963	445,000	180,300	625,300	5,019,263	2,053,031	255,156	610,075	2,101,000	
2039	3,060,000	835,350	3,895,350	465,000	162,100	627,100	4,522,450	2,000,650	-	611,125	1,910,675	
2040	3,195,000	695,700	3,890,700	480,000	143,200	623,200	4,513,900	2,001,325	-	611,350	1,901,225	75.59%
2041	3,335,000	549,775	3,884,775	505,000	123,500	628,500	4,513,275	2,003,800	-	610,725	1,898,750	
2042	3,480,000	404,425	3,884,425	525,000	102,900	627,900	4,512,325	1,997,250	-	609,600	1,905,475	
2043	3,375,000	263,600	3,638,600	545,000	81,500	626,500	4,265,100	1,745,800	-	612,900	1,906,400	
2044	2,580,000	139,275	2,719,275	565,000	59,300	624,300	3,343,575	1,309,400	-	610,300	1,423,875	
2045	2,125,000	42,500	2,167,500	590,000	36,200	626,200	2,793,700	1,309,600	-	606,900	877,200	99.18%
2046	-	-	-	610,000	12,200	622,200	622,200	362,100	-	-	260,100	100.00%
	<u>\$ 66,205,000</u>	<u>\$ 27,866,259</u>	<u>\$ 94,071,259</u>	<u>\$ 8,495,000</u>	<u>\$ 4,316,525</u>	<u>\$ 12,811,525</u>	<u>\$ 106,882,784</u>	<u>\$ 39,335,388</u>	<u>\$ 3,317,159</u>	<u>\$ 18,269,456</u>	<u>\$ 45,960,781</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."

(3) Interest on the Certificates has been calculated for the purpose of illustration. Preliminary, subject to change.

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

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2026		\$ 6,077,748
Budgeted Interest and Sinking Fund, 9/30/2025	\$ 897,632	
Budgeted Interest and Sinking Fund Tax Collections	2,929,779	
Budgeted Transfer from Water and Sewer Fund	2,056,862	
Budgeted Interest Income	66,000	
Budgeted Transfer from Development Corporation of Richmond	253,513	
Budgeted Transfer from Surface Water Fund	<u>1,352,791</u>	<u>7,556,577</u>
Estimated Balance, 9/30/2026		<u>\$ 1,478,829</u>

(1) Source: The City.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Revenues Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9/30/2025	\$ 2,352,530	(1)
Less: Revenue Debt Service Requirements, Fiscal Year Ended 9/30/2026	<u>-</u>	
Estimated Balance	\$ 2,352,530	
Water and Sewer System estimated Debt Service for Fiscal Year Ended 9/30/2026.	\$ 1,861,243	
Percentage of Water and Sewer System Certificates Self-Supporting	100.00%	
Revenues Available for Debt Service from Surface Water System, Fiscal Year End 9/30/2025.	\$ 2,259,661	(1)
Less: Revenue Debt Service Requirements, Fiscal Year Ended 9/30/2026.	<u>-</u>	
Estimated Balance	\$ 2,259,661	
Surface Water System Estimated debt service for Fiscal year Ended 9/30/2025.	\$ 1,164,333	
Percentage of Surface Water System General Obligation Bonds Self-Supporting	100.00%	
Revenues Available for Debt Service from Economic Development Corporation of Richmond, Fiscal Year Ended 9/30/2025	\$ 2,670,000	(1)
Less: Revenue Debt Service Requirements, Fiscal Year Ended 9/30/2026	<u>-</u>	
Estimated Balance	\$ 2,670,000	
Economic Development Corporation of Richmond Estimated debt service for Fiscal Year Ended 9/30/2026.	\$ 253,513	
Percentage of Development Corporation of Richmond General Obligation Bonds Self-Supporting	100.00%	

(1) Unaudited information through August 31, 2025.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt backed by ad valorem taxes for projects in the next twelve months.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has \$7,812,000 of authorized but unissued bonds remaining from the bond election held in 2003 for water and wastewater improvements. The City issued Certificates of Obligation in 2004 for \$3,055,000 in projects similar to those authorized in the election but does not currently intend to issue its additional general obligation bonds from the authorization provided by the 2003 election.

TABLE 12 – OTHER OBLIGATIONS

Other than the general obligation debt described herein, the City has no other obligations as of fiscal year end September 30, 2025.

CAPITAL LEASES . . . The City has no capital leases outstanding as of fiscal year ended September 30, 2025.

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" – Section II, Note F.)

OTHER POST-EMPLOYMENT BENEFITS . . . The City does not offer any post-employment benefits.

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30,					
	2025 ⁽¹⁾	2024	2023	2022	2021	2020
Revenues:						
General Property Taxes	\$ 4,061,347	\$ 4,106,549	\$ 3,408,315	\$ 3,177,876	\$ 3,003,648	\$ 3,030,527
Sales Taxes	7,967,161	8,305,286	7,407,332	6,699,051	7,288,162	5,679,465
Franchises	649,104	739,164	754,873	756,687	743,722	768,560
Licenses and Permits	832,407	560,773	461,932	598,225	664,876	297,947
Charges for Services	3,859,321	4,215,948	4,082,658	3,613,585	3,328,942	4,919,021
Fines and Forfeitures	471,180	425,166	202,890	209,075	181,516	271,746
Intergovernmental	182,615	917,840	758,592	748,350	1,219,610	927,042
Investment Earnings	468,820	573,598	-	-	-	-
Other Revenues	164,647	236,450	506,164	121,248	144,361	119,540
Total Revenues	<u>\$18,656,602</u>	<u>\$20,080,774</u>	<u>\$17,582,756</u>	<u>\$15,924,097</u>	<u>\$16,574,837</u>	<u>\$16,013,848</u>
Expenditures:						
General Government	\$ 4,162,723	\$ 4,946,572	\$ 4,263,063	\$ 4,615,724	\$ 3,914,461	\$ 3,361,669
Public Safety	10,980,971	11,469,969	10,442,253	9,557,034	9,422,889	8,772,801
Public Works	1,666,058	1,865,892	1,609,356	1,475,489	1,471,454	3,335,905
Culture and Recreation	525,863	621,287	569,250	454,334	951,721	816,862
Community Development	1,007,566	1,092,400	1,019,395	1,008,949	255,227	298,009
Capital Outlay	-	-	-	64,081	40,208	138,322
Debt Service	-	25,200	25,200	-	-	-
Total Expenditures	<u>\$18,343,181</u>	<u>\$20,021,320</u>	<u>\$17,928,517</u>	<u>\$17,175,611</u>	<u>\$16,055,960</u>	<u>\$16,723,568</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 313,421	\$ 59,454	\$ (345,761)	\$ (1,251,514)	\$ 518,877	\$ (709,720)
Total Other Sources (Uses)	\$ 1,076,427	\$ (132,744)	\$ 1,493,088	\$ 1,229,499	\$ 1,568,990	\$ 2,038,629
Fund Balance, Beginning of Year	\$10,421,000	\$10,494,290	\$ 9,346,963	\$ 9,368,978	\$ 7,281,111 ⁽²⁾	\$ 5,820,114
Fund Balance, End of Year	<u>\$11,810,848</u>	<u>\$10,421,000</u>	<u>\$10,494,290</u>	<u>\$ 9,346,963</u>	<u>\$ 9,368,978 ⁽³⁾</u>	<u>\$ 7,149,023</u>

(1) Unaudited information through August 31, 2025.

(2) Restated.

(3) Increase due to conservative management practices during COVID-19 Pandemic and an increase in sales tax receipts.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, 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 General Obligation Debt Service. 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. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional on-half of one percent (1/2 of 1%) for property tax reduction. The sales and use tax for economic development is collected solely for the benefit of Development Corporation Richmond (the "Richmond EDC") and may be pledged to secure payment of sales tax revenue bonds issued by the Richmond EDC. The sales taxes collected for the benefit of the Richmond EDC are not included in the table below. Revenue from the 1% Local Sales and Use Tax and ½ of 1% for property tax reduction for the years shown, has been included in the table below:

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2020	\$ 5,679,465	144.74%	\$ 1.0209	\$ 454.98
2021	7,288,162	186.14%	1.2669	582.87
2022	6,699,051	161.26%	1.0784	532.60
2023	7,404,332	147.81%	0.9607	569.56
2024	8,305,286	130.42%	0.7584	638.87
2025	7,967,161 ⁽²⁾	116.91%	0.7340	612.86

(1) Includes the sales tax reduction of property taxes; does not include the sales tax for economic development.

(2) As of August 31, 2025.

FINANCIAL POLICIES

Basis of Accounting . . . The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

General Fund Balance . . . The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

Capital Projects Fund . . . Capital Projects Funds are used to account for the financial resources which are to be used for the acquisition or construction of major capital facilities.

Budgetary Procedures . . . Thirty days prior to adoption of a formal budget, the City Manager files with the City Secretary a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers' comments. Prior to October 1, the budget is adopted and legally enacted through passage of an ordinance.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) Certificates issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) 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 of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of ninety (90) days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (10) through (12) above, 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two (2) years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (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.

ADDITIONAL PROVISIONS

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Commission; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 15 - 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
Texpool	44.46%	\$ 36,852,020	\$ 36,852,020
Texas CLASS	46.55%	38,579,478	38,579,478
Certificates of Deposit	2.96%	2,450,000	2,448,752
Agencies	6.03%	5,005,784	5,005,624
Total	100.00%	\$ 82,887,282	\$ 82,885,874

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

THE WATERWORKS AND SEWER SYSTEM

GENERAL

The City owns and operates its water supply, storage, and distribution facilities and provides services to approximately 10,216 customers of which 1,752 are wholesales connections. The City's water is supplied by six ground wells and a surface water treatment plant. As of July 31, 2025, the City's water system, including wholesale customers, consists of 145.1 miles of water mains and 1,142 fire hydrants. As of July 31, 2025, the system had average daily production of 3.59 million gallons and a maximum daily production capacity of 13.8 million gallons. Wastewater treatment is provided by the Richmond Regional Wastewater Treatment Plant to serve the City and its wholesale customers. The City operates and maintains a total of 124.2 miles of wastewater lines and 2,842 manholes. The plant had average daily treatment of 1.9 million gallons per day as of July 31, 2025. Currently, the wastewater treatment plant has a maximum daily treatment capacity of 3 million gallons per day. A portion of the City's outstanding \$7,465,000 Tax and Revenue Certificates of Obligation, Series 2015, \$1,110,000 Tax Revenue Certificates of Obligation, Series 2016A and \$4,010,000 Tax and Revenue Certificates of Obligation, Series 2017A are paid from system revenues. In addition, a portion of the City's outstanding \$3,570,000 General Obligation and Refunding Bonds, Series 2013 are paid from system revenues.

GROUND WATER REDUCTION PLAN AND SURFACE WATER FEES

To meet the Fort Bend Subsidence District (FBSD) regulations, the City approved a Groundwater Reduction Plan (GRP) that outlines the City's planned strategies for meeting the mandated conversion to non-groundwater sources. Under the FBSD regulations, 30% of the City's total water demand must be supplied by sources other than groundwater by March 2016 and 60% of the City's water demand must be supplied by sources other than groundwater by 2027. The City has completed the first phase of the surface water treatment plant (SWTP), which has allowed the City to transition from groundwater to surface water. The SWTP has been constructed with an initial production capacity of 2.0 million gallons per day (MGD) (Phase I), with capability for future expansion to 4.0 MGD (Phase II). The SWTP opened in March 2018 and is delivering water to Richmond customers. In order to meet the 2027 conversion requirements, the City will consider options including the expansion of the SWTP and water reuse among other options. Revenue from groundwater reduction fees are deposited into the City's Water and Sewer Proprietary fund from all GRP participants, including City utility customers. The GRP fee is currently \$2.98 per 1,000 gallons pumped. The GRP fee combined with water and sewer user fees will be increased in amounts estimated to be sufficient to pay the debt service on the City's general obligation system debt service currently outstanding and the Certificates. The Certificates are secured by a pledge of both ad valorem taxes and a limited pledge of a subordinate lien on the net revenues of the City's Waterworks and Sewer System; however, it is the intention of the City to pay for the Certificates from such net revenues. Should there be a shortfall in available net revenues, the City would then be required to levy taxes sufficient with other available funds to pay principal and interest on the Certificates, but taxes are levied annually in September of each year and become delinquent by February 1, so that the City would need to anticipate the shortfall in order to timely levy taxes. The surface water fund has an unaudited general-purpose reserve equal to \$7,356,172 with \$8,485,055 unrestricted as of September 30, 2024. As a goal, the fund is planned to carry a general-purpose reserve equal to two months of operating expenses of the surface water treatment plant and 50% of the ensuing years' debt payment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE 16 – WATERWORKS AND SEWER SYSTEM AND SURFACE WATER CONDENSED STATEMENTS OF OPERATIONS

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditure identified as capital. Does not include surface water fund.

WATER AND SEWER REVENUE AND EXPENSE

	Fiscal Year Ended September 30,					
	2025 ⁽¹⁾	2024	2023	2022	2021	2020
Revenues:						
Charges for Services	\$ 8,290,451	\$ 10,587,277	\$ 10,753,275	\$ 11,642,760	\$ 10,230,133	\$ 10,596,436
Interest Revenue	735,236	1,364,187	1,070,080	35,741	6,066	51,563
Impact Fees	434,368	2,674,666	236,435	-	-	-
Miscellaneous	1,765	1,434	7,071	-	600	1,611
Total Revenues	\$ 9,461,820	\$ 14,627,564	\$ 12,066,861	\$ 11,678,501	\$ 10,236,799	\$ 10,649,610
Operating Expenses:						
Personnel	\$ 2,295,948	\$ 2,734,430	\$ 2,654,992	\$ 2,116,429	\$ 2,305,751	\$ 2,304,423
Supplies	500,424	575,642	519,928	517,766	176,340	207,105
Contracted Services	895,594	1,187,751	1,127,059	897,703	1,137,305	624,091
Other	1,259,503	1,543,531	948,697	1,035,932	876,147	1,149,797
Overhead Allocation	2,157,821	2,936,731	2,936,731	3,023,646	2,791,255	2,549,650
Total Operating Expenses	\$ 7,109,290	\$ 8,978,085	\$ 8,187,407	\$ 7,591,476	\$ 7,286,798	\$ 6,835,066
Net Available for Debt Service	\$ 2,352,530	\$ 5,649,479	\$ 3,879,454	\$ 4,087,025	\$ 2,950,001	\$ 3,814,544
Water Customers	8,464	8,437	8,323 ⁽²⁾	8,565 ⁽²⁾	8,989	8,551
Sewer Customers	8,111	8,088	7,980 ⁽²⁾	8,227 ⁽²⁾	8,647	8,209

(1) Unaudited information as of August 2025.

(2) Drop in customer number is due to Fort Bend County MUD No. 140 now being treated as a single connection, but it still pays the City the same revenue.

SURFACE WATER REVENUE AND EXPENSE

	Fiscal Year Ended September 30,					
	2025 ⁽¹⁾	2024	2023	2022	2021	2020
Revenues:						
Charges for Services	\$ 3,403,541	\$ 4,975,563	\$ 5,441,606	\$ 4,642,672	\$ 3,317,916	\$ 3,536,354
Interest Revenue	330,299	451,591	327,968	9,003	4,346	58,001
Miscellaneous	306	119	424	50	4,320	754
Total Revenues	\$ 3,734,146	\$ 5,427,273	\$ 5,769,998	\$ 4,651,725	\$ 3,326,582	\$ 3,595,109
Operating Expenses:						
Personnel	\$ 246,570	\$ 322,748	\$ 292,544	\$ 279,994	\$ 273,089	\$ 270,601
Supplies	462,375	450,711	385,434	276,123	176,816	171,957
Contracted Services	165,975	204,145	233,192	161,649	561,334	242,602
Other	599,565	1,302,918	1,042,839	623,975	587,647	583,322
Total Operating Expenses	\$ 1,474,485	\$ 2,280,522	\$ 1,954,009	\$ 1,341,741	\$ 1,598,886	\$ 1,268,482
Net Available for Debt Service	\$ 2,259,661	\$ 3,146,751	\$ 3,815,989	\$ 3,309,984	\$ 1,727,696	\$ 2,326,627
Water Customers	8,464	8,437	8,323 ⁽²⁾	8,565 ⁽²⁾	8,989	8,551
Sewer Customers	8,111	8,088	7,980 ⁽²⁾	8,227 ⁽²⁾	8,647	8,209

(1) Unaudited information as of August 2025.

(2) Drop in customer number is due to Fort Bend County MUD No. 140 now being treated as a single connection, but it still pays the City the same revenue.

TAX EXEMPTION

OPINION OF BOND COUNSEL

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

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

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

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

ALTERNATIVE MINIMUM TAX

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

Applicable Corporations – Bond Counsel's opinion also states that under current law interest on the Certificates is taken into account by applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an "applicable corporation" generally is a corporation with average annual adjusted financial statement income for a 3-taxable-year period ending after December 31, 2021 that exceeds \$1 billion.

OTHER TAX MATTERS

The Certificates have been designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

In addition to the matters addressed above, prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to the applicability and impact of such consequences.

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

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

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

ORIGINAL ISSUE DISCOUNT

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

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

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

CERTIFICATE PREMIUM

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

OTHER INFORMATION

RATING

The Certificates and presently outstanding tax supported debt of the City are rated "AA-" by S&P 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 respective 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 the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

POTENTIAL FOR GULF STORM IMPACTS

The City is located near the Gulf Coast area. All of the U.S. Gulf Coast is subject to hurricanes, tropical storms and other weather events that can cause the loss of life and damage to property through weather events that include strong winds, storm surges, flooding and heavy rains. As has been seen in recent hurricanes that have landed along the U.S. Gulf Coast, such weather events can cause substantial interruption of business activity. In the event of a severe storm in the vicinity of the City, the City could experience reduced business activity for a prolonged period, which would adversely affect the receipts of service fees and revenues and possibly its ability to pay contractual commitments and debt obligations. As a result of the damage caused by the hurricanes, the City has had to make significant repairs and replacements to its systems. The costs for most of the system repairs have been paid from insurance proceeds or federal relief funds. Additional hurricanes striking the area of the City in the future could result in decreases in population, taxable assessed valuations and require additional system repairs.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel in substantially the forms attached hereto as APPENDIX C.

Certain legal matters relating to the authorization and validity of the Certificates will be subject to the approving opinion of Hunton Andrews Kurth LLP, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Certificates, in substantially the form set forth as Appendix C (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Certificates and to the tax-exempt status of interest thereon as described in the section "Tax Exemption". Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Certificates, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. The legal fee to be paid to 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 with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution", on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item." The City expects that the Certificates will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (i) within six (6) 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 the Official Statement under Tables 1 through 6 and Tables 8 through 16, and including financial statements of the City if audited financial statements of the City are then available, and (ii) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded Fiscal Year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such 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 financial statements becomes available.

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

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

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in United States Securities and Exchange Commission Rule 15c2-45 (the "Rule")) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

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. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such

Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

MISCELLANEOUS

The Ordinance also approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Certificates by the Initial Purchaser.

Mayor
City of Richmond, Texas

ATTEST:

City Secretary

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THIS PAGE INTENTIONALLY LEFT BLANK

THE CITY

GENERAL INFORMATION REGARDING THE CITY

The City is located in the Gulf Coast area of Texas, approximately 29 miles southwest of Houston. The City of Richmond has an estimated population of 13,000 as of 2025 and borders the City of Rosenberg, having a population of approximately 39,350. The Richmond/Rosenberg area is surrounded by several smaller communities, making it one of the larger retail centers in Fort Bend County, which had a total 2020 census population of over 822,779.

MANAGEMENT OF THE CITY

The City of Richmond was incorporated in 1837 and adopted a Home Rule Charter in 2013. The City operates under a Commission/Manager form of government with a City Commission comprised of the Mayor and four Commission members. All powers of the City are vested in the City Commission which enacts local legislation, adopts budgets, determines policies, and employs the City Manager. The City Manager is the Chief Executive Officer and head of the Administrative Branch of the City government. The City Commission determines the goals of the City and operates as a policy making body. The City Manager executes the policies of the Commission concerning matters of policy, personnel and budgeting.

The City provides the full range of services including: public safety (police and fire), streets, water and wastewater utilities, solid waste, code enforcement, parks and recreation, public improvements, community and economic development, planning and general administrative services.

INDUSTRY AND BUSINESS

Major industries and business activities in the area include electric utilities, machining, food manufacturing, telecommunications services, steel pipe and tubing manufacturing, polymerized plastics, engineering, oil and gas services and a variety of general retail operations.

TOP AREA EMPLOYERS

The following are the major employers located within Fort Bend County.

Company	Type	Estimated Employees
Lamar Consolidated ISD	Education	6,174
Fort Bend County	Government	3,456
Richmond State School	Government	1,300
Oak Bend Medical Center & Hospital	Medical	1,089
HEB Grocery Company	Grocery	500
WalMart	Retail	348
NRG WA Parish Power Plant	Energy Provider	344
Wharton County Junior College	Education	325
Access Health	Medical	265
City of Richmond	Government	183

THE COUNTY

Fort Bend County is part of the Houston MSA and shares in a diversified economy. The Texas Almanac designates rice, cotton, sorghum, and soybeans as principal sources of agricultural income.

LABOR STATISTICS

	June 2025	Fort Bend County Average Annual				
		2024	2023	2022	2021	2020
Civilian Labor Force	478,654	470,816	432,297	418,649	409,802	402,949
Employed	459,007	451,442	415,144	402,222	385,666	372,145
Unemployed	19,647	19,374	17,153	16,427	24,136	30,804
Percent Unemployed	4.10%	4.11%	3.97%	3.92%	5.89%	7.64%

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

EXCERPTS FROM THE
CITY OF RICHMOND, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Richmond, Texas Annual 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.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Richmond, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Richmond, 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, the discretely presented component unit, 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. 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.

To the Honorable Mayor and
Members of the City Commission
City of Richmond, Texas

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 management's discussion and analysis, general fund budgetary comparison schedule, pension information, and other post-employment benefits information, 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.

To the Honorable Mayor and
Members of the City Commission
City of Richmond, Texas

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
February 17, 2025



MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF RICHMOND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richmond (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$119.0 million (*net position*). Of this amount, \$23.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$14.4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24.0 million, an increase of \$3.7 million over the prior year. Approximately 36% of this total amount, \$8.6 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include the City itself (known as the *primary government*), but also a legally separate Development Corporation of Richmond. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 21 through 23 of this report.

CITY OF RICHMOND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund and ARPA Grant Fund, which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 24 through 27 of this report.

Proprietary Funds

The City maintains three types of proprietary funds, which are used to report the same functions presented as business-type activities in the government wide financial statements. The City uses enterprise funds to account for its water and sewer utility, surface water, and solid waste activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and surface water fund which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28 through 30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 58 of this report.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees and budgetary comparisons. Required supplementary information can be found on pages 60 through 67 of the City's Annual Comprehensive Financial Report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 70 of the City's Annual Comprehensive Financial Report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$119.0 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position, 65%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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 capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the City's net position at September 30, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 32,253,891	\$ 25,951,622	\$ 37,648,594	\$ 36,929,499	\$ 69,902,485	\$ 62,881,121
Capital assets	48,868,393	34,314,216	68,429,399	63,404,558	117,297,792	97,718,774
Total Assets	81,122,284	60,265,838	106,077,993	100,334,057	187,200,277	160,599,895
Deferred Outflows of Resources	2,823,813	4,394,567	705,953	894,671	3,529,766	5,289,238
Current and other liabilities	7,844,525	4,827,884	4,245,614	3,385,669	12,090,139	8,213,553
Long-term liabilities	35,130,026	27,399,623	24,096,486	25,345,996	59,226,512	52,745,619
Total Liabilities	42,974,551	32,227,507	28,342,100	28,731,665	71,316,651	60,959,172
Deferred Inflows of Resources	358,276	315,571	89,569	83,480	447,845	399,051
Net investment in capital assets	26,136,944	21,297,429	50,755,203	49,485,830	76,892,147	70,783,259
Restricted	3,515,364	2,369,733	14,885,184	11,592,770	18,400,548	13,962,503
Unrestricted	10,960,962	8,450,165	12,711,890	11,334,983	23,672,852	19,785,148
Total Net Position	\$ 40,613,270	\$ 32,117,327	\$ 78,352,277	\$ 72,413,583	\$ 118,965,547	\$ 104,530,910

An additional portion of the City's net position, 15%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$23,672,852, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased to \$118,965,547 during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table summarizes the changes in net position for the City for the years ended September 30, 2024 and 2023:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenue:						
Charges for services	\$ 5,316,584	\$ 4,760,434	\$ 19,657,984	\$ 17,858,192	\$ 24,974,568	\$ 22,618,626
Operating grants and contributions	1,580,662	1,180,305	-	-	1,580,662	1,180,305
Capital grants and contributions	1,746,453	3,592,734	976,595	1,313,170	2,723,048	4,905,904
General revenues:						
Property taxes	6,350,516	5,107,300	-	-	6,350,516	5,107,300
Sales and use taxes	8,305,286	7,407,332	-	-	8,305,286	7,407,332
Franchise taxes	739,164	754,873	-	-	739,164	754,873
Hotel/motel taxes	433,466	380,122	-	-	433,466	380,122
Unrestricted investment earnings	1,451,867	1,038,327	1,829,004	1,402,484	3,280,871	2,440,811
Miscellaneous	392,009	106,785	1,000	-	393,009	106,785
Total Revenues	26,316,007	24,328,212	22,464,583	20,573,846	48,780,590	44,902,058
Expenses:						
General government	5,057,787	4,402,711	-	-	5,057,787	4,402,711
Public safety	11,645,034	11,219,150	-	-	11,645,034	11,219,150
Public works	2,439,421	3,103,114	-	-	2,439,421	3,103,114
Culture and recreation	752,679	694,733	-	-	752,679	694,733
Community development	1,163,236	1,085,316	-	-	1,163,236	1,085,316
Agency fees and issuance costs	192,979	109,462	-	-	192,979	109,462
Interest on long-term debt	921,226	622,704	-	-	921,226	622,704
Water and Sewer	-	-	8,027,520	6,978,327	8,027,520	6,978,327
Surface Water	-	-	3,283,583	3,005,067	3,283,583	3,005,067
Solid Waste	-	-	862,488	822,222	862,488	822,222
Total Expenses	22,172,362	21,237,190	12,173,591	10,805,616	34,345,953	32,042,806
Increase in net position before transfers	4,143,645	3,091,022	10,290,992	9,768,230	14,434,637	12,859,252
Transfers	4,352,298	3,768,659	(4,352,298)	(3,768,659)	-	-
Change in net position	8,495,943	6,859,681	5,938,694	5,999,571	14,434,637	12,859,252
Net Position - Beginning, restated	32,117,327	25,257,646	72,413,583	66,414,012	104,530,910	91,671,658
Net Position - Ending, restated	\$ 40,613,270	\$ 32,117,327	\$ 78,352,277	\$ 72,413,583	\$ 118,965,547	\$ 104,530,910

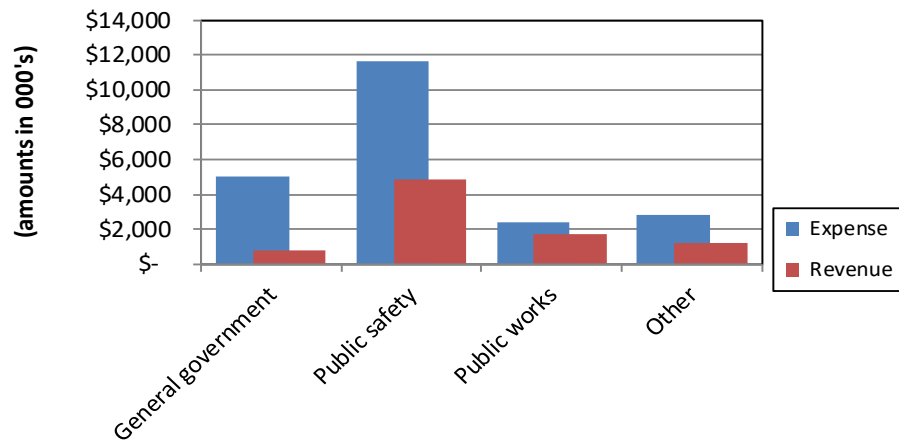
Governmental Activities

Governmental activities increased the City's net position by approximately \$8,495,943 , or 26%, of beginning net position. The key elements of this increase are as follows:

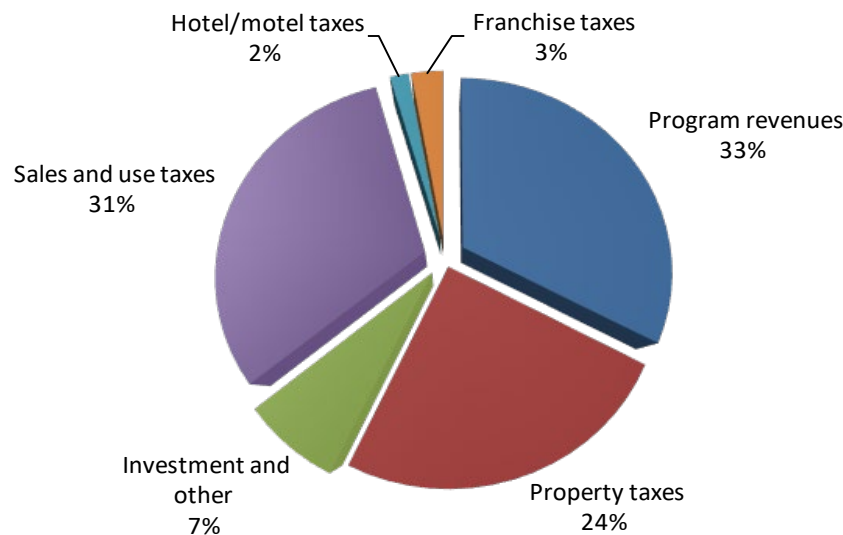
- Transfers from the water & sewer fund (business-type activity) are made to subsidize the general fund (governmental activity) for indirect costs associated with the operations of the business-type activity which are funded through the general fund departments such as vehicle maintenance, information technology, public safety, etc.
- Property tax revenues increased due to continued growth in the tax base from both new construction and appreciation of existing properties.
- Charges for services revenues increased due to an increase in fire protection fee rates. Sales and use tax revenue increased due to both population and economic growth.
- Additionally, the City benefited from higher interest revenue due to a high-interest rate market.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparison of program expenses to program revenues follows:



Revenue sources for governmental activities were distributed as follows:

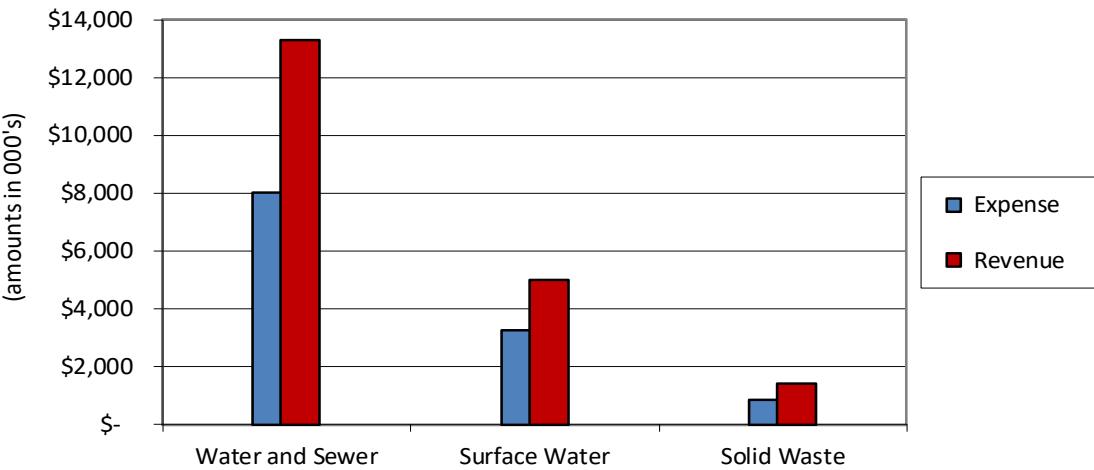


Business-Type Activities

Business-type activities increased the City's net position by \$5,938,694. This was caused by operating revenues (charges for services) of the business-type activities increasing by \$1,799,792. This increase primarily resulted from one-time collections of water and wastewater impact fees totaling \$2.5 million, driven by new development throughout the City. Additionally, the City benefited from higher interest revenue due to a high-interest rate market.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for water and sewer and surface water activities follows:



Revenue sources for business-type activities were almost entirely comprised of charges for water and sewer, surface water, and solid waste services.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$24,032,264, a \$3,695,043 increase from the prior year. Sales and use taxes increased \$0.9 million or 12% that resulted from the population growth and property tax revenues increased \$1.14 million or 22% due to the continued growth in the tax base from both new construction and appreciation of existing properties. Additionally, investment revenues increased \$0.4 million or 43% due to a high-interest rate market.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$8,565,628. The General Fund fund balance decreased by \$73,290 from prior year. In past fiscal years, the general fund balance increased due to a conservative approach to sales tax revenue projections. This approach generated a surplus exceeding the 90-day general fund policy threshold. The City utilized part of this surplus to purchase the new City Hall, transferring \$1,432,578 from the general fund to the general cash CIP. Despite this expenditure, the general fund experienced only a modest drawdown of \$73,290.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$10,095,047, an increase of \$2,633,293 from the prior year. The increase was due to proceeds from the issuance of certificates of obligations and transfers from other funds to subsidize current and future planned capital expenditures.

The ARPA Grant Fund accounts for the proceeds of grant funds received under the American Rescue Plan Act. For the current year, \$432,609 in expenditures were incurred. Funds received but not yet expended totaled \$1,447,268 and are recorded as unearned revenue.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds

The City maintains three types of proprietary funds. Proprietary funds are used to report the same type of information found in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility, surface water utility, and solid waste utility.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$3,805,640 or 47% annual operating and non-operating expenses for the fund. Total net position for the Water and Sewer Fund at the end of the year increased by \$3,927,194 or 7% due to significant investments in capital assets.

The Surface Water Fund had an unrestricted net position of \$8,485,055 or 258% of annual operating and non-operating expenses for the fund. Unrestricted net position of the Surface Water Fund increased primarily due to charges for groundwater reduction services resulting from higher usage.

The Solid Waste Fund had an unrestricted net position of \$421,195 or 49% of annual operating and non-operating expenses for the fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$1,432,579 due to a one-time transfer for the purchase of a new City Hall, which the City was able to absorb through excess fund balance over 90 day policy.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2024, the City's governmental activities and business-type activities had invested \$48,868,393 and \$68,429,399, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$14,554,177, or 42% over the end of last fiscal year for the governmental activities' capital assets and an increase of \$5,024,841 or 8% for the business-type activities.

The following table shows the balances at September 30, 2024 and 2023:

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land and intangibles	\$ 4,102,460	\$ 4,084,465	\$ 1,936,937	\$ 1,936,937	\$ 6,039,397	\$ 6,021,402
Construction in progress	16,001,801	11,496,017	14,009,796	11,640,952	30,011,597	23,136,969
Capital assets, net of depreciation/amortization:						
Buildings	15,530,474	9,372,589	25,437,687	25,995,204	40,968,161	35,367,793
Improvements other than buildings	4,570,402	2,763,277	5,287,480	2,457,326	9,857,882	5,220,603
Infrastructure	4,563,246	3,081,165	21,466,320	21,151,044	26,029,566	24,232,209
Machinery and equipment	4,057,410	3,441,594	291,179	223,095	4,348,589	3,664,689
Subscriptions	42,600	75,109	-	-	42,600	75,109
Total Capital Assets, Net	\$ 48,868,393	\$ 34,314,216	\$ 68,429,399	\$ 63,404,558	\$ 117,297,792	\$ 97,718,774

Significant additions included street, drainage and water and sewer improvements. Developer reimbursements of \$3.57 million were included in construction in process.

Additional information on the City's capital assets can be found in Note 2.C. to the basic financial statements of this report.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,520,000. This is an increase from the prior year of \$4,580,000 primarily due the issuance of its Series 2023a certificates of obligation in the amount of \$6,950,000. The entire amount of bonded debt, to include general obligation and certificates of obligation, is backed by the full faith and credit of the City.

A schedule of long-term debt September 30, 2024 and 2023, follows:

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Bonds payable						
General obligation bonds	\$ 4,960,000	\$ 5,650,000	\$ -	\$ -	\$ 4,960,000	\$ 5,650,000
Certificates of obligation	20,065,000	13,830,000	22,495,000	23,460,000	42,560,000	37,290,000
Bond issuance						
premiums/discounts	1,139,021	990,994	1,073,658	1,142,394	2,212,679	2,133,388
Loan payable	4,000,000	-	-	-	4,000,000	-
Compensated absences	1,846,476	1,501,278	247,433	206,039	2,093,909	1,707,317
Subscriptions	16,598	40,833	-	-	16,598	40,833
Total Long-Term Liabilities	\$ 32,027,095	\$ 22,013,105	\$ 23,816,091	\$ 24,808,433	\$ 55,843,186	\$ 46,821,538

On November 2, 2017, Standard & Poor's Ratings Services affirmed its long-term debt rating and underlying rating (SPUR) on the City's general obligation (GO) of 'AA-'. The General Obligation Refunding Bonds Series 2020 received a SPUR rating of 'AA' as well. The outlook is stable.

Additional information on the City's long-term debt can be found in Note 2.D. to the basic financial statements of this report.

Economic Factors

The planned development of over 1,000 acres of prime ranch land along the City's Interstate 69 (I-69) corridor continues to drive economic speculation and activity within the City's extraterritorial jurisdiction (ETJ), significantly contributing to the economic growth within Richmond's city limits. Strategic Partnership Agreements are already in place with various Municipal Utility Districts (MUDs) to share in the sales tax revenue generated by commercial activity along the I-69 corridor. In addition, the City has plans to further this growth through ongoing development agreements for properties outside of MUDs along both the I-69 and US Highway 90A corridors, ensuring a strong foundation for future economic expansion.

Average home values in the City continue to increase as new investments are being made. This year, the values increased from \$195,170 to \$219,492 or 12.46% for the fiscal year beginning October 1, 2024. Unemployment decreased from 4.5% in the previous year to 4.4% based on the latest data available from the Bureau of Labor Statistics for the Houston MSA. The City continues to see strong sales tax growth and demand for single family residential housing.

The City actively collaborates with property owners to strategically annex properties and establish public-private partnerships when beneficial, fostering economic growth and boosting Richmond's revenue. The successful implementation of strategic planning objectives, coupled with Fort Bend County's rapid development, has created significant economic opportunities for Richmond. Positioned at the heart of a growing region, Richmond is poised to benefit from the county's projected population increase to 2.25 million residents by 2050. Through strategic investments in infrastructure and careful planning, Richmond is well-prepared to capitalize on this growth in the years ahead.

The City of Richmond remains committed to strategic initiatives aimed at expanding the tax base, increasing sales tax revenues, and attracting new employment opportunities for its residents. Recent successes include the implementation of innovative economic development tools designed to achieve these critical objectives. Among the key accomplishments is the extension of legislation enabling commercial growth by capturing state shares of hotel, sales, and mixed-beverage taxes to support the development of a hotel and convention center. Currently, Richmond is home to three hotels: LaQuinta Inn &

CITY OF RICHMOND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

support the development of a hotel and convention center. Currently, Richmond is home to three hotels: LaQuinta Inn & Suites, Hilton Home2 Suites, and Marriott Fairfield Inn. Richmond's many cultural and historic sites mixed with its collection of unique restaurants and stores make it an ideal location for regional tourism. The new revenue stream of hotel occupancy tax dollars will enable the City of Richmond to invest in activities such as tourism promotion and historic preservation that will further enhance this sector of the local economy.

New growth within the City is underway, with a new subdivision, Wall Street, developing within the City that will add residential properties, as well as future commercial development. Additionally, the land where the former Fort Bend Country Club Golf Course property has been fully developed. This property is both residential and commercial, including a retail center providing additional amenities to the Veranda subdivision (a master planned community by Johnson Development), as well as the rest of the City and surrounding communities.

Next Year's Budget and Rates

The City's annual operating budget was prepared based on the current needs of the organization and aligned with the City's strategic planning document.

Strategic planning has been a priority for the organization, and we have successfully completed a formal process this year. The plans, developed as part of the strategic planning exercise, will help guide the Commission and Staff in the execution of the goals identified.

Optimizing existing resources is important for the organization as inflation maintains its grip on the economy. While the City has been able to maintain its financial stability and deliver high quality services in the current year, that flexibility could erode in the face of weaker economic conditions with increased inflation. In the near term, flexibility within the budget to respond to changing economic conditions will help ensure that the upward pressure on pricing won't impact service levels. By strategically maneuvering the budget, the general fund will increase by 9.6% over the prior year, with a planned drawdown of \$1.76 million set aside for contingencies to respond to changing economic conditions and organizational priorities.

As the City continues to maneuver through its strategic annexation plan, using the fiscal impact model as a tool, there will be a need to update important plans that guide the City. A new Utility master plan has been completed. This important document helps the Commission and staff make important decisions about where to invest scarce resources in order to create a better, more sustainable City for all who call Richmond home.

This year we took another step forward in annexation preparation by identifying financially viable annexation areas, as well as evaluating creative strategies to incorporate the growth from surrounding municipal utility districts and new developments into the City without impacting existing residents. Departments have begun the process to plan for annexation as part of the fiscal impact model process. Through annexation planning, departments will remain focused on service delivery, and project implementation outlined in the comprehensive master plan, parks and trails master plans, and the water and wastewater master plans.

Total taxable ad valorem value has experienced considerable growth with an increase of \$112,909,660, or approximately 11.52% over last year's certified tax roll which represents a total taxable ad valorem value of \$1,092,648,228. New property added to the tax roll resulted in \$255,531 in revenue for fiscal year 2025. The City lowered its property tax rate of \$0.65 per \$100 value to \$0.64 per \$100 valuation despite the disproportionately large amount of exempt property value.

The City's sales tax revenue has seen strong increases over the last several years. For fiscal year 2024 net sales tax projections are \$9.62 million, which is conservative based on growth trends. By projecting a conservative sales tax figure for fiscal year 2025, the City has better positioned itself to deal with the fluctuations associated with sales tax.

CITY OF RICHMOND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Finance Director, Augusto Isaias Preza, 402 Morton Street, Richmond, Texas 77469.

BASIC FINANCIAL STATEMENTS



CITY OF RICHMOND, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 29,558,434	\$ 32,356,195	\$ 61,914,629	\$ 4,476,821
Accounts receivable	268,441	5,267,080	5,535,521	2,392,179
Taxes receivable, net	1,746,685	-	1,746,685	-
Other receivables	82,242	-	82,242	-
Due from other governments	502,022	-	502,022	-
Prepaid items	96,067	25,319	121,386	-
Capital assets, not subject to depreciation	20,104,261	15,946,733	36,050,994	-
Capital assets, net of depreciation/amortization	28,764,132	52,482,666	81,246,798	-
Total Capital Assets	48,868,393	68,429,399	117,297,792	-
Total Assets	81,122,284	106,077,993	187,200,277	6,869,000
Deferred Outflows of Resources:				
Deferred outflows related to pension	2,746,120	686,530	3,432,650	-
Deferred outflows related to OPEB	77,693	19,423	97,116	-
Total Deferred Outflows of Resources	2,823,813	705,953	3,529,766	-
Liabilities				
Accounts payable	4,076,003	1,851,846	5,927,849	87,845
Accrued liabilities	147,225	53,167	200,392	-
Deposits	-	1,255,735	1,255,735	-
Unearned revenue	1,447,268	-	1,447,268	-
Accrued interest	71,929	65,123	137,052	-
Long-term liabilities:				
Due within one year	2,102,100	1,019,743	3,121,843	-
Due in more than one year	29,891,709	22,786,906	52,678,615	-
Net pension liability	4,891,827	1,222,957	6,114,784	-
Total OPEB liability	346,490	86,623	433,113	-
Total Liabilities	42,974,551	28,342,100	71,316,651	87,845
Deferred Inflows of Resources:				
Deferred inflows related to pension	202,766	50,692	253,458	-
Deferred inflows related to OPEB	155,510	38,877	194,387	-
Total Deferred Inflows of Resources	358,276	89,569	447,845	-
Net Position				
Net investment in capital assets	26,136,944	50,755,203	76,892,147	-
Restricted for:				
Debt service	714,559	-	714,559	-
Community projects	45,375	-	45,375	6,781,155
Public safety	962,190	-	962,190	-
Tourism	1,793,240	-	1,793,240	-
Capital projects	-	14,885,184	14,885,184	-
Unrestricted	10,960,962	12,711,890	23,672,852	-
Total Net Position	\$ 40,613,270	\$ 78,352,277	\$ 118,965,547	\$ 6,781,155

CITY OF RICHMOND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Page 1 of 2

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 5,057,787	\$ -	\$ 766,477	\$ -
Public safety	11,645,034	4,322,769	558,747	-
Public works	2,439,421	-	-	1,746,453
Culture and recreation	752,679	-	-	-
Community development	1,163,236	993,815	-	-
Agency fees and issuance costs	192,979	-	-	-
Interest on long-term debt	921,226	-	255,438	-
Total Governmental Activities	22,172,362	5,316,584	1,580,662	1,746,453
Business-Type Activities:				
Water and Sewer	8,027,520	13,262,377	-	976,595
Surface Water	3,283,583	4,975,682	-	-
Solid Waste	862,488	1,419,925	-	-
Total Business-Type Activities	12,173,591	19,657,984	-	976,595
Total Primary Government	\$ 34,345,953	\$ 24,974,568	\$ 1,580,662	\$ 2,723,048
Component Unit				
Development Corporation of Richmond	\$ 2,092,116			
Total Component Unit	\$ 2,092,116			

CITY OF RICHMOND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			Discretely Presented
	Primary Government			Component Unit
Functions/Programs	Governmental Activities	Business-type Activities	Total	Development Corporation of Richmond
Primary Government				
Governmental Activities:				
General government	\$ (4,291,310)	\$ -	\$ (4,291,310)	
Public safety	(6,763,518)	-	(6,763,518)	
Public works	(692,968)	-	(692,968)	
Culture and recreation	(752,679)	-	(752,679)	
Community development	(169,421)	-	(169,421)	
Agency fees and issuance costs	(192,979)	-	(192,979)	
Interest on long-term debt	(665,788)	-	(665,788)	
Total Governmental Activities	(13,528,663)	-	(13,528,663)	
Business-Type Activities:				
Water and Sewer	-	6,211,452	6,211,452	
Surface Water	-	1,692,099	1,692,099	
Solid Waste	-	557,437	557,437	
Total Business-Type Activities	-	8,460,988	8,460,988	
Total Primary Government	(13,528,663)	8,460,988	(5,067,675)	
Component Unit				
Development Corporation of Richmond				\$ (2,092,116)
Total Component Unit				\$ (2,092,116)
General Revenues:				
Taxes:				
Property taxes	6,350,516	-	6,350,516	-
Sales and use taxes	8,305,286	-	8,305,286	2,461,398
Franchise taxes	739,164	-	739,164	-
Hotel/motel taxes	433,466	-	433,466	-
Intergovernmental	-	-	-	173,503
Unrestricted investment earnings	1,451,867	1,829,004	3,280,871	314,409
Miscellaneous	392,009	1,000	393,009	13,000
Transfers	4,352,298	(4,352,298)	-	-
Total General Revenues and Transfers	22,024,606	(2,522,294)	19,502,312	2,962,310
Change in net position	8,495,943	5,938,694	14,434,637	870,194
Net Position - Beginning, Restated	32,117,327	72,413,583	104,530,910	5,910,961
Net Position - Ending	\$ 40,613,270	\$ 78,352,277	\$ 118,965,547	\$ 6,781,155

CITY OF RICHMOND, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
September 30, 2024

	General Fund	Capital Projects Fund	ARPA Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 9,393,893	\$ 13,251,416	\$ 1,462,617	\$ 3,393,028	\$ 27,500,954
Accounts receivable, net	268,441	-	-	-	268,441
Taxes receivable, net	1,552,194	-	-	194,491	1,746,685
Other receivables	82,242	-	-	-	82,242
Due from other governments	457,238	-	-	44,784	502,022
Prepaid items	96,067	-	-	-	96,067
Total Assets	\$ 11,850,075	\$ 13,251,416	\$ 1,462,617	\$ 3,632,303	\$ 30,196,411
Liabilities					
Accounts payable	\$ 850,606	\$ 3,156,369	\$ 15,349	\$ 44,784	\$ 4,067,108
Unearned revenue	-	-	1,447,268	-	1,447,268
Accrued liabilities	147,225	-	-	-	147,225
Total Liabilities	997,831	3,156,369	1,462,617	44,784	5,661,601
Deferred Inflows of Resources					
Unavailable revenues - property taxes	162,803	-	-	71,302	234,105
Unavailable revenues - court fines	268,441	-	-	-	268,441
Total Deferred Inflows of Resources	431,244	-	-	71,302	502,546
Fund Balances:					
Nonspendable	96,067	-	-	-	96,067
Restricted:					
Debt service	-	-	-	715,186	715,186
Capital projects	-	5,415,884	-	-	5,415,884
Public safety	-	-	-	962,190	962,190
Tourism	-	-	-	1,793,240	1,793,240
Community projects	-	-	-	45,375	45,375
Committed:					
Capital projects	-	4,679,163	-	-	4,679,163
Assigned - Subsequent year's appropriation of fund balance	1,759,305	-	-	-	1,759,305
Unassigned	8,565,628	-	-	226	8,565,854
Total Fund Balances	10,421,000	10,095,047	-	3,516,217	24,032,264
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,850,075	\$ 13,251,416	\$ 1,462,617	\$ 3,632,303	\$ 30,196,411

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

Total Fund Balance, Governmental Funds	\$ 24,032,264
---	----------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	47,316,983
---	------------

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Unavailable revenue	502,546

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position	
Bonds payable, at maturity	(25,025,000)
Premium/discount on bonds payable	(1,105,735)
Loan payable	(4,000,000)
Subscription payable	(16,598)
Accrued long-term interest	(71,929)
Compensated absences	(1,846,476)

Net Pension Liability, Total OPEB Liability and related deferred outflows and inflows of resources due not represent current liabilities and are not reported in the fund financial statements, but are included in the governmental activities of the Statement of net position.	
Deferred outflows - pension related items	2,746,120
Deferred outflows - OPEB related items	77,693
Net Pension Liability	(4,891,827)
Total OPEB Liability	(346,490)
Deferred inflows - pension related items	(202,766)
Deferred inflows - OPEB related items	(155,510)

Addition of Internal Service Fund net position	3,599,995
--	-----------

Net Position of Governmental Activities in the Statement of Net Position	\$ 40,613,270
---	----------------------

CITY OF RICHMOND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	General Fund	Capital Projects Fund	ARPA Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property taxes	\$ 4,106,549	\$ -	\$ -	\$ 2,109,405	\$ 6,215,954
Sales and use taxes	8,305,286	-	-	-	8,305,286
Franchise taxes	739,164	-	-	-	739,164
Hotel/motel taxes	-	-	-	433,466	433,466
Fines and forfeitures	425,166	-	-	35,596	460,762
Licenses and permits	560,773	-	-	-	560,773
Intergovernmental	917,840	1,093,294	339,210	976,771	3,327,115
Charges for services	4,215,948	-	-	-	4,215,948
Investment earnings	573,598	486,680	93,399	188,073	1,341,750
Miscellaneous	236,450	29,908	-	6,306	272,664
Total Revenues	20,080,774	1,609,882	432,609	3,749,617	25,872,882
Expenditures					
Current:					
General government	4,946,572	-	-	-	4,946,572
Public safety	11,469,969	-	-	117,892	11,587,861
Public works	1,865,892	-	-	313,799	2,179,691
Culture and recreation	621,287	-	-	-	621,287
Community development	1,092,400	133,088	-	-	1,225,488
Capital Outlay	-	14,237,788	432,609	-	14,670,397
Debt Service:					
Principal	24,235	-	-	1,405,000	1,429,235
Interest and other charges	965	-	-	1,001,203	1,002,168
Agent fees/issuance cost	-	184,004	-	8,975	192,979
Total Expenditures	20,021,320	14,554,880	432,609	2,846,869	37,855,678
Revenues over (under) expenditures	59,454	(12,944,998)	-	902,748	(11,982,796)
Other Financing Sources (Uses)					
Issuance of general obligation bonds	-	6,944,558	-	5,442	6,950,000
Issuance of loan	-	4,000,000	-	-	4,000,000
Premium on issuance of bonds	-	239,446	-	-	239,446
Insurance recovery	136,095	-	-	-	136,095
Transfers in	3,239,584	4,394,287	-	226,850	7,860,721
Transfers out	(3,508,423)	-	-	-	(3,508,423)
Total Other Financing Sources (Uses)	(132,744)	15,578,291	-	232,292	15,677,839
Net changes in fund balances	(73,290)	2,633,293	-	1,135,040	3,695,043
Fund Balances - Beginning of Year	10,494,290	7,461,754	-	2,381,177	20,337,221
Fund Balances - End of Year	\$ 10,421,000	\$ 10,095,047	\$ -	\$ 3,516,217	\$ 24,032,264

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

Net Change in Fund Balances - Total Governmental Funds: \$ 3,695,043

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation/amortization expense for the period.

This is the amount by which capital outlay of \$14,763,181 exceeded depreciation/amortization of \$947,463 in the current period. 13,815,718

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 196,912

Governmental funds report the proceeds of bonds as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (10,950,000)

Governmental funds report repayment of bond principal and SBITA as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 1,429,235

Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts 148,027

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Changes in accrued interest 11,442

Changes in accrued compensated absences (345,198)

Changes in net pension and OPEB liabilities, and related deferred outflows and inflows of resources. (147,391)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. 642,155

Change in Net Position of Governmental Activities \$ 8,495,943

CITY OF RICHMOND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Surface Water	Solid Waste	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 24,827,452	\$ 7,356,172	\$ 172,571	\$ 32,356,195	\$ 2,057,480
Accounts receivable, net	2,136,566	2,745,618	384,896	5,267,080	-
Prepaid items	25,319	-	-	25,319	-
Total Current Assets	26,989,337	10,101,790	557,467	37,648,594	2,057,480
Non-current assets:					
Capital assets					
Land and improvements	1,811,714	125,223	-	1,936,937	-
Construction in progress	13,774,093	235,703	-	14,009,796	-
Infrastructure	51,978,980	3,159,446	-	55,138,426	-
Buildings	10,124,837	23,235,822	-	33,360,659	-
Improvements other than buildings	8,787,889	635,405	-	9,423,294	-
Equipment and furniture	1,732,525	102,260	-	1,834,785	1,815,539
Less accumulated depreciation	(43,996,570)	(3,277,928)	-	(47,274,498)	(264,129)
Total Non-Current Assets	44,213,468	24,215,931	-	68,429,399	1,551,410
Total Assets	71,202,805	34,317,721	557,467	106,077,993	3,608,890
Deferred Outflows of Resources					
Deferred outflows related to pension	686,530	-	-	686,530	-
Deferred outflows related to OPEB	19,423	-	-	19,423	-
Total Deferred Outflows of Resources	705,953	-	-	705,953	-
Liabilities					
Current liabilities:					
Accounts payable	1,588,533	127,041	136,272	1,851,846	8,895
Accrued liabilities	50,016	3,151	-	53,167	-
Deposits	1,255,735	-	-	1,255,735	-
Accrued interest payable	29,055	36,068	-	65,123	-
Compensated absences	24,743	-	-	24,743	-
Bonds, notes and loans payable	340,000	655,000	-	995,000	-
Total Current Liabilities	3,288,082	821,260	136,272	4,245,614	8,895
Non-current liabilities:					
Compensated absences	222,690	-	-	222,690	-
Bonds, notes and loans payable	9,446,004	13,118,212	-	22,564,216	-
Net pension Liability	1,222,957	-	-	1,222,957	-
Total OPEB Liability	86,623	-	-	86,623	-
Total Non-Current Liabilities	10,978,274	13,118,212	-	24,096,486	-
Total Liabilities	14,266,356	13,939,472	136,272	28,342,100	8,895
Deferred Inflows of Resources					
Deferred inflows related to pension	50,692	-	-	50,692	-
Deferred inflows related to OPEB	38,877	-	-	38,877	-
Total Deferred Inflows of Resources	89,569	-	-	89,569	-
Net Position					
Net investment in capital assets	38,862,009	11,893,194	-	50,755,203	1,551,410
Restricted for capital projects	14,885,184	-	-	14,885,184	-
Unrestricted	3,805,640	8,485,055	421,195	12,711,890	2,048,585
Total Net Position	\$ 57,552,833	\$ 20,378,249	\$ 421,195	\$ 78,352,277	\$ 3,599,995

CITY OF RICHMOND, 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				Governmental Activities
	Water and Sewer	Surface Water	Solid Waste	Total	Internal Service Funds
Operating Revenues					
Charges for Services:					
Water	\$ 5,604,384	\$ -	\$ -	\$ 5,604,384	\$ -
Sewer	4,770,779	-	-	4,770,779	-
Groundwater reduction	-	4,975,563	-	4,975,563	-
Solid waste collection	-	-	1,419,925	1,419,925	-
Tapping fees	29,358	-	-	29,358	-
Service charges	182,756	-	-	182,756	-
Interfund charges	-	-	-	-	3,131,511
Impact Fees:					
Water	874,685	-	-	874,685	-
Sewer	1,799,981	-	-	1,799,981	-
Miscellaneous	1,434	119	-	1,553	-
Total Operating Revenues	13,263,377	4,975,682	1,419,925	19,658,984	3,131,511
Operating Expenses					
Personnel services	2,734,430	322,748	-	3,057,178	-
Supplies and materials	575,642	450,711	-	1,026,353	61,051
Contracted services	1,187,751	204,145	862,488	2,254,384	-
Insurance premiums	-	-	-	-	2,287,319
Utilities	576,687	688,744	-	1,265,431	-
Other	966,844	614,174	-	1,581,018	-
Depreciation	1,645,962	591,557	-	2,237,519	140,986
Total Operating Expenses	7,687,316	2,872,079	862,488	11,421,883	2,489,356
Operating Income (Loss)	5,576,061	2,103,603	557,437	8,237,101	642,155
Non-Operating Revenues (Expenses)					
Interest and investment revenue	1,364,187	451,591	13,226	1,829,004	110,117
Interest expense	(340,204)	(411,504)	-	(751,708)	-
Total Non-Operating Revenues (Expenses)	1,023,983	40,087	13,226	1,077,296	110,117
Income Before Transfers and Capital Contributions	6,600,044	2,143,690	570,663	9,314,397	752,272
Capital contributions	976,595	-	-	976,595	-
Transfers out	(3,649,445)	(200,000)	(502,853)	(4,352,298)	-
Change in net position	3,927,194	1,943,690	67,810	5,938,694	752,272
Total Net Position - Beginning of Year, Restated	53,625,639	18,434,559	353,385	72,413,583	2,847,723
Total Net Position - End of Year	\$ 57,552,833	\$ 20,378,249	\$ 421,195	\$ 78,352,277	\$ 3,599,995

CITY OF RICHMOND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Surface Water	Solid Waste	Total	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 13,614,802	\$ 2,915,798	\$ 1,139,014	\$ 17,669,614	\$ -
Receipts from interfund charges for insurance premiums	-	-	-	-	2,508,634
Interfund charges for use of city equipment	-	-	-	-	622,877
Payments to employees for salaries and benefits	(2,691,398)	(321,466)	-	(3,012,864)	-
Payments to suppliers and service providers	(2,647,423)	(1,875,292)	(850,642)	(5,373,357)	(2,394,062)
Net Cash Provided by Operating Activities	8,275,981	719,040	288,372	9,283,393	737,449
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(3,649,445)	(200,000)	(502,853)	(4,352,298)	-
Net Cash (Used) by Noncapital Financing Activities	(3,649,445)	(200,000)	(502,853)	(4,352,298)	-
Cash Flows From Capital and Related Financing Activities					
Principal paid on capital debt	(325,000)	(640,000)	-	(965,000)	-
Interest paid on capital debt	(341,194)	(412,836)	-	(754,030)	-
Acquisition and construction of capital assets	(5,910,420)	(120,123)	-	(6,030,543)	(965,406)
Cash flows Provided (Used) by Capital and Related Financing Activities	(6,576,614)	(1,172,959)	-	(7,749,573)	(965,406)
Cash Flows From Investing Activities					
Interest received	1,364,187	451,591	13,226	1,829,004	110,117
Net Cash Provided by Investing Activities	1,364,187	451,591	13,226	1,829,004	110,117
Net increase (decrease) in cash and cash equivalents	(585,891)	(202,328)	(201,255)	(989,474)	(117,840)
Cash and Cash Equivalents - Beginning Of Year	25,413,343	7,558,500	373,826	33,345,669	2,175,320
Cash and Cash Equivalents - End Of Year	\$ 24,827,452	\$ 7,356,172	\$ 172,571	\$ 32,356,195	\$ 2,057,480
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ 5,576,061	\$ 2,103,603	\$ 557,437	\$ 8,237,101	\$ 642,155
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,645,962	591,557	-	2,237,519	140,986
(Increase) decrease in accounts receivable	297,507	(2,059,884)	-	(1,762,377)	-
(Increase) decrease in customer receivable	-	-	(280,911)	(280,911)	-
(Increase) decrease in other assets	1,319	-	-	1,319	-
(Increase) decrease in deferred outflows for pension	185,658	-	-	185,658	-
(Increase) decrease in deferred outflows for OPEB	3,060	-	-	3,060	-
Increase (decrease) in accounts payable	658,182	82,482	11,846	752,510	(45,692)
Increase (decrease) in accrued liabilities	20,418	1,282	-	21,700	-
Increase (decrease) in customer deposits	53,918	-	-	53,918	-
Increase (decrease) in compensated absences	41,394	-	-	41,394	-
Increase (decrease) in net pension liability	(220,995)	-	-	(220,995)	-
Increase (decrease) in total OPEB liability	7,408	-	-	7,408	-
Increase (decrease) in deferred inflows for pension	14,684	-	-	14,684	-
Increase (decrease) in deferred inflows for OPEB	(8,595)	-	-	(8,595)	-
Net Cash Provided by Operating Activities	\$ 8,275,981	\$ 719,040	\$ 288,372	\$ 9,283,393	\$ 737,449

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of Richmond, Texas (the City), was incorporated on June 5, 1837, by Act of the Senate and House of Representatives of the Republic of Texas. On July 30, 1913, the City adopted a Commission form of government. On May 7, 2013 the citizens of the City voted to adopt a home-rule charter which provided for a commission-manager form of government.

The City Commission is the principal legislative body of the City. The Mayor presides at meetings of the City Commission.

The City provides the following services: public safety to include police and fire, highways and streets, sanitation, water and wastewater, recreation, public improvements, and general administration.

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

A. Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected commission and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize that it is legally separate from the primary government. Based on these considerations, the City's financial statements include the Development Corporation of Richmond as a discretely presented component unit. 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 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.

In conformity with generally accepted accounting principles, the financial statements of the component unit has been included in the financial reporting entity as a discretely presented component unit.

Development Corporation of Richmond

The Development Corporation of Richmond (the "Corporation") has been included in the reporting entity as a discretely presented component unit. In 1995, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Commission. The Board of Directors and the City Commission are not substantively the same. City Commission approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City. Separately-issued audited financial statements are not issued for the discretely presented component unit.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

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

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Funds. 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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2024, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to fiscal year end, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The **General Fund** is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works, parks and recreation and community development.

The **Capital Projects Fund** is used to account for the accumulation of resources for the construction of capital projects through debt proceeds and other governmental activity resources.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

The **ARPA Grant Fund** is used to account for the accumulation of resources that are received from the American Rescue Plan Act and the related project costs.

In addition, the City reports the following governmental fund types:

Special Revenue Funds: Accounts for transactions related to resources received and used for restricted or specific purposes.

Proprietary Funds. The City's business type activities consist of the following proprietary funds:

The **Water and Sewer Enterprise Fund** is used to account for operations of the water and sewer division and the construction of related facilities.

The **Surface Water Enterprise Fund** is used to account for the operations of the surface water facilities revenues collected for the reduction of groundwater usage.

The **Solid Waste Enterprise Fund** is used to account for the operations of the solid waste division and related recycling and educational initiatives.

The **Internal Service Funds** are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. The City's internal service funds account for the City's health insurance premiums and the costs of certain vehicles and equipment. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

These funds are financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Note 1 - Summary of Significant Accounting Policies (continued)

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

1. Cash, Cash Equivalents, and Investments

Investments for the City are reported at fair value, except for the position in investment pools. The City’s investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. City did not have any of the investments mentioned above in the current year.

The City maintains a cash pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the combined financial statements as cash and cash equivalents. The City’s cash and cash equivalents can be readily converted to cash at their carrying value.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The City did not have any investments as defined above in the current year.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and 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.

3. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 (\$20,000 for subscriptions) and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at acquisition cost, which is the price that would have been paid to acquire an asset with equivalent service potential on the date of acquisition.

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

Asset	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	30 years
Infrastructure	30 years
Vehicles	5 years
Machinery and equipment	5 years
Subscriptions	Contract term

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

4. *Compensated Absences*

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City accrues vacation and sick leave based on criteria established by the Governmental Accounting Standards Board. For all funds, this liability reflects amounts attributable to cumulative employee services previously rendered, where the payment is probable and can be reasonably estimated.

5. *Unearned Revenue*

Unearned revenue represents amounts received from grantors in excess of qualifying expenditures for grant programs as of the end of the fiscal year.

6. *Long-term Obligations*

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability 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 if material in amount. In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses.

7. *Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" and "advances to/from other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

8. *Interfund Services Provided and Used*

Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are recognized as revenues and expenditures (or expenses) in the funds involved just as they would be recognized if the transactions involved organizations outside the governmental unit.

9. *Pensions*

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

CITY OF RICHMOND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

10. Post-Employment Benefits Other Than Pensions (OPEB)

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in expected and actual actuarial experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual actuarial experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

12. 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.

13. Fund Balance Flow Assumption

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.

14. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Commission 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 Commission has by resolution authorized the finance director to assign fund balance. The City Commission 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.

15. General Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Fort Bend County Central Appraisal District (the “CAD”). Taxes are levied by the City Commission based on the appraised values received from the CAD.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

16. Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

17. Use of Estimates

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

18. Subscription-Based Information Technology Arrangements (SBITA)

The City is under contracts for SBITA for various software licenses and subscriptions. The agreements/contracts are noncancellable and the City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$20,000 or more.

At the commencement of the SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds

A. Deposits and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, TexPool, and Texas Cooperative Liquid Assets Securities System Trust ("TexasCLASS"), such as through which political subdivisions and other entities may invest public funds.

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

The City's cash and investments are classified as: cash and cash equivalents and restricted cash. The cash and cash equivalents include cash on hand and deposits with financial institutions. The restricted cash and investments are assets restricted for specific use.

The City and Development Corporation of Richmond's investments as of September 30, 2024 are as follows:

		Fair Value Measurement Level			
	Reported Value	Level 1	Level 2	Weighted Average Maturity (Days)	Credit Risk
Investments					
Certificates of Deposit	\$ 2,456,428	\$ 2,456,428	\$ -	166	n/a
US Agency Securities	5,989,932	-	5,989,932	148	n/a
TexPool Prime	27,794,851	-	-	31	AAAm
TexasClass	28,637,475	-	-	36	AAAm
Total Investments	\$ 64,878,686				

At September 30, 2024, all of the City's deposits were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Interest Rate Risk: The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 270 days based on the stated maturity date for each investment in the portfolio. To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than three years or 1,095 days from date of purchase. The settlement date is considered the date of purchase.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk: The City's investment policy allows investments by type based on the following diversification requirements:

	Percentage of Portfolio (Maximum)
Repurchase Agreements	50%
Certificates of Deposit	50%
Commercial Paper	25%
U.S. Treasury Bills/Notes	100%
Local Government Investment Pools	100%
Other U.S. Government Securities	75%
Authorized Investment Pools	75%
Flexible Repurchase Agreements	50%
Bankers' Acceptances	25%
No Load Money Market Mutual Funds	100%
No Load Mutual Funds	50%

B. Receivables

Amounts recorded as receivables as of September 30, 2024, for the government's individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities		Business-type Activities			
		Non-Major Governmental Funds				Total Primary Government
	General Fund		Water and Sewer Fund	Surface Water Fund	Solid Waste Fund	
Receivables						
Sales and use taxes	\$ 1,320,899	\$ -	\$ -	\$ -	\$ -	\$ 1,320,899
Property taxes	287,960	125,632	-	-	-	413,592
Franchise taxes	71,966	-	-	-	-	71,966
Hotel/motel taxes	-	124,979	-	-	-	124,979
Court fines	1,824,511	-	-	-	-	1,824,511
Customer accounts	-	-	2,403,550	2,745,618	459,460	5,608,628
Other	82,242	-	-	-	-	82,242
Gross Receivables	3,587,578	250,611	2,403,550	2,745,618	459,460	9,446,817
Less: allowance for uncollectibles	(1,684,701)	(56,120)	(266,984)	-	(74,564)	(2,082,369)
Net Total Receivables	\$ 1,902,877	\$ 194,491	\$ 2,136,566	\$ 2,745,618	\$ 384,896	\$ 7,364,448

Additionally, the discretely presented component unit reported a receivable of \$392,179 as of year-end for sales taxes and a \$2,000,000 loan receivable. Management expects full collection, and accordingly, no allowance for uncollectable accounts was recorded.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2024, follows:

	Balance 9/30/2023 as restated	Additions	Deletions/ Transfers	Balance 9/30/2024
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,084,465	\$ 17,995	\$ -	4,102,460
Construction in progress	11,496,017	7,727,957	(3,222,173)	16,001,801
Total Capital Assets, Not Being Depreciated	15,580,482	7,745,952	(3,222,173)	20,104,261
Capital Assets Being Depreciated/Amortized:				
Buildings	12,085,632	6,432,576	-	18,518,208
Improvements other than buildings	4,770,337	401,532	1,574,078	6,745,947
Infrastructure	11,360,705	-	1,643,604	13,004,309
Machinery and equipment	11,887,302	1,440,457	(1,062,575)	12,265,184
Subscriptions	106,225	-	-	106,225
Total Capital Assets Being Depreciated/Amortized	40,210,201	8,274,565	2,155,107	50,639,873
Less Accumulated Depreciation/Amortization for:				
Buildings	(2,713,043)	(274,691)	-	(2,987,734)
Improvements other than buildings	(2,007,060)	(168,485)	-	(2,175,545)
Infrastructure	(8,279,540)	(161,523)	-	(8,441,063)
Machinery and equipment	(8,445,708)	(451,241)	689,175	(8,207,774)
Subscriptions	(31,116)	(32,509)	-	(63,625)
Total Accumulated Depreciation/Amortization	(21,476,467)	(1,088,449)	689,175	(21,875,741)
Total Capital Assets Being Depreciated/ Amortized, Net	18,733,734	7,186,116	2,844,282	28,764,132
Governmental Activities Capital Assets, Net	\$ 34,314,216	\$ 14,932,068	\$ (377,891)	\$ 48,868,393

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

C. Capital Assets (continued)

	Balance 9/30/2023 as restated	Additions	Deletions/ Transfers	Balance 9/30/2024
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,936,937	\$ -	\$ -	1,936,937
Construction in progress	11,640,952	7,046,129	(4,677,285)	14,009,796
Total Capital Assets, Not Being Depreciated	13,577,889	7,046,129	(4,677,285)	15,946,733
Capital Assets Being Depreciated/Amortized:				
Buildings	33,360,659	-	-	33,360,659
Improvements other than buildings	6,290,811	3,132,483	-	9,423,294
Infrastructure	53,538,033	1,600,393	-	55,138,426
Machinery and equipment	1,739,579	160,640	(65,434)	1,834,785
Total Capital Assets Being Depreciated/Amortized	94,929,082	4,893,516	(65,434)	99,757,164
Less Accumulated Depreciation for:				
Buildings	(7,365,455)	(557,517)	-	(7,922,972)
Improvements other than buildings	(3,833,485)	(302,329)	-	(4,135,814)
Infrastructure	(32,386,989)	(1,285,117)	-	(33,672,106)
Machinery and equipment	(1,516,484)	(92,556)	65,434	(1,543,606)
Total Accumulated Depreciation	(45,102,413)	(2,237,519)	65,434	(47,274,498)
Total Capital Assets Being Depreciated/ Amortized, Net	49,826,669	2,655,997	-	52,482,666
Business-type Activities Capital Assets, Net	\$ 63,404,558	\$ 9,702,126	\$ (4,677,285)	\$ 68,429,399

Depreciation/amortization was charged to functions of the primary government as follows:

Governmental Activities

General government	\$ 164,640
Public safety	510,308
Public works	250,972
Culture and recreation	161,999
Community development	530
	<u>\$ 1,088,449</u>

Business-type Activities

Water and sewer	\$ 1,645,962
Surface water	591,557
	<u>\$ 2,237,519</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

C. Capital Assets (continued)

The calculation of Net Investments in Capital Assets as follow:

	Governmental Activities	Business-type Activities	Total
Capital Assets, Net of depreciation/Amortization	\$ 48,868,393	68,429,399	117,297,792
Less:			
General obligation bonds	(4,960,000)	-	(4,960,000)
Certificates of obligation	(20,065,000)	(22,495,000)	(42,560,000)
Bond issuance premiums/discounts	(1,105,735)	(1,064,216)	(2,169,951)
Loan payable (portion related to party outside the primary government)	(2,000,000)	-	(2,000,000)
Subscriptions payable	(16,598)	-	(16,598)
Capital related payables	(260,012)	-	(260,012)
Plus:			
Unspent bond funds	5,675,896	5,885,020	11,560,916
Net Investment in Capital Asset	<u>\$ 26,136,944</u>	<u>\$ 50,755,203</u>	<u>\$ 76,892,147</u>

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2024, are as follows:

	Authorized Commitment	Total in Progress	Remaining Commitment
Governmental Activities			
Clay St Sidewalk & Drainage	\$ 14,203,002	\$ 3,783,761	\$ 10,419,242
Myrtle Street Build-Out	1,322,390	1,401,361	(78,971)
ERP Update	236,087	105,365	130,722
Rabbs Bayou & 2nd Street (GLO Funding)	7,538,905	546,757	6,992,148
FY22 Street Rehab - Grants	4,100,000	281,330	3,818,670
Street Department Renovation (EOC Portion)	102,000	-	102,000
Mandola Developer Reimbursement	6,601,000	2,191,884	4,409,116
Veranda In-City Developer Reimbursement	9,024,797	7,524,797	1,500,000
City Hall Emergency Generator	147,969	110,000	37,969
Street Department Renovation	85,000	8,233	76,767
Richmond Signage	300,000	6,653	293,347
ROW Land Acquisition	19,832	16,172	3,660
Juan Seguin Park - County Bond Revenues	1,455,000	-	1,455,000
Morton Street Parking Phase II	400,000	-	400,000
New City Hall	6,531,417	25,488	6,505,929
	<u>\$ 52,067,399</u>	<u>\$ 16,001,801</u>	<u>\$ 36,065,599</u>
Business-type Activities			
Northside Water Line Rehab	\$ 492,462	\$ 188,091	\$ 304,371
East Wastewater Treatment Plant	3,259,850	3,217,306	42,544
Clay St Sidewalk & Drainage	502,000	118,240	383,760
ERP Update	93,580	93,580	-
Wastewater Treatment Plant GRP Reuse Expansion	2,510,546	1,289,634	1,220,912
Motor Control Rehab	253,830	253,830	-
Well Rehab Edgar Well	388,000	5,976	382,024
Surface Water Emergency Generator	1,681,009	235,702	1,445,307
North Water Line Rehab FY22	1,279,209	1,046,484	232,725
Ground Storage Tank Rehab	755,721	6,576	749,145
Well Rehab Winston Water Well	327,525	316,793	10,732
Normandy	2,383,656	2,275,678	107,978
South Wastewater Treatment Plant	4,320,337	3,028,395	1,291,942
Mandola Commercial Sewer Line	2,025,000	1,192,530	832,470
Regional Wastewater Rehab	661,813	47,520	614,293
Water Rehab	515,424	425,423	90,001
Utility Master Plan and Rate Analysis	336,000	222,038	113,962
Post Office Lift Station	650,000	45,000	605,000
Meter Reading Infrastructure	6,250,000	1,000	6,249,000
ARPA Grant Administration	89,500	-	89,500
Regional Wastewater Treatment Plant Rehab	1,262,050	-	1,262,050
	<u>\$ 30,037,512</u>	<u>\$ 14,009,796</u>	<u>\$ 16,027,716</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

D. Long-term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation. General long-term bonds reported as the governmental activities are paid through the Debt Service Fund from tax revenues. Business-type activities long-term debt is paid from water and sewer system revenues. Governmental activities compensated absences are liquidated from the General Fund in the governmental activities and Enterprise funds in the business-type activities.

In November 2023, the City issued its Combination Tax and Revenue Certificates of Obligation, Series 2023A, in the amount of \$6,950,000. The Certificates bear interest 5% per annum and mature in series from 2025 to 2044. The net proceeds of the issuance of \$7,000,000 (net of an issuance premium of \$239,446 and costs of issuance) will be used to fund construction and improvement of certain water and wastewater projects, the construction or acquisition of and/or improvements to City property and the costs of professional services incurred with these projects.

During the year ended September 30, 2024, the following changes occurred in long-term debt:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 5,650,000	\$ -	\$ (690,000)	\$ 4,960,000	\$ 405,000
Certificates of obligation	13,830,000	6,950,000	(715,000)	20,065,000	945,000
Bond issuance premiums/discounts	957,708	239,446	(91,419)	1,105,735	-
Loan Payable	-	4,000,000	-	4,000,000	550,854
Compensated absences	1,501,278	345,198	-	1,846,476	184,648
Subscriptions	40,833	-	(24,235)	16,598	16,598
Governmental Activities Long-term Liabilities	\$ 21,979,819	\$ 11,534,644	\$ (1,520,654)	\$ 31,993,809	\$ 2,102,100
Business-Type Activities:					
Bonds Payable:					
Certificates of obligation	\$ 23,460,000	\$ -	\$ (965,000)	\$ 22,495,000	\$ 995,000
Bond issuance premiums/discounts	1,142,394	-	(78,178)	1,064,216	-
Compensated absences	206,039	41,394	-	247,433	24,743
Business-type Activities Long-term Liabilities	\$ 24,808,433	\$ 41,394	\$ (1,043,178)	\$ 23,806,649	\$ 1,019,743

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

D. Long-term Debt (continued)

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2024:

Governmental Activities:		Original	Maturity	Debt
Series	Interest Rate	Issue	Date	Outstanding
General Obligation Bonds:				
Series 2013 general obligation and refunding bonds	3.00-4.25%	\$ 6,620,000	2038	\$ 3,755,000
Series 2020 general obligation and refunding bonds	3.00-4.00%	2,525,000	2029	1,205,000
				<u>4,960,000</u>
Certificates of Obligation:				
Series 2013 combination tax and revenue certificates of obligation	2.00-4.13%	2,265,000	2038	1,520,000
Series 2016B combination tax and revenue certificates of obligation	3.00%	3,375,000	2035	1,700,000
Series 2017B combination tax and revenue certificates of obligation	3.00%	3,405,000	2037	2,445,000
Series 2022 combination tax and revenue certificates of obligation	2.00-4.00%	1,380,000	2037	1,235,000
Series 2023 combination tax and revenue certificates of obligation	4.00-5.00%	6,410,000	2043	6,215,000
Series 2023A combination tax and revenue certificates of obligation	5.00%	6,950,000	2044	6,950,000
				<u>20,065,000</u>
Total Governmental Activities				<u><u>\$ 25,025,000</u></u>
Business-Type Activities:		Original	Maturity	Debt
Series	Interest Rate	Issue	Date	Outstanding
Certificates of Obligation:				
Series 2015 combination tax and revenue certificates of obligation	3.00-4.00%	\$ 9,705,000	2045	\$ 7,720,000
Series 2016A combination tax and revenue certificates of obligation	3.00%	6,025,000	2034	1,235,000
Series 2017A combination tax and revenue certificates of obligation	3.00-3.20%	5,955,000	2037	4,285,000
Series 2022 combination tax and revenue certificates of obligation	2.00-4.00%	3,835,000	2042	3,550,000
Series 2023 combination tax and revenue certificates of obligation	4.00-5.00%	5,885,000	2043	5,705,000
Total Business-Type Activities				<u><u>\$ 22,495,000</u></u>

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

D. Long-term Debt (continued)

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 405,000	\$ 194,103	\$ 599,103
2026	420,000	177,369	597,369
2027	445,000	159,825	604,825
2028	455,000	141,572	596,572
2029	480,000	123,906	603,906
2030-2034	1,405,000	434,627	1,839,627
2035-2039	1,350,000	114,667	1,464,667
	<u>\$ 4,960,000</u>	<u>\$ 1,346,069</u>	<u>\$ 6,306,069</u>

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Certificates of Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 945,000	\$ 758,078	\$ 1,227,800	\$ 995,000	\$ 796,089	\$ 1,791,089
2026	980,000	802,647	1,220,272	1,025,000	762,082	1,787,082
2027	935,000	764,863	1,138,113	1,050,000	727,341	1,777,341
2028	965,000	726,175	1,130,675	1,085,000	690,507	1,775,507
2029	1,005,000	685,484	1,690,484	1,125,000	651,207	1,776,207
2030-2034	5,655,000	2,758,803	8,413,803	6,190,000	2,613,943	8,803,943
2035-2039	5,390,000	1,580,310	6,970,310	5,825,000	1,510,483	7,335,483
2040-2044	4,190,000	578,575	4,768,575	4,680,000	510,475	5,190,475
2045-2049	-	-	-	520,000	10,400	530,400
	<u>\$ 20,065,000</u>	<u>\$ 8,654,935</u>	<u>\$ 26,560,032</u>	<u>\$ 22,495,000</u>	<u>\$ 8,272,527</u>	<u>\$ 30,767,527</u>

During 2024 the City entered into loan agreements with the Surface Water Fund and the Development Corporation of Richmond. The funds are intended to be used to purchase and redevelop real property as a municipal building to promote, develop new, or expand business development. It is being repaid over 10 years at a 3.4% interest rate from the General Fund.

The annual requirements to pay principal and interest on the loan payable as of September 30, 2024, are as follows:

Year Ending September 30,	Governmental Activities		
	Loan Payable		
	Principal	Interest	Total
2025	\$ 550,854	\$ 120,400	\$ 671,254
2026	566,622	104,632	671,254
2027	582,850	88,405	671,255
2028	599,549	71,706	671,255
2029	616,732	54,522	671,254
2030-2034	1,083,393	112,968	1,196,361
	<u>\$ 4,000,000</u>	<u>\$ 552,633</u>	<u>\$ 4,552,633</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

D. Long-term Debt (continued)

Legal Compliance

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions. In the event of default on any of the bonds or certificates, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

The revenue-supported portion of certificates of obligation were pledged with the net revenues of the City's Water and Sewer Fund and the Surface Water Fund. For the Series 2013 and 2015 certificates, this pledge was limited to \$10,000 per issuance. For the year ended September 30, 2024, operating revenues for the two funds was \$18.2 million against operating expenses of \$10.6 million for a net operating income of \$7.7 million. Total debt service on outstanding certificates was approximately \$1.8 million.

Subscription-Based Information Technology Arrangements

On October 1, 2022, the City entered into a 32 month subscription for the use of Disaster Recovery. An initial subscription liability was recorded in the amount of \$64,436. As of September 30, 2024, the value of the subscription liability is \$16,598. The City is required to make monthly fixed payments of \$2,100.00. The subscription has an interest rate of 3.2380%. The value of the right to use asset as of September 30, 2024 is \$64,436 with accumulated amortization of \$24,027.

On November 30, 2022, the City entered into a 60 month subscription for the use of Meraki MR Enterprise. No initial subscription liability was recorded. As of September 30, 2024, the value of the subscription liability is \$0. The value of the right to use asset as of September 30, 2024 is \$41,789 with accumulated amortization of \$15,597.

The future principal and interest SBITA payments as of September 30, 2024, follows:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 16,598	\$ 202	\$ 16,800
	\$ 16,598	\$ 202	\$ 16,800

Interfund Receivables, Payables and Transfers

For the year ended September 30, 2024, interfund transfers consisted of:

Transfer In	Transfers Out	Amount	Description
General fund	Water and sewer fund	\$ 2,936,731	To remit portion of fee collections
General fund	Solid waste fund	202,853	To remit portion of fee collections
General fund	Surface water fund	100,000	To remit portion of fee collections
Debt service fund	Water and sewer fund	226,850	To fund debt service payments
Capital projects fund	General fund	3,508,423	To fund capital improvement projects
Capital projects fund	Surface water fund	100,000	To fund capital improvement projects
Capital projects fund	Solid waste fund	300,000	To fund capital improvement projects
Capital projects fund	Water and sewer fund	485,864	To fund capital improvement projects
		<u>\$ 7,860,721</u>	

Transfers are used to move revenues from the fund with collection authorization to other funds to finance various programs and projects of the City.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

E. Defined Benefit Pension Plan

Plan Description. The City participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS’s defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.org.

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

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee’s accumulated contributions and are only payable in the form of an annuity.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age; 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating
Supplemental death benefit – employees and retirees	Yes

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	101
Inactive employees entitled to but not yet receiving benefits	145
Active employees	158
Total	<u>404</u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

E. Defined Benefit Pension Plan (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2024, the City made contributions of 14.94% for the months in 2023 and 15.43% for the months in 2024. The City's contributions to TMRS for the year ended September 30, 2024 were \$1,868,975 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund for governmental activities and the Water and Wastewater Fund for the business- type activities.

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

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

Note 2 - Detailed Notes on All Activities and Funds (continued)

E. Defined Benefit Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

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

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

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

E. Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 58,441,015	\$ 50,314,758	\$ 8,126,257
Changes for the year:			
Service Cost	2,031,376	-	2,031,376
Interest	3,934,699	-	3,934,699
Difference between expected and actual experience	569,051	-	569,051
Changes in assumptions	(261,269)	-	(261,269)
Contributions - employer	-	1,699,258	(1,699,258)
Contributions - employee	-	796,172	(796,172)
Net Investment income	-	5,827,206	(5,827,206)
Benefit payments, including refunds, of employee contributions	(2,329,733)	(2,329,733)	-
Administrative expense	-	(37,047)	37,047
Other changes	-	(259)	259
Net changes	3,944,124	5,955,597	(2,011,473)
Balance at 12/31/2023	<u>\$ 62,385,139</u>	<u>\$ 56,270,355</u>	<u>\$ 6,114,784</u>

Plan fiduciary net position as a percentage of total pension liability 90.20%

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 15,315,315	\$ 6,114,784	\$ (1,394,219)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2024, the City recognized pension expense of \$1,693,444.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

E. Defined Benefit Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$ 641,004	\$ 59,354
Changes in actuarial assumptions used	-	194,104
Differences between projects and actual investment earnings	1,349,553	-
Contributions subsequent to the measurement date	1,442,093	-
Total	\$ 3,432,650	\$ 253,458

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,442,093 will be recognized as a reduction of the net pension liability 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	Net Deferred Outflows (Inflows) of Resources
2025	\$ 529,607
2026	581,599
2027	1,112,085
2028	(486,192)
Total	\$ 1,737,099

Note 2 - Detailed Notes on All Activities and Funds (continued)

F. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Commission opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	22
Active employees	158
Total	252

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.31% for 2024 and 0.31% for 2023, of which 0.08% and 0.10%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$37,830 and \$31,268, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Note 2 - Detailed Notes on All Activities and Funds (continued)

F. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund (continued)

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

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20- year Municipal GO AA Index” as of December 31, 2023.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City’s total OPEB liability	\$520,644	\$ 433,113	\$ 364,387

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2024, the City reported a liability of \$433,113 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City recognized OPEB expense of \$19,693. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

F. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund (continued)

Changes in the Total OPEB Liability

	Total Pension Liability
Balance at 12/31/2022	\$ 396,077
Changes for the year:	
Service Cost	21,610
Interest	16,248
Difference between expected and actual experience	(10,316)
Changes in assumptions	20,868
Benefit payments, including refunds, of employee contributions	(11,374)
Net changes	37,036
Balance at 12/31/2023	<u>\$ 433,113</u>

The total OPEB liability attributable to the governmental activities will be liquidated by the General Fund. The total liability attributable to the business-type activities will be liquidated by the Water and Wastewater Fund.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actuarial assumptions and actual experience	\$ 10,228	\$ (43,135)
Changes in actuarial assumptions used	79,412	(151,252)
Contributions subsequent to the measurement date	7,476	-
Total	<u>\$ 97,116</u>	<u>\$ (194,387)</u>

Note 2 - Detailed Notes on All Activities and Funds (continued)

F. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund (continued)

\$7,476 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2025	\$ (20,022)
2026	(17,609)
2027	(26,432)
2028	(34,656)
2029	(6,314)
Thereafter	286
Total	<u>\$ (104,747)</u>

G. Commitments and Contingencies Litigation and Other Contingencies

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the nonpurpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

H. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates in the Texas Municipal League’s General Liability Fund. In addition, the City participates in the Texas Municipal League’s Workers Compensation Fund to insure the City for workers compensation claims. The Texas Municipal League is not intended to operate as an insurance company but rather as contracting mechanism by which the city provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll risk factor and rates. The premiums are adjusted by the City’s experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City has not significantly reduced insurance coverage in the last three years.

CITY OF RICHMOND, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

I. Strategic Partnership Agreements

On October 22, 2007, the City entered into Strategic Partnership Agreements (SPA) with Pecan Grove Municipal Utility District ("Pecan Grove MUD"), Fort Bend County Municipal Utility District No. 121 ("FBCMUD 121") and Fort Bend County Municipal Utility District No. 116 ("FBCMUD 116") whereby the City will annex certain commercial areas within Pecan Grove MUD, FBCMUD 121 and FBCMUD 116 (the Limited Purpose Tracts). The City also entered into a similar agreement with Fort Bend County Municipal Utility District No. 207 ("FBCMUD 207") on January 21, 2014. The City shall impose a Sales and Use Tax on the sale and use at retail of taxable items within the Limited Purpose Tracts. Pecan Grove MUD and FBCMUD 116 are entitled to one-half of all Sales and Use Tax revenues, which will be paid to the Districts by the City within 30 days of receipt by the City. During the current fiscal year, the City paid \$149,155 to Pecan Grove MUD, \$392,799 to FBCMUD 116 and \$337,061 to FBCMUD 207 in tax rebates in accordance with the SPA. The Districts may audit the Sales and Use Tax collections by the City solely to determine whether the Sales and Use Tax revenue payments have been made to the Districts in accordance with this agreement. The Districts must give the City a 30-day written notice of such audit and the audit shall be made at each District's sole cost and expense.

J. Richmond-Rosenberg Local Government Corporation

The Richmond-Rosenberg Local Government Corporation (the "RRLGC") was organized for the purpose of aiding, assisting and acting on behalf of the City of Richmond, Texas, and the City of Rosenberg, Texas, in the performance of the governmental functions thereof in order to promote the common good and general welfare, including, without limitation, acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating a regional water utility system. The Board of Directors consists of five members. Two Directors are appointed by a resolution adopted by the Richmond City Commission, two Directors are appointed by a resolution adopted by the City of Rosenberg City Commission and one Director is appointed jointly by a resolution of the Richmond City Commission and the Rosenberg City Commission. The RRLGC is currently inactive.

K. New Accounting Pronouncements

The following GASB pronouncements were applicable and effective during fiscal year 2024.

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

Note 2 - Detailed Notes on All Activities and Funds (continued)

K. New Accounting Pronouncements (continued)

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Implementation Guide were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

L. Restatement to Beginning Net Position

During the fiscal year ended September 30, 2024, the City conducted a comprehensive review of its financial records and identified that certain bond premiums from previous years had not been recorded. This oversight was discovered during the preparation of the current year's financial statements. The omission was due to an administrative error in the recording process. The City has since implemented additional review procedures to ensure that all bond-related transactions are accurately recorded in the financial statements. The restatement has resulted in the increase in bond premiums for the Governmental Activities of \$249,566 and an increase in bond premiums for the Surface Water Fund and the business-type activities of \$55,570. The cumulative effect of these adjustments has been reflected as a reduction in the beginning net position of the current year's financial statements.

During the fiscal year ended September 30, 2024, the City identified an error in the financial statements of the previous fiscal year. A double-posted entry was made, which resulted in an overstatement of expenses in the Water and Sewer Fund in the financial statements. The restatement resulted in a increase in the Water and Sewer Fund and the Business-Type activities net position of \$268,248.

The cumulative effect of these adjustments has been reflected in the beginning net position of the current year's financial statements. The restatement has resulted in the following adjustments to the previously reported financial statements:

	Governmental Activities	Business-Type Activities	Water and Sewer Fund
Beginning Net Position, as Originally Presented	\$ 32,366,893	\$ 72,201,045	\$ 53,413,101
Entry to correct beginning net position - Premiums	(249,566)	(55,710)	(55,710)
Entry to correct beginning net position - Duplicate entry in PY	-	268,248	268,248
Beginning Net Position, as Restated	<u>\$ 32,117,327</u>	<u>\$ 72,413,583</u>	<u>\$ 53,625,639</u>

The City remains committed to maintaining accurate and transparent financial reporting. The implementation of enhanced review procedures will help prevent similar issues in the future

CITY OF RICHMOND, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Detailed Notes on All Activities and Funds (continued)

M. Restatement of Beginning Capital Asset Balances

During the fiscal year ended September 30, 2024, the City identified certain capital assets that were previously disposed out of the Construction in Progress (CIP) in prior periods. This reclassification resulted in a restatement of the beginning balances of capital assets.

The effect of the restatement on the beginning balances is as follows:

	Governmental Activities		
	Construction in Progress	Infrastructure	Machinery and equipment
Beginning Balance, as Originally Presented	\$ 10,839,334	\$ 11,996,090	\$ 11,908,600
Adjustment	656,683	(635,385)	(21,298)
Beginning Balance, as Restated	<u>\$ 11,496,017</u>	<u>\$ 11,360,705</u>	<u>\$ 11,887,302</u>

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

THIS PAGE INTENTIONALLY LEFT BLANK

November 18, 2025

WE HAVE ACTED as Bond Counsel for the City of Richmond, Texas, (the “City”) in connection with an issue of certificates of obligation (the “Certificates”) described as follows:

CITY OF RICHMOND, TEXAS COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025, dated November 1, 2025, in
the aggregate principal amount of \$_____.

The Certificates bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance (the “Ordinance”) adopted by the City Commission of the City authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City, certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely, and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. I-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

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

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and

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

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

(3) The Certificates are further secured by a limited pledge of a subordinate lien on the net revenues, in an amount not to exceed \$1,000, of the waterworks and sanitary sewer system of the City.

THE REVENUES TO BE derived from the operation of both the City's waterworks and sanitary sewer system after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed \$1,000, are pledged to the payment of the principal of and interest on the Certificates, to the extent that ad valorem taxes may ever be insufficient or unavailable for said purpose; provided, however, that such pledge is junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of Net Revenues to the payment of the Certificates.

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

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

INTEREST ON the Certificates owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage

investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

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

THE OPINIONS SET FORTH ABOVE ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as Bond Counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Certificates and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Certificates or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated October 10, 2025 and its Official Statement dated [October 21, 2025], that may have been relied upon by anyone in making the decision to purchase Certificates. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

THIS PAGE INTENTIONALLY LEFT BLANK

Municipal Advisory Services
Provided By

