

PRELIMINARY OFFICIAL STATEMENT

Dated October 22, 2025

Ratings:
S&P: "A+"
(See "OTHER INFORMATION -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

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

\$7,960,000*

CITY OF ANGLETON, TEXAS
(Brazoria County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: November 15, 2025

Due: February 15, as shown on page 2 hereof

Interest Accrues from: (defined below)

PAYMENT TERMS . . . Interest on the \$7,960,000* City of Angleton, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery, expected November 25, 2025 (the "Delivery Date"), to the underwriters named below (the "Underwriters") and will be payable February 15 and August 15 of each year commencing February 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Angleton, Texas (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 sanitary sewer system in an amount not to exceed \$1,000, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with (i) the design, construction, acquisition and equipment of water and sewer system improvements, including wastewater treatment plant improvements, and (ii) the costs of professional services related thereto.

CUSIP PREFIX: 034789
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 February 15, 2035, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (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 are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 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 on Page 2 of this Official Statement. 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 acquired by the City and presented to the Paying Agent/Registrar for cancellation 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 Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by the Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about November 25, 2025.

BOK FINANCIAL SECURITIES, INC.

RAYMOND JAMES

* Preliminary, subject to change.

\$7,960,000*
CITY OF ANGLETON, TEXAS
(Brazoria County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE*

CUSIP Prefix⁽²⁾: 034789

Principal Amount	Maturity Feb. 15	Interest Rate	Initial Yield ⁽¹⁾	CUSIP Suffix ⁽²⁾	Principal Amount	Maturity Feb. 15	Interest Rate	Initial Yield ⁽¹⁾	CUSIP Suffix ⁽²⁾
\$ 255,000	2026	%	%		\$ 325,000	2039 ⁽³⁾	%	%	
165,000	2027	%	%		335,000	2040 ⁽³⁾	%	%	
175,000	2028	%	%		350,000	2041 ⁽³⁾	%	%	
185,000	2029	%	%		365,000	2042 ⁽³⁾	%	%	
200,000	2030	%	%		380,000	2043 ⁽³⁾	%	%	
210,000	2031	%	%		395,000	2044 ⁽³⁾	%	%	
225,000	2032	%	%		410,000	2045 ⁽³⁾	%	%	
240,000	2033	%	%		430,000	2046 ⁽³⁾	%	%	
250,000	2034	%	%		445,000	2047 ⁽³⁾	%	%	
270,000	2035 ⁽³⁾	%	%		465,000	2048 ⁽³⁾	%	%	
285,000	2036 ⁽³⁾	%	%		485,000	2049 ⁽³⁾	%	%	
295,000	2037 ⁽³⁾	%	%		510,000	2050 ⁽³⁾	%	%	
310,000	2038 ⁽³⁾	%	%						

- (1) The initial yields on the Certificates are established by and are the sole responsibility of the Underwriters and may be changed by the Underwriters at any time.
- (2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Fact Set Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriters 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 February 15, 2035, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Underwriters may designate one or more maturities as "Term Certificates." Certificates designated as Term Certificates will be subject to mandatory redemption as described herein (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

* Preliminary, subject to change.

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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 its 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 or Underwriters. 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, the Underwriters 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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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 Angleton, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Brazoria County, Texas. The City covers approximately 10 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").
THE CERTIFICATES	The Certificates are issued as \$7,960,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are issued as serial certificates maturing 2026 through 2050, inclusive, unless the underwriters listed on the cover page hereof (the "Underwriters") designate two or more consecutive 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 25, 2025, and is payable February 15, 2026, and each August 15 and February 15 thereafter until stated 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 constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council of the City on October 28, 2025 (the "ORDINANCE"), and the City's Home Rule Charter (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 sanitary sewer system in an amount not to exceed \$1,000 (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Certificates have been designated as "qualified tax-exempt obligations" for financial institutions.
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). Certificates designated as "Term Certificates", if any, will be subject to mandatory sinking fund redemption as provided herein (See "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, under existing law, interest on the Certificates is (a) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (b) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with (i) the design, construction, acquisition and equipment of water and sewer system improvements, including wastewater treatment plant improvements, and (ii) the costs of professional services related thereto.
RATINGS	The Certificates and presently outstanding tax supported debt of the City are rated "A+" by S&P Global Ratings ("S&P"), without regard to credit enhancement (see "OTHER INFORMATION - RATINGS").
BOOK-ENTRY-ONLY SYSTEM	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the 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. (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").

* Preliminary, subject to change.

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

LEGALITY Delivery of the Certificates is subject to the approving opinion of the Attorney General of the State and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in APPENDIX C.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2022	19,610 ⁽¹⁾	\$ 1,205,760,837	\$ 61,487	\$ 38,420,000	\$ 1,959	3.19%	100.36%
2023	19,610 ⁽²⁾	1,452,662,219	74,078	36,135,000	1,843	2.49%	99.48%
2024	19,610 ⁽²⁾	1,806,937,430	92,144	37,590,000	1,917	2.08%	99.62%
2025	20,385 ⁽²⁾	1,921,847,347	94,278	38,868,000	1,907	2.02%	98.02% ⁽⁵⁾
2026	20,725 ⁽²⁾	1,973,229,969 ⁽³⁾	95,210	43,908,000 ⁽⁴⁾	2,119	2.23%	N/A

(1) Source: U.S. Census Bureau.

(2) Source: the City.

(3) Certified Values from the Brazoria County Appraisal District, which includes an estimated \$81,328,794 still under review by the Appraisal Review Board.

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

(5) Collections as of August 31, 2025. Total collections reflecting a refund of approximately \$37,572 in 2023.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Total Revenue	\$ 17,378,959	\$ 16,351,673	\$ 15,591,571	\$ 14,198,016	\$ 14,628,749
Total Expenditures	19,222,567	18,256,145	17,810,353 ⁽¹⁾	16,840,096 ⁽³⁾	14,549,956
Other Sources (Uses)	1,553,202	1,679,470	1,753,577 ⁽²⁾	484,539	1,704,955
Beginning Fund Balance	3,261,606	3,486,608	3,951,813	6,109,354	4,325,606
Increase (decrease) in Fund Balance	(290,406)	(225,002)	(465,205)	(2,157,541)	1,783,748
Ending Fund Balance	<u>\$ 2,971,200 ⁽⁴⁾</u>	<u>\$ 3,261,606</u>	<u>\$ 3,486,608</u>	<u>\$ 3,951,813</u>	<u>\$ 6,109,354</u>

(1) Increases in total expenses for the fiscal years ending September 30, 2021 – September 30, 2022 were primarily related to Public Works projects, including street overlays and sidewalk construction; the addition of personnel to the Fire Department and Code Enforcement Department; increasing Animal Control salaries to be more in line with the market; repairs to City Hall roof and air conditioning units; and professional fees related to growth within the City. Additionally, the increases included repairs to the Police Department air conditioning units and installing fencing and parking lot lights at the Police Department.

(2) The increase in Other Sources were from recognition of leases per GASB 87, sale of vehicles, additional transfer from the Emergency Service District for payoff of the fire truck, and transfers from the Water Fund for administration expenses.

(3) Includes \$835,595 of CARES funding expenditures. Also includes approximately \$110,000 of winter storm repairs, \$335,000 of storm debris clean-up and \$245,000 of legal fee expenditures. Also, represents expenditures from the Combination Tax and Revenue Certificates of Obligation, Series 2019 in the amount of \$903,655.

(4) Reduction in general fund balance due to expenses related to multiple storms, including Hurricane Beryl, in Fiscal Year 2024.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
John Wright	Mayor	2026
Travis Townsend	Council Position 2/Mayor Pro-Tem	2026
Christiene Daniel	Council Position 1	2027
Barbara Simmons	Council Position 3	2026
Blaine Smith	Council Position 4	2027
Tanner Sartin	Council Position 5	2026

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Number of Years in Current Position</u>	<u>Number of Years of Municipal Experience</u>
Lupe Valdez	Acting City Manager	1	42
Michelle Perez	City Secretary	2	20
Susie Hernandez	Finance Director	1	25

CONSULTANTS AND ADVISORS

Auditors Crowe, LLP
Houston, Texas

Bond Counsel..... Bracewell LLP
Houston, Texas

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

For additional information regarding the City, please contact:

Lupe Valdez
Acting City Manager
City of Angleton
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(979) 849-4364
(979) 849-5561 Fax

or

Joe Morrow
Managing Director
Hilltop Securities Inc.
700 Milam, Suite 1200
Houston, Texas 77002
(713) 654-8690
(713) 654-8658 Fax

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$7,960,000*
CITY OF ANGLETON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance by the City of Angleton, Texas (the "City") of its \$7,960,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are being authorized for issuance under an ordinance (the "Ordinance"), expected to be adopted by the City Council of the City on October 28, 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

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

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 (the "Financial Advisor").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1912, and first adopted its Home Rule Charter on February 17, 1967. The City operates under a City Council/Manager form of government where the Mayor and five Councilmembers are elected for staggered two-year terms. The City Council formulates policy for the City while the City Manager is the Chief Administrative Officer. The City encompasses approximately ten (10) square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . Interest on the Certificates will accrue from their date of delivery (the "Delivery Date") and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 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 ("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 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, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter, and the Ordinance.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with (i) the design, construction, acquisition and equipment of water and sewer system improvements, including wastewater treatment plant improvements, and (ii) the costs of professional services related thereto.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates are payable from and secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. 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 sanitary sewer system (the "System") in an amount not to exceed \$1,000, as provided in the Ordinance. The City currently intends to treat the Certificates as self-supporting from revenues of the System. However, such a determination is subject to change at the discretion of the City Council. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT".

TAX RATE LIMITATION . . . 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. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State requires that the maximum annual debt service or all ad valorem tax debt of the City is payable from an allocation of \$1.50 of the \$2.50 maximum tax rate, as calculated at the time of issuance.

* Preliminary, subject to change.

OPTIONAL REDEMPTION . . . The City reserves the right at its option to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates (or mandatory sinking fund redemption amounts with respect to any Term Certificates (as defined herein) to be redeemed. If less than all the Certificates of any one 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 Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or a portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create one or more term certificates (the "Term Certificates"), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 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 acquired by the City and delivered to the Paying Agent/Registrar for cancellation or have been redeemed pursuant to the optional redemption provisions 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 Paying Agent/Registrar, at the direction of the City, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificate subject to conditional redemption where such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificate held by DTC.

In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificate held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners.

Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM".

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

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. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices 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 Underwriters.

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. 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 . . . In the event the book-entry only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange or transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. 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.

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

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

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

REMEDIES OF HOLDERS OF THE CERTIFICATES . . . The Ordinance does not provide for the appointment of a trustee to represent the interests of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificate; however, such judgment could not be satisfied by

execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of governmental 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:

<u>Sources of Funds:</u>	
Par Amount of Certificates	\$ -
Net Premium	-
Total:	<u>\$ -</u>
<u>Uses of Funds:</u>	
Deposit to Project Fund	\$ -
Costs of Issuance ⁽¹⁾	-
Underwriter's Discount	-
Total:	<u>\$ -</u>

(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.

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. See "– 2025 Legislative Session" for information on legislation affecting ad valorem taxation exemptions.

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

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

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

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,160,000 (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. 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.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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 – ISSUER AND TAXPAYER REMEDIES".

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 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. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributed to local option homestead exemptions.

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

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

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

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 OPERATION TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

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

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

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

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

"unused increment rate" means the greater of zero and the rate expressed in dollars per \$100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city's voter-approved tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the "current total value" as defined in Section 26.012 of the Property Tax Code, and which may be applied to the City's tax rate when calculating the voter-approval tax rate.

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

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

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

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

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

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates. Under Chapter 26 of the Tax Code, the ad valorem taxes levied to pay debt service on certain non-voted debt approved after September 1, 2021 are included as part of the maintenance and operations tax rate calculations. The result is that the tax levied for debt service on such non-voted debt will be subject to the maintenance and operations tax limitations described in this subcaption. The Certificates are not subject to such limitations.

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

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.

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 in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "— 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:

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 of \$50,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

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

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

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

The City does not tax freeport property.

The City does not tax goods in transit.

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

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The initial abatement term is limited to seven years but may subsequently be extended. The amount of abatement is 100 percent or such amount as set by the City Council. Currently there are no companies that receive a tax abatement.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Brazoria County Appraisal District		\$ 2,559,805,909
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	\$ 30,987,807	
Homestead Cap Adjustment	49,114,566	
Circuit Breaker Limitation	24,800,708	
Disabled Persons	4,880,237	
Disabled Veterans	29,896,518	
Homestead Exemptions	31,283,911	
Over 65 Homestead Exemptions	81,357,303	
Pollution Control	97,260	
Exempt	329,308,102	
Community Housing Development Organizations	4,139,736	
Solar	709,792	586,575,940
2025/2026 Taxable Assessed Valuation		<u>\$ 1,973,229,969</u> ⁽¹⁾
General Obligation Debt (as of September 30, 2025):		
Presently Outstanding	\$ 38,868,000 ⁽²⁾	
The Certificates	<u>7,960,000</u> ⁽³⁾	\$ 46,828,000
Less: Projected Interest & Sinking Fund Balance as of September 30, 2025		\$ 142,031 ⁽⁴⁾
Less: Self-Supporting Water and Sewer System Debt Service		25,347,500 ⁽⁵⁾
Less: Self-Supporting Angleton Better Living Corporation Debt Service		<u>8,100,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 13,238,469</u>
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		0.67%
2026 Estimated Population - 20,725		
Per Capita Taxable Assessed Valuation - \$95,210		
Per Capita Taxable Assessed Valuation - \$639		

(1) Certified Values from the Brazoria County Appraisal District. Includes an estimated \$81,328,794 still under review by the Appraisal Review Board.

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

(3) Preliminary, subject to change.

(4) These amounts represent unaudited information that has not been prepared or reviewed by the City's independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City's annual audit.

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

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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	\$ 1,374,983,987	53.71%	\$ 1,373,051,978	54.50%	\$ 1,316,976,989	61.47%
Real, Residential, Multi-Family	120,383,855	4.70%	107,915,670	4.28%	103,659,236	4.84%
Real, Vacant Lots/Tracts	22,310,427	0.87%	23,468,960	0.93%	25,472,911	1.19%
Real, Acreage (Land Only)	31,151,761	1.22%	37,414,160	1.49%	33,545,084	1.57%
Real, Farm and Ranch Improvements	16,789,727	0.66%	21,589,217	0.86%	20,118,828	0.94%
Real, Commercial and Industrial	411,342,442	16.07%	422,783,484	16.78%	385,603,301	18.00%
Real and Tangible Personal, Utilities	63,862,180	2.49%	53,626,690	2.13%	47,478,890	2.22%
Tangible Personal, Commercial and Industrial	115,796,150	4.52%	125,858,090	5.00%	130,180,380	6.08%
Tangible Personal, Other	18,516,370	0.72%	18,669,813	0.74%	18,262,496	0.85%
Total Exempt	336,026,602	13.13%	285,313,823	11.32%	-	0.00%
Special Inventory	21,175,940	0.83%	20,073,080	0.80%	18,065,870	0.84%
Real, Inventory	27,466,468	1.07%	29,606,730	1.18%	43,216,934	2.02%
Total Appraised Value Before Exemptions	\$ 2,559,805,909	100.00%	\$ 2,519,371,695	100.00%	\$ 2,142,580,919	100.00%
Less: Total Exemptions/Reductions	586,575,940		597,524,348		335,643,489	
Taxable Assessed Value	<u>\$ 1,973,229,969</u> ⁽¹⁾		<u>\$ 1,921,847,347</u>		<u>\$ 1,806,937,430</u>	

Category	Taxable Appraised Value for Fiscal Year Ending September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,006,727,459	61.25%	\$ 862,778,426	63.65%
Real, Residential, Multi-Family	71,791,540	4.37%	64,536,607	4.76%
Real, Vacant Lots/Tracts	12,884,450	0.78%	10,108,751	0.75%
Real, Acreage (Land Only)	19,514,594	1.19%	15,305,863	1.13%
Real, Farm and Ranch Improvements	16,537,927	1.01%	13,383,102	0.99%
Real, Commercial and Industrial	263,922,624	16.06%	226,157,798	16.69%
Real and Tangible Personal, Utilities	42,515,790	2.59%	36,843,060	2.72%
Tangible Personal, Commercial and Industrial	156,282,010	9.51%	91,868,890	6.78%
Tangible Personal, Other	12,636,240	0.77%	10,159,300	0.75%
Special Inventory	18,654,660	1.14%	17,282,030	1.28%
Real, Inventory	22,059,817	1.34%	7,005,660	0.52%
Total Appraised Value Before Exemptions	\$ 1,643,527,111	100.00%	\$ 1,355,429,487	100.00%
Less: Total Exemptions/Reductions	190,864,892		149,668,650	
Taxable Assessed Value	<u>\$ 1,452,662,219</u>		<u>\$ 1,205,760,837</u>	

(1) Certified Values from the Brazoria County Appraisal District, which includes an estimated \$81,328,794 still under review by the Appraisal Review Board.

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽⁴⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	19,610 ⁽¹⁾	\$ 1,205,760,837	\$ 61,487	\$ 38,420,000	3.19%	\$1,959
2023	19,610 ⁽²⁾	1,452,662,219	74,078	36,135,000	2.49%	1,843
2024	19,610 ⁽²⁾	1,806,937,430	92,144	37,590,000	2.08%	1,917
2025	20,385 ⁽²⁾	1,921,847,347	94,278	38,868,000	2.02%	1,907
2026	20,725 ⁽²⁾	1,973,229,969 ⁽⁵⁾	95,210	43,908,000 ⁽⁶⁾	2.23% ⁽⁶⁾	2,119 ⁽⁶⁾

(1) Source: U.S. Census Bureau.

(2) Source: the City.

(3) As reported by the Brazoria County Appraisal District; subject to change during the ensuing year.

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

(5) Certified Values from the Brazoria County Appraisal District. Includes an estimated \$81,328,794 still under review by the Appraisal Review Board.

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$0.665144	\$ 0.581479	\$ 0.083665	\$ 7,445,911	99.11%	100.43%
2022	0.633041	0.559185	0.073856	7,587,344	98.99%	100.36%
2023	0.618760	0.517139	0.101621	8,898,711	98.70%	99.48%
2024	0.523010	0.455104	0.067906	9,154,875	98.81%	99.62%
2025	0.492858	0.409380	0.083478	9,217,157	98.23% ⁽¹⁾	98.02% ⁽¹⁾⁽²⁾
2026	0.515246	0.430180	0.085066	10,166,989	N/A ⁽³⁾	N/A ⁽³⁾

(1) Collections as of August 31, 2025.

(2) Total collections reflecting a refund of approximately \$37,572 of 2023 taxes.

(3) Tax collections start October 1, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Gambit Energy Storage	Electric Utility/Power Plant	\$ 29,870,870	1.55%
Texas New Mexico Power Co	Electric Utility	24,594,460	1.28%
Union Pacific Railroad Company	Railroad	20,210,395	1.05%
Texas Rednevous LP	Shopping Center	19,600,000	1.02%
Summer House Apartments LTD	Apartments	15,676,870	0.82%
Nistoy LTD	Commercial	12,746,690	0.66%
DBI Coale Rad Angleton 9.2 LP	Business Park	12,750,030	0.66%
AMG Cityview Apartments LLC	Apartments	12,750,000	0.66%
3M Company	Manufacturer	12,165,120	0.63%
Texas Angleton Ranch at 1400	Apartments	12,000,000	0.62%
		<u>\$ 172,364,435</u>	<u>8.97%</u>

TABLE 6 - TAX ADEQUACY

Fiscal Year 2026 Principal and Interest Requirements.....	\$ 887,556 ⁽¹⁾
\$0.0464 Tax Rate at 97% Collection Produces	\$ 888,111
Average Annual Principal and Interest Requirements (2026-2052).....	\$ 559,630 ⁽¹⁾
\$0.0293 Tax Rate at 97% Collection Produces	\$ 560,812
Maximum Annual Principal and Interest Requirements (2029).....	\$ 3,282,747 ⁽¹⁾
\$0.1716 Tax Rate at 97% Collection Produces	\$ 3,284,481

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

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

	Total G.O. Debt as of 8/31/2025	Estimated % Applicable	City's Overlapping G.O. Debt 8/31/2025
City of Angleton	\$ 46,828,000 ⁽¹⁾	100.00%	\$ 46,828,000 ⁽¹⁾
Angleton ISD	313,010,000	29.09%	91,054,609
Brazoria County	226,118,313	2.81%	6,353,925
Port Freeport	121,765,000	5.05%	6,149,133
Total Direct and Overlapping Funded Debt			\$150,385,666
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation			7.62%
Per Capita Overlapping Funded Debt			\$ 7,256

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

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year					Total	Less: Self-Supporting	Less: Self-Supporting	Total	% of
Ended	Outstanding Debt Service ⁽¹⁾⁽²⁾		The Certificates ⁽³⁾		Outstanding	Water & Sewer	ABLC	Debt Service	Principal
9/30	Principal	Interest	Principal	Interest	Debt Service	Debt Service ⁽⁴⁾	Debt Service	Requirements ⁽⁴⁾	Retired
2026	\$ 2,665,000	\$ 1,330,663	\$ 255,000	\$ 262,127	\$ 4,512,790	\$ 2,699,758	\$ 925,475	\$ 887,556	
2027	2,530,000	1,238,548	165,000	353,288	4,286,836	2,176,533	777,836	1,332,467	
2028	2,580,000	1,147,572	175,000	343,088	4,245,660	2,176,042	766,711	1,302,907	17.87%
2029	4,438,000	1,060,370	185,000	332,288	6,015,658	1,972,850	760,061	3,282,747	
2030	2,005,000	898,166	200,000	320,738	3,423,904	1,962,275	752,736	708,893	
2031	2,035,000	834,266	210,000	308,438	3,387,704	1,954,050	745,461	688,193	
2032	1,965,000	773,854	225,000	295,388	3,259,241	1,847,938	743,161	668,143	
2033	2,000,000	712,204	240,000	281,438	3,233,641	1,838,456	739,904	655,282	46.71%
2034	2,035,000	647,279	250,000	266,738	3,199,016	1,828,888	730,842	639,287	
2035	2,015,000	580,629	270,000	251,138	3,116,766	1,834,150	730,879	551,738	
2036	1,795,000	517,350	285,000	235,913	2,833,263	1,568,631	726,258	538,374	
2037	1,830,000	456,508	295,000	221,413	2,802,921	1,557,509	717,328	528,084	
2038	1,825,000	394,629	310,000	207,838	2,737,466	1,561,300	670,088	506,079	70.01%
2039	1,445,000	342,394	325,000	195,138	2,307,531	1,571,675	669,488	66,369	
2040	890,000	302,863	335,000	181,938	1,709,800	972,869	663,388	73,544	
2041	770,000	271,663	350,000	168,238	1,559,900	972,619	518,238	69,044	
2042	645,000	242,163	365,000	153,938	1,406,100	818,919	518,938	68,244	
2043	670,000	216,163	380,000	139,038	1,405,200	818,819	519,038	67,344	83.19%
2044	700,000	189,163	395,000	123,538	1,407,700	820,319	518,538	68,844	
2045	435,000	166,238	410,000	107,438	1,118,675	818,056	-	300,619	
2046	455,000	148,294	430,000	90,100	1,123,394	821,747	-	301,647	
2047	470,000	129,525	445,000	71,506	1,116,031	816,269	-	299,763	
2048	490,000	110,138	465,000	52,169	1,117,306	817,238	-	300,069	93.22%
2049	510,000	89,925	485,000	31,981	1,116,906	816,944	-	299,963	
2050	535,000	68,888	510,000	10,838	1,124,725	822,781	-	301,944	
2051	555,000	46,819	-	-	601,819	300,909	-	300,909	
2052	580,000	23,925	-	-	603,925	301,963	-	301,963	100.00%
	<u>\$38,868,000</u>	<u>\$12,940,195</u>	<u>\$7,960,000</u>	<u>\$5,005,683</u>	<u>\$64,773,879</u>	<u>\$ 36,469,505</u>	<u>\$ 13,194,359</u>	<u>\$ 15,110,015</u>	

- (1) "Outstanding Debt" does not include lease/purchase obligations. Includes the City's Emergency Note, Series 2024 (the "Emergency Note"). The Emergency Note was issued to address expenses associated with Hurricane Beryl preparation and recovery efforts. The Emergency Note is secured by ad valorem taxes, but the City intends to pay principal on the note from FEMA reimbursements, if and to the extent that, the City receives such funds. The majority of the principal amount of the Emergency Note is due in the fiscal year ending September 30, 2029.
- (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 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 ⁽¹⁾		\$4,512,790
Budgeted Interest and Sinking Fund, 9/30/2025 ⁽²⁾	\$ 142,031	
Budgeted Interest and Sinking Fund Tax Collections ⁽²⁾	1,651,499	
Budgeted Transfer from Water and Sewer Fund ⁽²⁾	1,976,468	
Budgeted Transfer from Angleton Better Living Corporation ⁽²⁾	697,248	
Budgeted Transfer from Infrastructure Fund ⁽²⁾	304,988	
Interest Income ⁽²⁾	<u>3,600</u>	<u>4,775,834</u>
Estimated Balance, 9/30/2026		<u>\$ 263,044</u>

- (1) Does not include self-supporting debt.
- (2) Source: Fiscal Year 2025/2026 Budget.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Revenues Available for Debt Service from Water and Sewer System, Fiscal Year Ended 9/30/2025	\$ 3,228,810 ⁽¹⁾
Water and Sewer System General Obligation Bond Requirements, Fiscal Year Ended 9/30/2026	<u>2,699,758 ⁽²⁾⁽³⁾</u>
Balance	\$ 529,052
Percentage of Water and Sewer System General Obligation Bonds Self-Supporting	100.00%
Revenues Available for Debt Service from Angleton Better Living Corporation, Fiscal Year Ended 9/30/2025	\$ 1,387,661 ⁽¹⁾
Angleton Better Living Corporation General Obligation Bond Requirements, Fiscal Year Ended 9/30/2026	<u>925,475 ⁽²⁾</u>
Balance	\$ 462,186
Percentage of Angleton Better Living Corporation General Obligation Bonds Self-Supporting	100.00%

- (1) These amounts represent unaudited information that has not been prepared or reviewed by the City's independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City's annual audit.
- (2) The City treats certain ad valorem tax debt (general obligation bonds) issued for water and sewer and parks purposes as self-supporting from revenues of the City's waterworks and sanitary sewer system or revenues received from the Angleton Better Living Corporation, respectively, based on a policy determination by City Council. The treatment of such ad valorem tax debt as self-supporting is subject to change. If payments of debt service are not made from such sources in the future, any shortfall is to be paid with ad valorem taxes.
- (3) Includes the Certificates. Preliminary, subject to change.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued debt. Under State law, the City may issue certain obligations that are secured by ad valorem taxes without an election. Examples of such obligations include certificates of obligation, such as the Certificates, and tax anticipation notes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate additional debt within the next 12 months.

TABLE 12 – OTHER OBLIGATIONS

The City has a lease agreement as of May 1, 2024 for the Police Department's records management system. The following is a summary of the annual requirements for these obligations:

Fiscal Year Ended	Principal	Interest	Total
2026	\$ 63,613.16	\$ 16,076.73	\$ 79,689.89
2027	68,574.98	11,114.91	79,689.89
2028	<u>73,923.81</u>	<u>5,766.08</u>	<u>79,689.89</u>
	<u>\$ 206,111.95</u>	<u>\$ 32,957.72</u>	<u>\$ 239,069.67</u>

The City has a lease agreement as of March 7, 2025 for a tractor, zero turn mower and a flex wing rotary cutter. The following is a summary of the annual requirements for these obligations:

Fiscal Year Ended	Principal	Interest	Total
2026	\$ 109,580	35,136	144,716
2027	115,808	28,868	144,676
2028	122,474	22,242	144,716
2029	129,480	15,236	144,716
2030	<u>136,886</u>	<u>7,830</u>	<u>144,716</u>
	<u>\$ 614,227</u>	<u>\$ 109,312</u>	<u>\$ 723,539</u>

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The City has operating leases as of September 30, 2024 for the acquisition and use of vehicles, copiers and a building. The following is a summary of the annual requirements for these obligations:

Fiscal Year Ended	Principal	Interest	Total
2026	\$ 184,896	\$ 28,042	\$ 212,938
2027	103,523	29,908	133,431
2028	34,335	12,142	46,477
2029	2,807	1,254	4,061
	<u>\$ 325,561.00</u>	<u>\$ 71,346.00</u>	<u>\$ 396,907.00</u>

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 contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. For more detailed information concerning the retirement plan, see APPENDIX B – "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" – Note # IV-C.

OTHER POST-EMPLOYMENT BENEFITS . . . The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF) and provides this coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. 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); retired employees are insured for \$7,500. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers. For more detailed information concerning the retirement plan, see APPENDIX B – "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" – Note # IV-D. The City does not offer nor provide any other post-employment benefits.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Program Revenues:					
Charges for Services	\$ 4,505,885	\$ 4,121,444	\$ 4,081,331	\$ 3,679,648	\$ 3,222,406
Operating Grants & Contributions	1,323,657	653,343	1,433,522	1,572,027	1,629,562
Capital Grants & Contributions	-	1,895,395	2,256,988	473,506	-
General Revenues:					
Property Taxes	9,240,179	8,895,729	7,682,906	7,571,262	7,280,581
Sales Tax	6,348,891	5,952,317	5,544,348	5,124,958	5,041,377
Franchise and Local Taxes	1,010,720	918,239	838,304	756,392	730,245
Industrial District Agreement	59,143	98,918	82,416	104,170	117,302
Investment Revenue	918,883	886,832	110,193	21,753	129,542
Special Assessments	650,788	567,683	-	-	-
Other Revenues	483,303	565,883	460,110	214,190	579,460
Gain (Loss) on Sale of Capital Assets	-	122,038	101,165	-	-
Total Revenues	\$ 24,541,449	\$ 24,677,821	\$ 22,591,283	\$ 19,517,906	\$ 18,730,475
Expenditures:					
General Administration	\$ 7,741,434	\$ 7,324,805	\$ 6,337,454	\$ 5,918,372	\$ 4,517,041
Financial Administration	673,655	653,387	419,906	515,055	451,112
Public Safety	9,628,811	10,363,964	8,696,282	8,649,434	7,517,808
Community Services	6,087,233	5,344,767	4,768,777	3,938,278	4,506,510
Economic Development	611,831	660,718	533,274	457,432	333,061
Interest and Fiscal Agent Fees	901,414	758,307	794,568	575,163	356,011
Total Expenditures	\$ 25,644,378	\$ 25,105,948	\$ 21,550,261	\$ 20,053,734	\$ 17,681,543
Change in Net Position Before Transfer	(1,102,929)	(428,027)	1,041,022	(535,828)	1,048,932
Transfers	1,532,759	(285,501)	426,838	114,201	227,275
Change in Net Position After Transfer	\$ 429,830	\$ (713,528)	\$ 1,467,860	\$ (421,627)	\$ 1,276,207
Net Position - Beginning	25,775,833	26,489,361	25,021,501 ⁽¹⁾	25,895,620	24,619,413
Net Position - End	<u>\$ 26,205,663</u>	<u>\$ 25,775,833</u>	<u>\$ 26,489,361</u>	<u>\$ 25,473,993</u>	<u>\$ 25,895,620</u>

(1) Restated.

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025 ⁽³⁾	2024	2023	2022	2021
Revenues:					
Property Taxes	\$ 7,520,680	\$ 7,935,342	\$ 7,354,972	\$ 6,800,964	\$ 6,590,804
Franchise and Local Taxes	684,680	771,116	691,389	668,673	594,063
Sales Tax	4,351,309	4,232,594	3,970,080	3,696,232	3,416,639
Industrial District Agreement	16,465	59,143	98,918	82,416	104,170
Permits, Licenses and Fees	709,845	645,948	619,878	858,711	685,324
Fines and Forfeitures	604,407	591,895	577,586	527,343	478,290
Charges for services	2,751,898	2,688,904	2,378,562	2,265,389	2,160,449
Intergovernmental	41,811	45,306	108,866	403,967	49,048
Investment Revenue	197,677	73,935	118,259	23,504	9,592
Miscellaneous Revenue	410,172	334,776	433,163	264,372	109,637
Total Revenues	\$ 17,288,944	\$ 17,378,959	\$ 16,351,673	\$ 15,591,571	\$ 14,198,016
Expenditures:					
General Administration	3,754,271	\$ 5,211,422	\$ 4,307,905	\$ 4,077,152	\$ 3,996,292
Financial Administration	523,832	687,508	620,283	472,509	534,962
Public Safety	8,881,047	8,634,660	8,662,335	8,342,209	7,580,723
Community Services	3,201,824	3,771,598	3,525,522	4,064,181	3,565,174
Economic Development	120,000	248,816	228,291	229,697	187,050
Capital Outlay		184,907	614,867	230,225	903,655
Debt Service	79,690	483,656	296,942	394,380	72,240
Total Expenditures	\$ 16,560,664	\$ 19,222,567	\$ 18,256,145	\$ 17,810,353 ⁽¹⁾	\$ 16,840,096
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 728,280	\$ (1,843,608)	\$ (1,904,472)	\$ (2,218,782)	\$ (2,642,080)
Total Other Sources (Uses)	\$ -	\$ 1,368,295	\$ 1,898,234	\$ 1,753,577 ⁽²⁾	\$ 484,539
Transfers Out	-	-	(340,802)	-	-
Lease Proceeds	-	184,907	-	-	-
Sale of Capital Assets	-	-	122,038	-	-
	\$ -	\$ 1,553,202	\$ 1,679,470	\$ 1,753,577	\$ 484,539
Fund Balance, Beginning of Year	2,971,200	3,261,606	3,486,608	3,951,813	6,109,354
Fund Balance, End of Year	\$ 3,699,480	\$ 2,971,200	\$ 3,261,606	\$ 3,486,608	\$ 3,951,813

(1) Increases in total expenses for the fiscal year ending September 30, 2022 were related to Public Works projects; including street overlays and sidewalk construction; the addition of personnel to the Fire Department and Code Enforcement Department; increasing Animal Control salaries to be more in line with the market; repairs to City Hall roof and air conditioning units; and professional fees related to growth within the City. Additionally, the increases included repairs to the Police Department air conditioning units, installing fencing and parking lot lights at the Police Department.

(2) The increase in Other Sources were from recognition of leases per GASB 87, sale of vehicles, additional transfer from ESD for payoff of the fire truck, and transfers from the Water Fund for administration expenses.

(3) Unaudited information provided by City staff. These amounts represent unaudited information that has not been prepared or reviewed by the City's independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City's annual audit.

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TABLE 14 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT 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 expenditures identified as capital.

	Fiscal Year Ended September 30,				
	2025 ⁽²⁾	2024	2023	2022	2021
Revenues:					
Water Sales	\$ 7,852,892	\$ 7,421,733	\$ 6,828,677	\$ 4,870,530	\$ 4,161,916
Sanitary Sewer Services	3,674,286	3,842,762	3,401,893	3,015,766	2,548,597
Other Service Fees	453,379	429,980	460,381	414,882	391,649
Investment Revenue	14,032	94,109	135,581	58,427	18,634
Total Revenues	<u>\$ 11,994,589</u>	<u>\$ 11,788,584</u>	<u>\$ 10,826,532</u>	<u>\$ 8,359,605</u>	<u>\$ 7,120,796</u>
Operating Expenses:					
Water Distribution	\$ 731,582	\$ 967,609	\$ 974,714	\$ 636,425	\$ 431,588
Water Plant Operations	864,664	837,230	1,019,239	1,072,903	923,696
Water Purchases ⁽¹⁾	3,872,280	3,426,126	3,175,043	2,207,590	2,154,960
Sewer	703,836	620,479	628,979	496,232	269,297
Collection Administration	2,579,385	2,844,518	2,620,680	2,145,425	1,745,153
Total Operating Expenses	<u>\$ 8,751,747</u>	<u>\$ 8,695,962</u>	<u>\$ 8,418,655</u>	<u>\$ 6,558,575</u>	<u>\$ 5,524,694</u>
Net Available for Debt Service	<u>\$ 3,242,842</u>	<u>\$ 3,092,622</u>	<u>\$ 2,407,877</u>	<u>\$ 1,801,030</u>	<u>\$ 1,596,102</u>
Water Customers	7,427	7,681	7,531	7,134	6,874
Sewer Customers	7,824	7,259	6,944	6,649	6,567

- (1) Represents payments to Brazosport Water Authority. In fiscal year 2024, the City increased the quantity of water purchased from the Brazosport Water Authority from Approximately 1.8 millions of gallons per day (“MGD”) to approximately 2.3 MGD.
- (2) Unaudited information provided by City staff. These amounts represent unaudited information that has not been prepared or reviewed by the City’s independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City’s annual audit.

TABLE 15 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% local sales and use tax within the City; the proceeds of such local sales and use tax are credited to the Street Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On October 1, 2000, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for the benefit of Angleton Better Living Corporation, which is a Type B economic development corporation.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 5,124,958	68.83%	\$ 0.4508	\$ 264.32
2022	5,544,348	73.07%	0.4598	282.73
2023	5,952,318	66.89%	0.4098	303.53
2024	6,348,891	69.35%	0.3514	323.76
2025	5,476,612 ⁽²⁾	59.42%	0.2850	268.66

- (1) Total collected includes both the sales and use tax receipts for local sales and use tax and the sales tax for the benefit of the Angleton Better Living Corporation.
- (2) Unaudited information provided by City staff. These amounts represent unaudited information that has not been prepared or reviewed by the City’s independent auditor. The unaudited information is derived from internal account balances of the City and is subject to revision upon completion of the City’s annual audit. Collections 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. The General Fund unreserved fund balance should be maintained at 25% of the current year's budget appropriation for operations and maintenance.

Water and Sewer 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. The Water and Sewer Fund will establish an operating reserve that will be maintained at 25% of the current year's budget appropriation for operations and maintenance, which is defined as the total budget less debt service and capital project expenditures.

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 Project 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 Administrator 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.

INVESTMENTS

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

LEGAL INVESTMENTS

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the

certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) 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, if the City Council of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit

an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value and of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (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 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 16 - CURRENT INVESTMENTS

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

Description	Percent of Total	Book Value
Tex Pool	0.85%	\$ 226,580
Lonestar	20.64%	5,507,749
Tex STAR	34.72%	9,266,752
Certificates of Deposit	4.30%	1,148,841
First State Bank	39.01%	10,412,229
Chase	0.45%	119,999
Texas Gulf Bank	0.02%	5,697
Total	100.00%	\$26,687,847

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of \$1.00 per share. Daily investment or redemption of funds is allowed by the participants.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, LLC, provides customer service and marketing for the pool. TexSTAR currently maintains an "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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TAX MATTERS

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

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Certificates or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Certificates from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as "qualified tax-exempt obligations."

The Certificates have been designated as "qualified tax-exempt obligations" based, in part, on the City's representation that the amount of the Certificates, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the City during calendar year 2025, is not expected to exceed \$10,000,000. Further, the City and entities aggregated with the City under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Certificates) during calendar year 2025.

Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Certificates will be subject to a 20% disallowance of allocable interest expense.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership, and disposition of the Certificates.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates.

Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM

If the issue price of a maturity of the Certificates exceeds the stated redemption price payable at maturity of such Certificates, such Certificates (the "Premium Bond") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

If the issue price of a maturity of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bonds, and (ii) the initial offering price to the public of such constitutes original issue discount with respect to such OID Bonds in the hands of any owner who has purchased such OID Bonds in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bonds equal to that portion of the amount of such original issue discount allocable to the period that such OID Bonds continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions "TAX MATTERS – TAX EXEMPTION" and "– COLLATERAL TAX CONSEQUENCES" and "– TAX LEGISLATIVE CHANGES" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Certificates for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bonds accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bonds for

purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such OID Bonds.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

TAX LEGISLATIVE CHANGES

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

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") in an electronic format as prescribed by the 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 will provide annually to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), (i) within six months after the end of each fiscal year ending in and after 2025, financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 16, and in Appendix B if audited financial statements of the City are then available , and (ii) if not provided as part of such financial information and operating data, audited financial statements when, and if, they become available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the notes 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.

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

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the "SEC"), or may be provided in any other manner consistent with the Rule.

MATERIAL EVENT NOTICES...The City will notify the MSRB through EMMA of any of the following events with respect to the Certificates in a timely manner, and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to rights of Holders of the Certificates, if material;

- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates; if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City, which will occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For the purposes of the event identified in (12), the event 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 U.S. 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, and the words used in clauses (15) and (16) in the immediately preceding paragraphs and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release"). The 2018 Release defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data by the time required.

AVAILABILITY OF INFORMATION FROM MSRB... The City has agreed to provide the foregoing information only to the MSRB. The MSRB has made the information available to the public without charge through EMMA at www.emma.msrb.org.

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

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

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

No default by the City in observing or performing its obligations under its continuing disclosure undertaking will constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has not failed to comply in any material respect with its continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Certificates and presently outstanding tax supported debt of the City are rated "A+" (stable) 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.

SEVERE WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

From the evening of May 16, 2024 to midday May 17, 2024, a derecho struck the Gulf Coast of the United States, including the City, causing widespread wind damage. A derecho is characterized by strong, straight-line winds. The City incurred approximately \$559,761 in debris removal expense. None of the debris removal expenditures were eligible for FEMA reimbursement.

Hurricane Beryl made landfall near Matagorda, Texas, on July 8, 2024, as a Category 1 storm. The City incurred damage and debris removal costs in the approximate amount of \$3,136,715 and incurred additional expenditures associated with life safety measures, first responder overtime and the acquisition of equipment to aid in hurricane response efforts. The City has applied for and expects to receive FEMA reimbursement in an amount up to approximately \$2,891,796. To date the City has received \$112,937 in FEMA reimbursement.

CYBERSECURITY

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. The City has 3 positions devoted to Information Technology. While the City continually assesses and monitors its cybersecurity risks, the city has been and may be in the future, subject to cyber-attacks from time to time. The City regularly monitors its systems and devices to assess and respond to any cyber-attack to minimize the disruption to City services; it regularly obtains technology improvements to mitigate cybersecurity risks; it has in place cybersecurity training programs for its personnel and it takes other actions it deems appropriate to prepare for and address cybersecurity risks. No assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. There has been one recent cyber security incident. The City had an attack on July 27, 2025 that interrupted service for several days. No data was lost and all systems were successfully restored.

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 to the Underwriters 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 the State to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bracewell LLP, Houston, Texas, Bond Counsel, in substantially the form attached hereto as Appendix C.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "THE CERTIFICATES" (excluding the information under the subcaptions "Book-Entry-Only System" and "Remedies of Holders of the Certificates"), and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings") and Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Ordinance; further, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "TAX MATTERS," "OTHER INFORMATION – Registration and Qualification of Certificates for Sale," "– Legal Matters" (excluding the last sentence of the second paragraph thereof), and "– Legal Investments and Eligibility to Secure Public Funds in Texas," and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel to the Underwriters.

The 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.

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."

AUDITED FINANCIAL STATEMENTS

Crowe LLP, the City's independent auditor, (the "Auditor") has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of the Auditor relating to City's financial statements for the fiscal year ended September 30, 2024 is included in this Official Statement in Appendix B; however, the Auditor has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

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 and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Certificates at a price equal to the initial offering price to the public, as shown on page 2 of this Official Statement, [plus an original issue premium of \$_____,] less an underwriting discount of \$_____, and no accrued interest. The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters provided the following sentence for inclusion in this Official Statement and the City makes no representation or warranty with respect to such information. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

The Underwriters are not banks, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, Municipal Advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

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.

MISCELLANEOUS

City Council has authorized certain officials to approve the form and content of the Preliminary Official Statement, and any addenda, supplement or amendment thereto and to deem it "Final" as of its date within and for the purposes of the Rule. In the Ordinance, the City Council will approve the final form of the Official Statement and authorize its use in the reoffering of the Certificates by the Underwriters.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

GENERAL INFORMATION REGARDING THE CITY

The City of Angleton, the county seat of Brazoria County, is approximately 45 miles south of Houston and 17 miles north of Freeport. The City encompasses some ten square miles and has 27.6 square miles within its extra-territorial jurisdiction ("ETJ").

POPULATION

Estimated Population 2022	Estimated Population 2023	Estimated Population 2024	Estimated Population 2025	Estimated Population 2026
19,610	19,610	19,610	20,385	20,725

MANAGEMENT OF THE CITY

The City is a political subdivision incorporated through the State of Texas operating under a home rule charter which was originally adopted in 1967. The charter, which provides for a Mayor-Council-Manager form of government, was most recently revised and amended on May 6, 1989.

The mayor and five councilmembers are elected for staggered two-year terms. The City Manager acts as the chief administrative officer, overseeing departmental operations and implementing the policies and directives of the City Council.

The City provides a number of services including: providing water, sanitary sewer collection and treatment, police (one station and 26 officers), fire (a full-time fire marshal that oversees a volunteer fire department with four fire trucks, a bucket truck, a tanker and a rescue unit), maintaining streets and drainage, animal control, code enforcement and parks.

INDUSTRY AND BUSINESS

The primary economic activities of the area include chemical manufacturing, biomedical, electronics, commercial fishing and agriculture.

TOP AREA EMPLOYERS

The following are the major employers located within Brazoria County:

Company	Type	Estimated Employees
Alvin I.S.D	Education	4,234
The Dow Chemical Company	Chemical	3,558
Pearland I.S.D.	Education	2,699
Texas Dept. of Criminal Justice	Criminal Justice	2,437
Brazosport ISD	Education	1,900
Kelsey-Seybold	Medical	1,839
Brazoria County	Government	1,484
Zachry Group	Contractor	1,474
Turner Industries	Contractor	1,272
BrandSafway, LLC	Contractor	1,127

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TRANSPORTATION AND UTILITIES

The City is served directly by Union Pacific Railroad, with reciprocal switching agreements with other railroads in the area, and is also served by two national bus lines. Commercial air service is afforded by the George Bush Houston Intercontinental Airport, Houston Hobby Airport and Brazoria County Airport, approximately 75 miles, 45 miles and 5 miles from the City, respectively.

State Highway 288 is a four-lane limited access highway that links Angleton north to Houston and south to the Port of Freeport, an international deepwater port with direct connections to inland rail and barge transportation systems. The City is also traversed by State Highways 35, 523 and 288B.

Electricity is supplied by Texas-New Mexico Power Company, natural gas by Centerpoint Energy and telephone service by AT&T. The City supplies potable water from water wells and a water supply agreement with Brazosport Water Authority and also provides a wastewater collection and treatment facility.

ECONOMIC INITIATIVES

ECONOMIC DEVELOPMENT DEPARTMENT - The City has an economic development department that is responsible for economic development city-wide, including coordinating with county-wide economic development efforts.

ENTERPRISE ZONE - The City has established an enterprise zone consisting of ten square miles of which 2.9 square miles are within City limits and 7.1 square miles are in the City's ETJ. The enterprise zone was established pursuant to the Texas Enterprise Zone Act, Tex. Rev. Civ. Stat. Ann. Art. 5190.7 (Vernon's Supp. 1988), which was originally enacted in 1983 and amended in 1987.

The financial incentive offered to the companies participating in the enterprise zone is in the form of a \$2,000 rebate on sales taxes paid while constructing new facilities or adding capital equipment for every job created.

EDUCATION AND HEALTH CARE

The Angleton Independent School District serves the students of the City. The District operates five elementary schools, two middle schools and a high school.

Higher education facilities in the area include Brazosport Junior College, Alvin Junior College, University of Houston Clear Lake, University of Texas Medical Branch, Houston Christian University, Prairie View A&M, Rice, South Texas College of Law and Texas Southern University.

Angleton is served by the full-service Angleton-Danbury General Hospital. The hospital includes 50 medical/surgical beds, 8 obstetrical beds and 6 intensive care beds.

THE COUNTY

Brazoria County came into existence in 1836 from the Municipality of Brazoria. It is a Gulf Coast county comprising most of the Brazoria Metropolitan Statistical Area. The economy is based on petroleum, chemicals, fishing, tourism and agriculture. The principal sources of agricultural income are rice, sorghums, and livestock.

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APPENDIX B

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

The information contained in this Appendix consists of excerpts from the City of Angleton, 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.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinions***

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefit liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on pages 5 through 12 and 63 to 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

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

Other Information

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

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



Crowe LLP

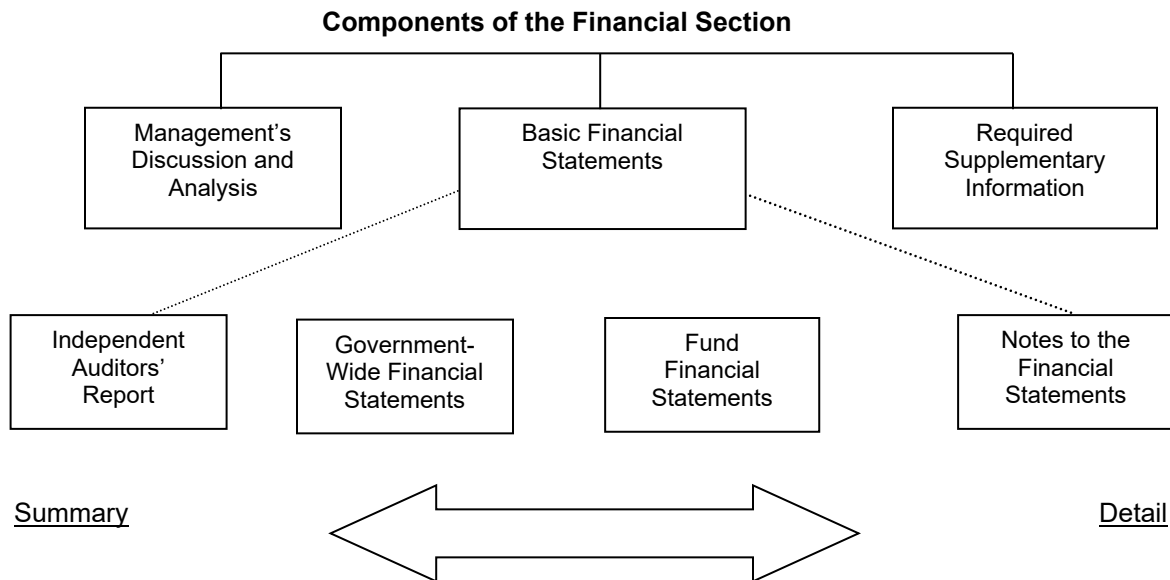
Houston, Texas
August 26, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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

THE STRUCTURE OF OUR ANNUAL REPORT



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

Government-Wide Statements

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

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

(Continued)

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including general administration, financial administration, public safety (municipal court, police, animal control, fire, and code enforcement), community services (streets, parks and recreation, and sanitation) and economic development. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

The City maintains 32 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the Angleton Better Living fund, and C.O. Series 2022. These funds are considered to be major funds for reporting purposes.

(Continued)

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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

Proprietary Fund

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and wastewater collection/treatment services. The proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for its unemployment costs. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$41,617,436 as of September 30, 2024. A portion of the City's net position (83%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 23,754,386	\$ 20,624,901	\$ 2,519,537	\$ 3,373,770	\$ 26,273,923	\$ 23,998,671
Capital assets, net	33,097,169	33,798,363	28,763,737	29,599,084	61,860,906	63,397,447
Total assets	<u>56,851,555</u>	<u>54,423,264</u>	<u>31,283,274</u>	<u>32,972,854</u>	<u>88,134,829</u>	<u>87,396,118</u>
DEFERRED OUTFLOWS ON RESOURCES						
Deferred outflows - pensions	1,959,215	2,970,814	309,813	516,074	2,269,028	3,486,888
Deferred outflows - OPEB	45,572	57,114	8,404	10,739	53,976	67,853
Deferred charge on refunding	2,114	10,584	12,115	16,149	14,229	26,733
Total deferred outflows of resources	<u>2,006,901</u>	<u>3,038,512</u>	<u>330,332</u>	<u>542,962</u>	<u>2,337,233</u>	<u>3,581,474</u>
LIABILITIES						
Long-term liabilities	30,266,352	28,646,071	14,785,665	16,300,347	45,052,017	44,946,418
Other liabilities	1,882,411	2,833,157	1,303,258	1,708,438	3,185,669	4,541,595
Total liabilities	<u>32,148,763</u>	<u>31,479,228</u>	<u>16,088,923</u>	<u>18,008,785</u>	<u>48,237,686</u>	<u>49,488,013</u>
DEFERRED INFLOWS ON RESOURCES						
Deferred inflows - pensions	385,001	55,802	91,198	24,459	476,199	80,261
Deferred inflows - OPEB	119,029	150,913	21,712	28,162	140,741	179,075
Total deferred inflows of resources	<u>504,030</u>	<u>206,715</u>	<u>112,910</u>	<u>52,621</u>	<u>616,940</u>	<u>259,336</u>
NET POSITION						
Net investment in capital assets	19,676,857	19,862,758	14,677,606	14,476,946	34,354,463	34,339,704
Restricted	6,056,119	5,396,291	330,018	685,993	6,386,137	6,082,284
Unrestricted	472,687	516,784	404,149	291,471	876,836	808,255
Total net position	<u>\$ 26,205,663</u>	<u>\$ 25,775,833</u>	<u>\$ 15,411,773</u>	<u>\$ 15,454,410</u>	<u>\$ 41,617,436</u>	<u>\$ 41,230,243</u>

A portion of the primary government's net position, \$6,386,137, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$876,836, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$387,193 which was primarily due to a surplus for governmental activities. Total assets are \$88,134,829, a net increase of \$738,711 compared to prior year. The total asset increase compared to the prior year includes an increase in current assets primarily from an increase in cash and cash equivalents related to unspent debt proceeds from debt issuance during the current fiscal year and a decrease in capital assets from current year depreciation of capital assets. Total liabilities are \$48,237,686, a net decrease of \$1,250,327 compared to prior year. The decrease is mostly due to a decrease in other liabilities from a decrease in unearned revenue and payables for construction costs. Total deferred outflows of resources are \$2,337,233, a net decrease of \$1,244,241 compared to the prior year which was primarily the net result of a decrease in deferred outflows for the pension plan with the Texas Municipal Retirement System ("TMRS"). Total deferred inflows of resources are \$616,940, a net increase of \$357,604 compared to the prior year which was primarily the net result of an increase in deferred inflows for the pension plan with TMRS and a decrease in deferred inflows for other post-employment benefits for supplemental death benefits.

(Continued)

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,505,885	\$ 4,121,444	\$ 11,694,475	\$ 10,690,951	\$ 16,200,360	\$ 14,812,395
Grants and contributions	1,323,657	2,548,738	-	938,000	1,323,657	3,486,738
General revenues:						
Property taxes	9,240,179	8,895,729	-	-	9,240,179	8,895,729
Sales taxes	6,348,891	5,952,317	-	-	6,348,891	5,952,317
Franchise fees and local taxes	1,010,720	918,239	-	-	1,010,720	918,239
Industrial district agreement	59,143	98,918	-	-	59,143	98,918
Investment revenue	918,883	886,832	94,109	135,581	1,012,992	1,022,413
Special assessments	650,788	567,683	-	-	650,788	567,683
Other revenues	483,303	687,921	-	-	483,303	687,921
Total revenues	<u>24,541,449</u>	<u>24,677,821</u>	<u>11,788,584</u>	<u>11,764,532</u>	<u>36,330,033</u>	<u>36,442,353</u>
Expenses						
General administration	7,741,434	7,324,805	-	-	7,741,434	7,324,805
Financial administration	673,655	653,387	-	-	673,655	653,387
Public safety	9,628,811	10,363,864	-	-	9,628,811	10,363,864
Community services	6,087,233	5,344,767	-	-	6,087,233	5,344,767
Economic development	611,831	660,718	-	-	611,831	660,718
Interest and fiscal agent fees	901,414	758,307	-	-	901,414	758,307
Water and sewer	-	-	10,298,462	10,039,578	10,298,462	10,039,578
Total expenses	<u>25,644,378</u>	<u>25,105,848</u>	<u>10,298,462</u>	<u>10,039,578</u>	<u>35,942,840</u>	<u>35,145,426</u>
Increase in net position before transfers	(1,102,929)	(428,027)	1,490,122	1,724,954	387,193	1,296,927
Transfers in (out)	<u>1,532,759</u>	<u>(285,501)</u>	<u>(1,532,759)</u>	<u>285,501</u>	<u>-</u>	<u>-</u>
Change in net position	429,830	(713,528)	(42,637)	2,010,455	387,193	1,296,927
Beginning net position	<u>25,775,833</u>	<u>26,489,361</u>	<u>15,454,410</u>	<u>13,443,955</u>	<u>41,230,243</u>	<u>39,933,316</u>
Ending net position	<u>\$ 26,205,663</u>	<u>\$ 25,775,833</u>	<u>\$ 15,411,773</u>	<u>\$ 15,454,410</u>	<u>\$ 41,617,436</u>	<u>\$ 41,230,243</u>

For the year, revenues from governmental activities decreased by \$136,372 which was less than 1% from the prior fiscal year. This governmental activities decrease in revenues was primarily due to the net result of a decrease in grants and contributions of \$1,225,081 from less capital grants received in the current fiscal year and an increase of \$1,125,465 from property tax revenues from an increase in the assessed values of properties within the City, sales tax revenues from an increase in taxable sales within the City, and charges for services from an increase in solid waste service charges. Expenses from governmental activities decreased by \$538,530 which was a 2% decrease from the prior fiscal year. Changes in governmental activities expenses reflect a decrease in expenses for public safety and economic development, offset by increases in spending for general administration, financial administration, community services, and interest and fiscal agent fees. The reductions in public safety and economic development expenses were primarily driven by a decrease in pension liabilities and reduced maintenance costs. Conversely, the increases in general administration, financial administration, community services, and interest and fiscal agent fees were largely attributable to higher cleanup costs following severe storm events and additional debt service expenses related to the issuance of new debt.

(Continued)

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Revenues from business-type activities increased by less than 1% from the prior fiscal year due mainly to an increase in charges for services of \$1,003,524 from an increase in utility rates and a decrease in grants and contributions of \$938,000 from less capital grants received during the fiscal year. Total expenses increased by \$258,884 which was primarily due to water purchase expenses, personnel costs, and repair and maintenance expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$21,662,021, a net increase of \$3,990,349 from the prior year due in large part to the issuance of debt. Of this combined fund balance, \$160,688 is nonspendable for inventory and prepaids, \$464,627 is restricted for debt service, \$719,611 is restricted for economic development, \$1,483,220 is restricted for special projects, and \$16,078,172 is restricted for capital projects. Unassigned fund balance totaled \$2,755,703 as of September 30, 2024.

Total governmental fund revenues increased by \$16,219 which was less than 1% from the prior fiscal year. Total governmental expenditures was \$26,707,492 for the current fiscal year which was a decrease in expenditures of \$4,191,297 from the prior fiscal year as a result of less capital outlay expenditures.

The general fund is the chief operating fund of the City. At the end of the current year, the total fund balance was \$2,971,200 which is approximately 15% or 55 days of current year general fund expenditures of \$19,222,567. The fund balance of the general fund decreased by \$290,406 due primarily to expenditures exceeding revenues of \$17,378,959 and other sources of \$1,553,202. General fund expenditures increased by \$966,422 from the prior fiscal year due to an increase in general administration expenditures of \$903,517, which was mainly due to higher cleanup costs following severe storm events. Compared to the prior year, general fund revenues increased \$1,027,286 which was primarily due to increases in property tax revenues from an increase in assessed values of properties within the City, sales tax revenues from an increase in taxable sales within the City, and charges for services from an increase in solid waste service charges. There was a decrease in general fund other sources of \$126,268 from the prior fiscal due to a decrease in proceeds from leases. As a measure of the general fund's liquidity and reserves for general operations, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14%, respectively, of total general fund expenditures.

The Angleton Better Living fund has a total fund balance of \$4,660,322, an increase of \$3,952,094 from prior year as a result of the issuance of debt at a premium. The Angleton Better Living fund revenue increased by \$276,882 due to an increase in sales tax revenue. Compared to the prior year, the Angleton Better Living fund expenditures decreased by \$571,597 due to an increase in capital outlay and general administration costs for better living initiatives.

The C.O. series 2022 fund has a total fund balance of \$7,831,894, an increase of \$258,346 from prior year with revenues of \$432,289 and expenditures of \$173,943. There was an increase in revenues of \$43,871 due primarily to an increase in investment income from deposits held with financial institutions and a decrease in expenditures of \$2,684,080 due to less capital outlay during the fiscal year.

(Continued)

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's amended budget planned for a decrease in budgeted general fund balance of \$506,616 due to higher cleanup costs following severe storm events, however, the City realized a decrease in fund balance of \$290,406. The City's actual revenues were greater than budgeted revenues by \$40,407. Actual expenditures were less than budgeted expenditures by \$175,803.

CAPITAL ASSETS

At the end of fiscal year 2024, the City's governmental and business-type activities had invested \$61,860,906 in a variety of capital assets which includes land, construction in progress, infrastructure, equipment, and right-to-use-assets from leases (net of accumulated depreciation/amortization). This represents a net decrease of \$1,536,541 from the prior year which includes depreciation/amortization of capital assets of \$3,460,733.

Major capital asset events during the year included the following:

- Construction for street improvements for \$805,754
- Purchase of park and recreational equipment for \$176,000
- Purchase of police department equipment for \$336,643
- Right-to-use assets for vehicles from leases entered during the fiscal year for \$184,907
- Construction for sewer system improvements for \$178,268
- Construction for waterline improvements for \$139,197

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

LONG-TERM DEBT

At the end of the current year, the City's governmental activities total debt was \$24,985,197 and business-type activities was \$13,515,249. This debt consisted of total general obligation bonds of \$1,000,000, certificates of obligation of \$36,590,000, loans for equipment of \$265,122, and leases of \$645,324.

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

CITY OF ANGLETON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City Council approved a \$20,277,895 general fund expenditure budget for fiscal year 2024-2025, which is an increase of 5% compared to the fiscal year 2023-2024 budget.

City Council approved budgeted debt service payments for the debt service fund and the principal and interest payments within the utility fund for \$3,654,234 for fiscal year 2024-2025, which is an increase of 5% compared to the fiscal year payments in 2023-2024.

City Council approved a \$12,234,506 utility fund expense budget for fiscal year 2024-2025, which is an increase of 5% compared to the fiscal year 2023-2024 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Susie Hernandez, Finance Director, City of Angleton, 121 S. Velasco, Angleton, TX, 77515; telephone 979.849.4364; or email at shernandez@angleton.tx.us.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,843,313	\$ 27,262	\$ 19,870,575
Investments	740,322	369,896	1,110,218
Receivables, net	2,101,707	1,672,004	3,773,711
Due from other governments	21,081	-	21,081
Internal balances	831,466	(831,466)	-
Inventory	16,698	488,504	505,202
Prepays	143,990	24,931	168,921
Restricted assets			
Cash and cash equivalents	55,809	768,406	824,215
Total current assets	<u>23,754,386</u>	<u>2,519,537</u>	<u>26,273,923</u>
Capital assets:			
Nondepreciable capital assets	2,332,306	790,951	3,123,257
Depreciable capital assets, net	<u>30,764,863</u>	<u>27,972,786</u>	<u>58,737,649</u>
Total capital assets	<u>33,097,169</u>	<u>28,763,737</u>	<u>61,860,906</u>
Total assets	<u>56,851,555</u>	<u>31,283,274</u>	<u>88,134,829</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions (TMRS)	1,696,026	309,813	2,005,839
Deferred outflows - pensions (TESRS)	263,189	-	263,189
Deferred outflows - OPEB	45,572	8,404	53,976
Deferred charge on refunding	<u>2,114</u>	<u>12,115</u>	<u>14,229</u>
Total deferred outflows of resources	<u>2,006,901</u>	<u>330,332</u>	<u>2,337,233</u>

(Continued)

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

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,501,816	833,584	2,335,400
Unearned revenue	274,109	-	274,109
Due to other governments	56,349	-	56,349
Accrued interest payable	50,137	48,071	98,208
Customer depositis	-	421,603	421,603
Total current liabilities	<u>1,882,411</u>	<u>1,303,258</u>	<u>3,185,669</u>
Noncurrent liabilities:			
Long-term liabilities due within one year	1,949,076	1,320,231	3,269,307
Long-term liabilities due in more than one year	<u>28,317,276</u>	<u>13,465,434</u>	<u>41,782,710</u>
	<u>30,266,352</u>	<u>14,785,665</u>	<u>45,052,017</u>
Total liabilities	<u>32,148,763</u>	<u>16,088,923</u>	<u>48,237,686</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions (TMRS)	\$ 383,578	\$ 91,198	\$ 474,776
Deferred inflows - pensions (TESRS)	1,423	-	1,423
Deferred inflows - OPEB	<u>119,029</u>	<u>21,712</u>	<u>140,741</u>
Total deferred inflows of resources	<u>504,030</u>	<u>112,910</u>	<u>616,940</u>
NET POSITION			
Net investment in capital assets	19,676,857	14,677,606	34,354,463
Restricted for:			
Debt service	438,695	-	438,695
Economic development	719,611	-	719,611
Special projects	1,483,220	-	1,483,220
Capital projects	3,414,593	330,018	3,744,611
Unrestricted	<u>472,687</u>	<u>404,149</u>	<u>876,836</u>
Total net position	<u>\$ 26,205,663</u>	<u>\$ 15,411,773</u>	<u>\$ 41,617,436</u>

See notes to financial statements.

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

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Government Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General administration	\$ 7,741,434	\$ -	\$ 249,643	\$ -	\$ (7,491,791)	\$ -	\$ (7,491,791)
Financial administration	673,655	-	-	-	(673,655)	-	(673,655)
Public safety	9,628,811	1,269,318	569,174	-	(7,790,319)	-	(7,790,319)
Community services	6,087,233	3,236,567	-	504,840	(2,345,826)	-	(2,345,826)
Economic development	611,831	-	-	-	(611,831)	-	(611,831)
Interest and fiscal agent fees	901,414	-	-	-	(901,414)	-	(901,414)
Total governmental activities	<u>25,644,378</u>	<u>4,505,885</u>	<u>818,817</u>	<u>504,840</u>	<u>(19,814,836)</u>	<u>-</u>	<u>(19,814,836)</u>
Business-type activities							
Water	8,104,072	7,705,030	-	-	-	(399,042)	(399,042)
Sewer	2,194,390	3,989,445	-	-	-	1,795,055	1,795,055
Total business-type activities	<u>10,298,462</u>	<u>11,694,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,396,013</u>	<u>1,396,013</u>
Total primary government	<u>\$ 35,942,840</u>	<u>\$ 16,200,360</u>	<u>\$ 818,817</u>	<u>\$ 504,840</u>	<u>(19,814,836)</u>	<u>1,396,013</u>	<u>(18,418,823)</u>
General revenues							
Property taxes					9,240,179	-	9,240,179
Sales taxes					6,348,891	-	6,348,891
Franchise fees and local taxes					1,010,720	-	1,010,720
Industrial district agreement					59,143	-	59,143
Investment revenue					918,883	94,109	1,012,992
Special assessments					650,788	-	650,788
Other revenues					483,303	-	483,303
Transfers					1,532,759	(1,532,759)	-
Total general revenues and transfers					<u>20,244,666</u>	<u>(1,438,650)</u>	<u>18,806,016</u>
Change in net position					429,830	(42,637)	387,193
Beginning net position					25,775,833	15,454,410	41,230,243
Ending net position					<u>\$ 26,205,663</u>	<u>\$ 15,411,773</u>	<u>\$ 41,617,436</u>

See notes to financial statements.

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

	General	Angleton Better Living	C.O. Series 2022	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,493,453	\$ 4,433,143	\$ 7,832,570	\$ 5,998,695	\$ 19,757,861
Investments	370,161	-	-	370,161	740,322
Receivables, net	1,611,181	373,822	-	116,704	2,101,707
Inventory	16,698	-	-	-	16,698
Prepays	142,990	1,000	-	-	143,990
Restricted cash and cash equivalents	55,809	-	-	-	55,809
Due from other governments	-	-	-	21,081	21,081
Due from other funds	831,466	-	-	-	831,466
Total assets	<u>\$ 4,521,758</u>	<u>\$ 4,807,965</u>	<u>\$ 7,832,570</u>	<u>\$ 6,506,641</u>	<u>\$ 23,668,934</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,231,353	\$ 147,643	\$ 676	\$ 122,144	\$ 1,501,816
Unearned revenue	112,422	-	-	161,687	274,109
Due to other governments	56,349	-	-	-	56,349
Total liabilities	<u>1,400,124</u>	<u>147,643</u>	<u>676</u>	<u>283,831</u>	<u>1,832,274</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>150,434</u>	<u>-</u>	<u>-</u>	<u>24,205</u>	<u>174,639</u>
Total deferred inflows of resources	<u>150,434</u>	<u>-</u>	<u>-</u>	<u>24,205</u>	<u>174,639</u>
FUND BALANCES					
Nonspendable					
Inventory and prepaids	159,688	1,000	-	-	160,688
Restricted					
Debt service	-	-	-	464,627	464,627
Economic development	-	-	-	719,611	719,611
Special projects	-	-	-	1,483,220	1,483,220
Capital projects	55,809	4,659,322	7,831,894	3,531,147	16,078,172
Unassigned	<u>2,755,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755,703</u>
Total fund balances	<u>2,971,200</u>	<u>4,660,322</u>	<u>7,831,894</u>	<u>6,198,605</u>	<u>21,662,021</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,521,758</u>	<u>\$ 4,807,965</u>	<u>\$ 7,832,570</u>	<u>\$ 6,506,641</u>	<u>\$ 23,668,934</u>

See notes to financial statements.

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

Total fund balances for governmental funds	\$ 21,662,021
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable/nonamortizable	2,332,306
Capital assets - depreciable/amortizable	30,764,863

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	174,639
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As internal service fund is used by management to charge the costs of unemployment expense to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	85,452
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Long-term liabilities related to debt, leases, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(50,137)
Noncurrent liabilities due in one year	(1,949,076)
Noncurrent liabilities due in more than one year	(24,560,282)
Deferred charge on refunding	2,114

Long-term liabilities and deferred outflows and deferred inflows related to the net pension and total other postretirement benefits (OPEB) liability are not recognized in the governmental funds.	
Net pension liability (TMRS)	(2,714,515)
Net pension liability (TESRS)	(737,612)
Total OPEB liability	(304,867)
Deferred outflows - pensions (TMRS)	1,696,026
Deferred outflows - pensions (TESRS)	263,189
Deferred outflows - OPEB	45,572
Deferred inflows - pensions (TMRS)	(383,578)
Deferred inflows - pensions (TESRS)	(1,423)
Deferred inflows - OPEB	(119,029)

Net position of governmental activities	<u>\$ 26,205,663</u>
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See notes to financial statements.

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

	General	(Formerly Major) Debt Service	Angleton Better Living	C.O. Series 2022	(Formerly Major) Grants	Nonmajor Governmental	Total Governmental Funds
Revenues							
Property taxes	\$ 7,935,342	\$ -	\$ -	\$ -	\$ -	\$ 1,286,443	\$ 9,221,785
Franchise fees and local taxes	771,116	-	-	-	-	239,604	1,010,720
Sales tax	4,232,594	-	2,116,297	-	-	-	6,348,891
Industrial district agreement	59,143	-	-	-	-	-	59,143
Permits, licenses, and fees	645,948	-	-	-	-	-	645,948
Fines and forfeitures	591,895	-	-	-	-	31,475	623,370
Charges for services	2,688,904	-	-	-	-	547,663	3,236,567
Intergovernmental	45,306	-	41,489	-	-	987,219	1,074,014
Investment revenue	73,935	-	118,900	432,289	-	291,949	917,073
Special assessments	-	-	-	-	-	650,788	650,788
Miscellaneous revenue	334,776	-	5,016	-	-	393,154	732,946
Total revenues	17,378,959	-	2,281,702	432,289	-	4,428,295	24,521,245
Expenditures							
Current							
General administration	5,211,422	-	730,970	-	-	1,455,341	7,397,733
Financial administration	687,508	-	-	-	-	-	687,508
Public safety	8,634,660	-	-	-	-	327,692	8,962,352
Community services	3,771,598	-	-	-	-	1,177,560	4,949,158
Economic development	248,816	-	-	-	-	370,958	619,774
Capital outlay	184,907	-	177,778	173,943	-	978,327	1,514,955
Debt service							
Principal	450,438	-	-	-	-	1,134,034	1,584,472
Interest and fiscal agent fees	33,218	-	-	-	-	836,669	869,887
Debt issuance costs	-	-	121,653	-	-	-	121,653
Total expenditures	19,222,567	-	1,030,401	173,943	-	6,280,581	26,707,492
Excess (deficiency) of revenues over (under) expenditures	(1,843,608)	-	1,251,301	258,346	-	(1,852,286)	(2,186,247)

(Continued)

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

	General	(Formerly Major) Debt Service	Angleton Better Living	C.O. Series 2022	(Formerly Major) Grants	Nonmajor Governmental	Total Governmental Funds
Other Financing Sources (Uses)							
Issuance of debt	-	-	3,750,000	-	-	336,643	4,086,643
Premium from issuance of debt	-	-	372,287	-	-	-	372,287
Transfers in	1,368,295	-	-	-	-	2,043,144	3,411,439
Transfers (out)	-	-	(1,421,494)	-	-	(457,186)	(1,878,680)
Lease proceeds	184,907	-	-	-	-	-	184,907
Total other financing sources (uses)	<u>1,553,202</u>	<u>-</u>	<u>2,700,793</u>	<u>-</u>	<u>-</u>	<u>1,922,601</u>	<u>6,176,596</u>
Net change in fund balances	(290,406)	-	3,952,094	258,346	-	70,315	3,990,349
Beginning fund balances	<u>3,261,606</u>	<u>452,470</u>	<u>708,228</u>	<u>7,573,548</u>	<u>478</u>	<u>5,675,342</u>	<u>17,671,672</u>
Change to or within financial reporting entity	-	(452,470)	-	-	(478)	452,948	-
Beginning fund balances, as adjusted	<u>3,261,606</u>	<u>-</u>	<u>708,228</u>	<u>7,573,548</u>	<u>-</u>	<u>6,128,290</u>	<u>17,671,672</u>
Ending fund balances	<u>\$ 2,971,200</u>	<u>\$ -</u>	<u>\$ 4,660,322</u>	<u>\$ 7,831,894</u>	<u>\$ -</u>	<u>\$ 6,198,605</u>	<u>\$ 21,662,021</u>

See notes to financial statements.

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

Net changes in fund balances - total governmental funds	\$ 3,990,349
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.	
Capital outlay	1,514,955
Depreciation/amortization	(2,216,149)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	18,394
The issuance of long-term debt (e.g., bonds, leases, loans, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are recognized at the government-wide level.	
Issuance of debt	(4,086,643)
Premium on debt issuance	(372,287)
Lease proceeds	(184,907)
Principal payment on debt and leases payable	1,584,472
Amortization of bond premiums	50,525
Amortization of refunding loss	(8,470)
Change in accrued interest on long-term debt	48,071
Change in compensated absences	117,306
Net pension liability (TMRS)	1,608,968
Net pension liability (TESRS)	(310,079)
Total OPEB liability	(27,636)
Change in deferred outflows - pensions (TMRS)	(1,019,663)
Change in deferred outflows - pensions (TESRS)	8,064
Change in deferred outflows - OPEB	(11,542)
Change in deferred inflows - pensions (TMRS)	(329,926)
Change in deferred inflows - pensions (TESRS)	727
Change in deferred inflows - OPEB	31,884
An internal service fund is used by management to charge the cost of unemployment costs to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	23,417
Change in net position of governmental activities	<u>\$ 429,830</u>

See notes to financial statements.

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

	Business-Type Activities	Governmental Activities
	<u>Utility</u>	<u>Internal Service</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27,262	\$ 85,452
Investments	369,896	-
Receivables, net	1,672,004	-
Prepaid expenses	24,931	-
Inventory	488,504	-
Restricted cash and cash equivalents	768,406	-
	<u>3,351,003</u>	<u>85,452</u>
Capital assets:		
Nondepreciable	790,951	-
Depreciable, net	27,972,786	-
	<u>28,763,737</u>	<u>-</u>
Total assets	<u>32,114,740</u>	<u>85,452</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions	309,813	-
Deferred outflows - OPEB	8,404	-
Deferred charge on refunding	12,115	-
Total deferred outflows of resources	<u>330,332</u>	<u>-</u>

(Continued)

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

	Business-Type Activities	Governmental Activities
	<u>Utility</u>	<u>Internal Service</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	833,584	-
Accrued interest payable	48,071	-
Customer deposits	421,603	-
Due to other funds	831,466	-
Noncurrent liabilities		
Long-term liabilities due within one year	1,320,231	-
Long-term liabilities due in more than one year	13,465,434	-
Total liabilities	<u>16,920,389</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	\$ 91,198	\$ -
Deferred inflows - OPEB	21,712	-
Total deferred inflows of resources	<u>112,910</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	14,677,606	-
Restricted for capital projects	330,018	-
Unrestricted	404,149	85,452
Total net position	<u>\$ 15,411,773</u>	<u>\$ 85,452</u>

See notes to financial statements.

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

	Business-Type Activities	Governmental Activities
	<u>Utility</u>	<u>Internal Service</u>
Operating revenues		
Water sales	\$ 7,421,733	\$ -
Sanitary sewer services	3,842,762	-
Other service fees	429,980	29,167
Total operating revenues	<u>11,694,475</u>	<u>29,167</u>
Operating expenses		
Water distribution	967,609	-
Water plant operations	837,230	-
Water purchases	3,426,126	-
Sewer	620,479	-
Collection administration	2,844,518	-
Unemployment	-	7,560
Depreciation	1,244,584	-
Total operating expenses	<u>9,940,546</u>	<u>7,560</u>
Operating income (loss)	<u>1,753,929</u>	<u>21,607</u>
Nonoperating revenues (expenses)		
Investment revenue	94,109	1,810
Interest expense	(357,916)	-
Total nonoperating revenues (expenses)	<u>(263,807)</u>	<u>1,810</u>
Income (loss) before transfers	1,490,122	23,417
Transfers		
Transfers (out)	(1,532,759)	-
Total transfers	<u>(1,532,759)</u>	<u>-</u>
Change in net position	(42,637)	23,417
Beginning net position	<u>15,454,410</u>	<u>62,035</u>
Ending Net Position	<u>\$ 15,411,773</u>	<u>\$ 85,452</u>

See notes to financial statements.

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

	Business-Type Activities	Governmental Activities
	Utility	Internal Service
Cash flows from operating activities		
Receipts from customers and users	\$ 11,752,673	\$ 29,167
Payments to suppliers	(6,898,770)	-
Payments to employees	(2,355,593)	(7,560)
Net cash provided by operating activities	<u>2,498,310</u>	<u>21,607</u>
Cash flows from noncapital financing activities		
Transfer to other funds	(1,532,759)	-
Net cash (used) by noncapital financing activities	<u>(1,532,759)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(409,237)	-
Principal paid on capital debt	(1,164,897)	-
Interest paid on capital debt	(409,654)	-
Net cash provided (used) by capital and related financing activities	<u>(1,983,788)</u>	<u>-</u>
Cash flows from investing activities		
(Purchase) of investment	(14,638)	-
Interest on investments	94,109	1,810
Net cash provided by investing activities	<u>79,471</u>	<u>1,810</u>
Net increase (decrease) in cash and cash equivalents	(938,766)	23,417
Beginning cash and cash equivalents	1,734,434	62,035
Ending cash and cash equivalents	<u>\$ 795,668</u>	<u>\$ 85,452</u>
Ending cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 27,262	\$ 85,452
Restricted cash and cash equivalents	768,406	-
	<u>\$ 795,668</u>	<u>\$ 85,452</u>

(Continued)

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

	Business-Type Activities	Governmental Activities
	Utility	Internal Service
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income	\$ 1,753,929	\$ 21,607
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,244,584	-
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Accounts receivable	34,423	-
Prepaid expenses	3,264	-
Inventory	(107,582)	-
Deferred outflows - pensions	206,261	-
Deferred outflows - OPEB	2,335	-
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(422,112)	-
Compensated absences	19,022	-
Deferred inflows - pensions	66,739	-
Deferred inflows - OPEB	(6,450)	-
Net pension liability	(325,468)	-
Total OPEB liability	5,590	-
Customer deposits	23,775	-
Net cash provided (used) by operating activities	<u>\$ 2,498,310</u>	<u>\$ 21,607</u>

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Angleton, Texas (the “City”) was incorporated in 1912. The City has operated under a “Home Rule Charter” which provides for a Mayor-Council-Administrator form of government.

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

The City provides the following services: general administration, financial administration, public safety (municipal court, police, animal control, fire, and code enforcement), community services (streets, parks and recreation, swimming pool, and sanitation), economic development, water distribution, and wastewater collection/treatment.

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

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with 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.

Blended Component Units

Angleton Better Living Corporation - Angleton Better Living Corporation, Inc. (the “Corporation”) has been included in the reporting entity as a blended component unit. The Corporation is a governmental entity that promotes economic and community development in the City. The Corporation’s Board of Directors is appointed by and serves at the discretion of City Council. The Corporation is primarily funded through a one-half cent sales tax approved by general election in 2001. City Council approval is required for the annual budget and the issuance of any debt. In the event of dissolution, any assets of the Corporation will be transferred to the City. The Corporation does not issue separate financial statements.

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Reinvestment Zone No. 1 - During fiscal year 2005, the City passed an ordinance creating a Tax Increment Reinvestment Zone No. One (TIRZ #1), in accordance with Section 311.005 of the Texas Tax Code, for the purpose of providing for the design and construction of water, wastewater, and roadway infrastructure improvements, in order to facilitate the development of new commercial properties. The TIRZ #1 includes participation by a developer and another governmental entity, the Angleton Drainage District. Under this arrangement, increases in property taxes will be utilized to pay for certain infrastructure costs. Such taxes are controlled by a board of directors managing the TIRZ #1 and accounted for as a special revenue fund with the City's financial oversight. The TIRZ #1 will terminate on December 31, 2035, unless the Angleton Drainage District approves an earlier termination date.

Tax Increment Reinvestment Zone No. 2 - During fiscal year 2020, the City passed an ordinance creating Tax Increment Reinvestment Zone No. Two (TIRZ #2), also referred to as the Riverwood Ranch TIRZ, in accordance with Section 311.005 of the Texas Tax Code, for the purpose of promoting the redevelopment of the area. Increases in property taxes will be utilized for certain infrastructure costs. Such taxes are controlled by a board of directors who is responsible for the management and oversight of the TIRZ #2 in accordance with the project and financing plan. The TIRZ #2 will terminate on December 31, 2051, or at an earlier time designated by subsequent ordinance or when all project costs, other obligations, debt, and interest have been paid in full.

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

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

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

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following governmental funds:

General Fund: The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, financial administration, public safety, community services, and economic development. The general fund is always considered a major fund for reporting purposes.

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

Special Revenue Funds: The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes except for the Angleton Better Living fund for activity related to restricted sources for community capital projects.

Capital Projects Funds: The *capital projects funds* are used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects funds are considered nonmajor funds for reporting purposes, except for the C.O. series 2022 fund, which is considered a major fund for reporting purposes.

The City reports the following enterprise funds:

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

Additionally, the City reports the following fund type:

Internal Service Funds: *Internal service funds* account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for unemployment costs.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as “cash and cash equivalents.” For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City’s investments.

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

In summary, the City is authorized to invest in the following:

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

Inventories and Prepaid Items: The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

Restricted Assets: Restricted assets are either limited for use for specified purposes or are otherwise not available for payment of current operating expenses. The City’s restricted assets consist of cash and investments resulting from the issuance of debt restricted to the purchase and/or construction of governmental and business-type activity capital assets.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Assets Depreciation</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 40 years
Vehicles, equipment, and furnishings	5 to 15 years
Infrastructure	30 to 50 years
Water and sewer system	30 to 50 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent 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. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Compensated Absences: The City records a liability for the amount of paid time off or PTO, that has vested for each employee at year end. Employees may use PTO as needed for sick leave, vacation or other reasons. Upon separation from the City, employees are eligible to be paid their accumulated PTO as long as they have provided a two week notice and work the remaining two weeks.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Leases

Lessee - The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis either over the term of the lease or the useful life of the asset (if the City is reasonably certain a purchase option will be recognized).

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenues and Expenditures/Expenses:

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

Property Taxes: Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent if unpaid on February 1, with late fees assessed monthly. After June 30, any taxes still uncollected are subject to lawsuit for collection and additional charges to offset legal costs.

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted for governmental funds on a basis consistent with generally accepted accounting principles except for the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2024. The Angleton Better Living major special revenue fund and the nonmajor Debt Service fund adopted a budget. The Hotel/Motel, Child Safety, Municipal Court Technology, Municipal Court Building Security, TxDOT, Keep Angleton Beautiful, Angleton Act Center, TIRZ #1, OBJ Police Grant, Police Grant, Police Donation, Fire Department ESD, A/C Donations, Drug Confiscation, Traffic Enforcement, and Emergency Response nonmajor special revenue funds have adopted budgets.

Expenditures in Excess of Appropriations: As of September 30, 2024, expenditures exceeded appropriations at the legal level of control as follows:

General Fund		
General Administration	\$	453,502
Tax collection	\$	2,911
Finance and accounting	\$	68,626
Information technology	\$	18,489
Maintenance	\$	28,172
Angleton Better Living Fund		
General Administration	\$	83,003
Hotel/Motel		
Economic development	\$	14,642
Drug confiscation		
Public safety	\$	20,385

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: The City's deposits and investments include bank deposits, investment pools, and certificates of deposit held at the City's depository bank. The carrying amount of the City's bank deposits was \$4,357,481 as of September 30, 2024 with \$824,215 being restricted for specific purposes. The City's bank deposits were collateralized by pledged securities of the depository bank for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

As of September 30, 2024, the City had the following investment pools and certificates of deposits:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Investment pools		
TexPool	\$ 650,849	0.08
TexStar	10,251,487	0.07
LoneStar	5,434,973	0.04
Certificates of deposit	1,110,218	0.66
Total	<u>\$ 17,447,527</u>	
Portfolio weighted average maturity		0.10

As of September 30, 2024, the City reported the bank deposits and investments pools as cash and cash equivalents. As of September 30, 2024, the City's certificates of deposits are reported as investments held by the City. The City's investments in certificates of deposit are held at a local financial institution for diversification. All of the City's investments are insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

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

Credit risk – The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "AAA" or "AAA-m", or at an equivalent rating by at least one nationally recognized rating service. Investments in Securities Exchange Commission (SEC) registered and regulated money market mutual funds must have an investment quality not less than "AAA-", or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the City's investments in investment pools were rated "AAAm" by Standard & Poor's.

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

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

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

Lone Star - Lone Star is a public funds investment pool organized under the authority of the Interlocal Cooperation Act of the Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is sponsored by the Texas Association of School Boards. The Lone Star Board (the "Board") acts as trustee and is comprised of 11 members representing school districts that have adopted the investment agreement, including school board members, school administrators, and school business officials. The Board has entered into an agreement with First Public, LLC to act as administrator for Lone Star. Responsibilities of First Public include daily servicing of participants' accounts, negotiating contracts with investment advisors and other service providers, and performing related administrative services. Finally, Standard & Poor's rates Lone Star "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Receivables: The following comprise receivable balances as of September 30, 2024:

	General	Angleton Better Living	Nonmajor Governmental	Utility	Total
Property taxes	\$ 224,525	\$ -	\$ 35,536	\$ -	\$ 260,061
Other taxes	1,063,203	373,822	-	-	1,437,025
Accounts	521,039	-	89,773	2,237,222	2,848,034
Grants	-	-	2,726	-	2,726
Less allowances	(197,586)	-	(11,331)	(565,218)	(774,135)
Total	<u>\$ 1,611,181</u>	<u>\$ 373,822</u>	<u>\$ 116,704</u>	<u>\$ 1,672,004</u>	<u>\$ 3,773,711</u>

Capital Assets: A summary of changes in capital assets at year end is as follows:

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated/ amortized				
Land	\$ 1,698,331	\$ -	\$ -	\$ 1,698,331
Construction in progress	2,108,396	817,405	(2,291,826)	633,975
Total capital assets not being depreciated/amortized	<u>3,806,727</u>	<u>817,405</u>	<u>(2,291,826)</u>	<u>2,332,306</u>
Other capital assets				
Buildings and improvements	19,163,676	-	-	19,163,676
Equipment	13,479,255	718,733	(177,771)	14,020,217
Infrastructure	30,733,311	2,085,736	-	32,819,047
Right-to-use assets - equipment	1,274,772	184,907	(105,136)	1,354,543
Total other capital assets	<u>64,651,014</u>	<u>2,989,376</u>	<u>(282,907)</u>	<u>67,357,483</u>
Less accumulated depreciation/ amortization for				
Buildings and improvements	(5,778,712)	(434,128)	-	(6,212,840)
Equipment	(10,608,140)	(691,430)	177,771	(11,121,799)
Infrastructure	(17,837,327)	(722,359)	-	(18,559,686)
Right-to-use assets - equipment	(435,199)	(368,232)	105,136	(698,295)
Total accumulated depreciation	<u>(34,659,378)</u>	<u>(2,216,149)</u>	<u>282,907</u>	<u>(36,592,620)</u>
Other capital assets, net	<u>29,991,636</u>	<u>773,227</u>	<u>-</u>	<u>30,764,863</u>
Governmental activities capital assets, net	<u>\$ 33,798,363</u>	<u>\$ 1,590,632</u>	<u>\$ (2,291,826)</u>	<u>33,097,169</u>
		Less associated debt		(26,087,005)
		Plus unspent bond proceeds		12,664,579
		Plus deferred charge on refunding		2,114
		Net investment in capital assets		<u>\$ 19,676,857</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

General administration	\$ 439,923
Public safety	595,708
Community services	<u>1,180,518</u>
Total governmental activities depreciation expense	<u>\$ 2,216,149</u>

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended September 30, 2024:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Construction in progress	\$ 5,678,726	\$ 409,237	\$ (5,297,012)	\$ 790,951
Total capital assets not being depreciated	<u>5,678,726</u>	<u>409,237</u>	<u>(5,297,012)</u>	<u>790,951</u>
Other capital assets				
Building and other improvements	764,756	-	-	764,756
Equipment	3,465,750	-	(81,775)	3,383,975
Infrastructure	54,456,459	5,297,012	(19,694)	59,733,777
Total other capital assets	<u>58,686,965</u>	<u>5,297,012</u>	<u>(101,469)</u>	<u>63,882,508</u>
Less accumulated depreciation for				
Building and other improvements	(287,237)	(10,701)	-	(297,938)
Equipment	(2,426,864)	(167,106)	81,775	(2,512,195)
Infrastructure	(32,052,506)	(1,066,777)	19,694	(33,099,589)
Total accumulated depreciation	<u>(34,766,607)</u>	<u>(1,244,584)</u>	<u>101,469</u>	<u>(35,909,722)</u>
Other capital assets, net	<u>23,920,358</u>	<u>4,052,428</u>	<u>-</u>	<u>27,972,786</u>
Business-type activities capital assets, net	<u>\$ 29,599,084</u>	<u>\$ 4,461,665</u>	<u>\$ (5,297,012)</u>	<u>28,763,737</u>
				Less associated debt \$ (14,098,246)
				Plus deferred charge on refunding 12,115
				<u>Net investment in capital assets \$ 14,677,606</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to business-type functions as follows:

Water	\$ 393,249
Sewer	<u>851,335</u>
Total business-type activities depreciation expense	<u><u>\$ 1,244,584</u></u>

Significant commitments related to construction in progress at year end are as follows:

Project Description	Total in Progress	Remaining Commitment
Governmental activities		
Street improvements	\$ 633,975	\$ 430,719
	<u>\$ 633,975</u>	<u>\$ 430,719</u>
Business-type activities		
Sanitary sewer improvements	\$ 272,554	\$ 563,130
Waterline Improvements	<u>518,397</u>	<u>315,000</u>
	<u>\$ 790,951</u>	<u>\$ 878,130</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the fiscal year ended September 30, 2024.

	Beginning Balances	Additions	(Reductions)	Ending Balances	Amounts Due Within One Year
<u>Governmental activities</u>					
General obligation refunding bonds	\$ 785,000	\$ -	\$ (250,000)	\$ 535,000	\$ 220,000
Certificates of obligation	20,669,854	3,750,000	(880,103)	23,539,751	970,185
Equipment loan	-	336,643	(71,521)	265,122	59,010
Leases payable	843,265	184,907	(382,848)	645,324	319,763
Plus deferred amounts					
For premiums	780,046	372,287	(50,525)	1,101,808	-
	<u>23,078,165</u>	<u>4,643,837</u>	<u>(1,634,997)</u>	<u>26,087,005</u>	<u>1,568,958</u>
<u>Other liabilities</u>					
Net pension liability - TMRS	4,323,483	-	(1,608,968)	2,714,515	-
Net pension liability - TESRS	427,533	310,079	-	737,612	-
Total OPEB liability	277,231	27,636	-	304,867	-
Compensated absences	539,659	368,387	(485,693)	422,353	380,118
Total governmental activities	<u>\$ 28,646,071</u>	<u>\$ 5,349,939</u>	<u>\$ (3,729,658)</u>	<u>\$ 30,266,352</u>	<u>\$ 1,949,076</u>
Long-term debt due in more than one year				<u>\$ 28,317,276</u>	
*Debt associated with governmental capital assets				<u>\$ 26,087,005</u>	
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities</u>					
General obligation refunding bonds	\$ 710,000	\$ -	\$ (245,000)	\$ 465,000	\$ 235,000
Certificates of obligation	12,475,146		(604,897)	11,870,249	649,815
Direct borrowing/private placement					
Certificates of obligation	1,495,000	-	(315,000)	1,180,000	310,000
Plus deferred amounts					
For premiums	631,926	-	(48,929)	582,997	-
	<u>15,312,072</u>	<u>-</u>	<u>(1,213,826)</u>	<u>14,098,246</u>	<u>1,194,815</u>
<u>Other liabilities</u>					
Net pension liability - TMRS	818,537	-	(325,468)	493,069	-
Total OPEB liability	49,409	5,590	-	54,999	-
Compensated absences	120,329	127,318	(108,296)	139,351	125,416
Total business-type activities	<u>\$ 16,300,347</u>	<u>\$ 132,908</u>	<u>\$ (1,647,590)</u>	<u>\$ 14,785,665</u>	<u>\$ 1,320,231</u>
Long-term debt due in more than one year				<u>\$ 13,465,434</u>	
*Debt associated with business-type capital assets				<u>\$ 14,098,246</u>	

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, net pension liability, and total OPEB liabilities are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

Description	Interest Rate	Balance
<u>Governmental activities</u>		
General obligation refunding bonds		
Series 2016	2.00-4.00%	\$ 535,000
		<u>535,000</u>
Certificates of obligation		
Series 2018	3.00-4.00%	6,670,000
Series 2019	2.00-4.00%	1,029,751
Series 2020	2.00-3.00%	2,345,000
Series 2022	4.00-6.00%	9,745,000
Series 2024	4.00-5.00%	3,750,000
		<u>23,539,751</u>
Other debt liabilities		
Equipment loan	7.80%	265,122
Leases payable	4.00-7.80%	645,324
		<u>910,446</u>
Total governmental activities long-term debt		<u>\$ 24,985,197</u>
<u>Business-type activities</u>		
General obligation refunding bonds		
Series 2016	2.00-4.00%	\$ 465,000
		<u>465,000</u>
Certificates of obligation		
Water and sewer, series 2015	3.00-4.00%	2,785,000
Series 2019	2.00-4.00%	7,075,249
Series 2021	3.00-4.00%	2,010,000
		<u>11,870,249</u>
Direct borrowing/private placement certificates of obligation		
Water and sewer, series 2013	2.28%	1,180,000
		<u>1,180,000</u>
Total business-type activities long-term debt		<u>\$ 13,515,249</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Bonds and Certificate of Obligation: The City issues general obligation bonds and certificates of obligation for the acquisition of assets and construction of major capital facilities. These debt issues have been used for both governmental and business-type activities. Each debt issue is serviced by a specific City fund.

General obligation bonds and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. The bonds and certificates of obligation are further supported by specific annual tax levies, which are legally restricted to servicing these debt issues. The collection and remittance of such levies are controlled and reported in the debt service fund. Some issuances are also secured by a pledge of the City's utility fund net revenues. Long-term debt originating for the purpose of constructing proprietary fund assets is carried within and directly serviced by the utility fund.

In March 2024, the City issued Certificates of Obligation, Series 2024, in the amount of \$3,750,000 with interest rates at 4.00% to 5.00%. The proceeds from the issuance is being used to finance capital improvement projects for the City's parks and recreational facilities. The certificates of obligation mature in fiscal year 2044 and are payable from ad valorem taxes levied by the City.

The annual requirements to amortize general obligation bonds and certificates of obligation at year end were as follows:

Fiscal Year Ended September 30,	General Obligation Bonds					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 220,000	\$ 17,000	\$ 235,000	\$ 13,900	\$ 455,000	\$ 30,900
2026	220,000	8,200	230,000	4,600	450,000	12,800
2027	45,000	2,900	-	-	45,000	2,900
2028	50,000	1,000	-	-	50,000	1,000
	<u>\$ 535,000</u>	<u>\$ 29,100</u>	<u>\$ 465,000</u>	<u>\$ 18,500</u>	<u>\$ 1,000,000</u>	<u>\$ 47,600</u>

Fiscal Year Ended September 30,	Certificates of Obligation					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 970,185	\$ 885,549	\$ 649,815	\$ 329,415	\$ 1,620,000	\$ 1,214,964
2026	972,398	849,443	537,602	311,401	1,510,000	1,160,844
2027	1,021,067	811,462	778,933	289,254	1,800,000	1,100,716
2028	1,034,879	773,643	815,121	259,798	1,850,000	1,033,441
2029-2033	5,448,777	3,287,694	4,531,223	896,588	9,980,000	4,184,282
2034-2038	5,892,485	2,305,866	3,607,515	346,031	9,500,000	2,651,897
2039-2043	3,469,960	1,342,728	950,040	32,517	4,420,000	1,375,245
2044-2048	2,550,000	743,356	-	-	2,550,000	743,356
2049-2052	2,180,000	229,556	-	-	2,180,000	229,556
	<u>\$ 23,539,751</u>	<u>\$ 11,229,297</u>	<u>\$ 11,870,249</u>	<u>\$ 2,465,004</u>	<u>\$ 35,410,000</u>	<u>\$ 13,694,301</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Fiscal Year Ended September 30,	Business-Type Activities - Direct Borrowings/Private Placement	
	<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2025	310,000	23,370
2026	305,000	16,359
2027	285,000	9,633
2028	280,000	3,192
	<u>\$ 1,180,000</u>	<u>\$ 52,554</u>

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

Equipment Loan: The City obtained a loan for law enforcement equipment in May 2024 for \$336,643 with payments due annually at an interest rate of 7.80%. The first interest and principal payment was paid by the general fund on May 21, 2024 for \$79,690. The final payment for the loan is due on May 21, 2028. The remaining annual requirements to amortize this loan at year end were as follows:

Fiscal Year Ended September 30,	<u>Governmental Activities</u>	
	<u>Equipment Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2025	59,010	20,680
2026	63,613	16,077
2027	68,575	11,115
2028	73,924	5,766
	<u>\$ 265,122</u>	<u>\$ 53,638</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Leases Payable: The City is a lessee for the acquisition and use of vehicles, copiers, and a building. As of September 30, 2024, the value of the lease liability was \$645,324. The City made principal and interest payments on the leases in fiscal year 2024 for \$408,170. The City will continue to make principal and interest payments on leases through the fiscal year 2029. The estimated incremental borrowing rates range from 4.00% to 7.80%. The leases are amortized based on the term of the lease agreements which ranges from 36 months to 60 months and had remaining terms ranging from 9 to 60 months as of the beginning of the fiscal year. The value of the right-to-use assets for fiscal year 2024 was \$1,354,543 and had accumulated amortization of \$698,295.

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

Fiscal Year Ended September 30,	Governmental Activities	
	<u>Leases Payable</u>	
	Principal	Interest
2025	\$ 319,763	\$ 29,712
2026	184,896	28,042
2027	103,523	29,908
2028	34,335	12,142
2029	2,807	1,254
	<u>\$ 645,324</u>	<u>\$ 101,058</u>

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

Transfer in	Transfer out	Amount
General	Utility	\$ 1,368,295
Nonmajor governmental	Utility	164,464
Nonmajor governmental	Angleton Better Living	1,421,494
Nonmajor governmental	Nonmajor governmental	457,186
		<u>\$ 3,411,439</u>

Transfers to the general fund were subsidies for administrative expenditures and reimbursements for various payments by the utility fund. Transfers to and from the nonmajor governmental funds were related to amounts collected for restricted governmental expenditures. The transfers to the nonmajor governmental funds from the Angleton Better Living fund and utility fund were for projects related to restricted funds and debt service payments.

The composition of interfund balances as of year end is as follows:

Due to	Due from	Amount
General	Utility	831,466
		<u>\$ 831,466</u>

The amounts recorded as due to/from are considered to be a temporary loan and will be repaid during the following year.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Funds Equity: Funds restricted by enabling legislation are \$188,740 related to hotel/motel tax, child safety, and municipal court security and technology.

Restricted Assets: The balances of the restricted cash accounts in the general fund and enterprise fund recognized by the City were as follows:

General fund	
Restricted for capital projects	\$ 55,809
Utility fund	
Restricted for capital projects	346,803
Deposits payable	421,603
	\$ 824,215

NOTE 4 - OTHER INFORMATION

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with more than 2,824 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

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

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Pension Plan:

Texas Municipal Retirement System

Plan Description: The City participates as one of 934 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

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

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

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

	2024	2023
Employee deposit rate	6.00%	6.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

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

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to, but not yet receiving, benefits	139
Active employees	148
Total	<u>370</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.06% and 11.83% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$1,227,707 and were more than the required contributions.

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

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for active members, 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. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The postretirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global public equity	35%	6.7%
Core fixed income	6%	4.7%
Non-core fixed income	20%	8.0%
Other public and private markets	12%	8.0%
Real estate	12%	7.6%
Hedge funds	5%	6.4%
Private equity	10%	11.6%
Total	<u>100%</u>	

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

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 1,342,325	\$ -	\$ 1,342,325
Interest	2,258,218	-	2,258,218
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(374,885)	-	(374,885)
Changes in assumption	(270,468)	-	(270,468)
Contributions - employer	-	1,064,803	(1,064,803)
Contributions - employee	-	554,847	(554,847)
Net investment income	-	3,291,061	(3,291,061)
Benefit payments, including refunds of employee contributions	(1,591,344)	(1,591,344)	-
Administrative expense	-	(20,939)	20,939
Other changes	-	(146)	146
Net Changes	1,363,846	3,298,282	(1,934,436)
Balance at December 31, 2022	33,579,594	28,437,574	5,142,020
Balance at December 31, 2023	<u>\$ 34,943,440</u>	<u>\$ 31,735,856</u>	<u>\$ 3,207,584</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 8,115,639	\$ 3,207,584	\$ (789,275)

Pension Plan Fiduciary Net Position: Detailed information about the TMRS fiduciary net position is available in the schedule of changes in fiduciary net position, by participating City. That report may be obtained at www.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized pension expense of \$914,491.

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

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 284,002	\$ 285,530
Changes in actuarial assumptions	-	189,246
Difference between projected and actual investment earnings	750,339	-
Contributions subsequent to the measurement date	971,498	-
Total	\$ 2,005,839	\$ 474,776

\$971,498 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ 180,524
2026	131,115
2027	522,234
2028	(274,308)
Total	\$ 559,565

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Texas Emergency Services Retirement System

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

On August 31, 2023, the TESRS membership consisted of:

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

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

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

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

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

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

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

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

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

Contributions: The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2023, total contributions (dues, prior service, and interest on prior service financing) of \$81,182 were paid by the City. The State appropriated \$1,262,763 for the fiscal year ending August 31, 2023 to TESRS as a whole.

Actuarial Assumptions: The TPL in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projected scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.50% assumption was selected by rounding down.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities		
Large cap domestic	20%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Real estate	10%	4.48%
Mutual asset income	5%	3.86%
Fixed income	30%	1.95%
Total	<u>100.00%</u>	
Weighted average		4.61%

Discount Rate: The discount rate used to measure the TPL was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2023 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the TESRS fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL of the City, calculated using the discount rate of 6.50%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease in Discount Rate (5.50%)</u>	<u>Current Discount Rate Rate (6.50%)</u>	<u>1% Increase in Discount Rate (7.50%)</u>
City's proportionate share of the net pensions liability	<u>\$ 1,142,135</u>	<u>\$ 737,612</u>	<u>\$ 409,501</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: At September 30, 2024, the City reported a liability of \$737,612 for its proportionate share of TESRS NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the net pensions liability/(asset)	\$ 737,612
State's proportionate share that is associated with the City*	<u>195,495</u>
	<u>\$ 933,107</u>

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

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

At August 31, 2024, the City's proportion of the collective NPL was 1.704%, which was an increase of 0.662% from its proportion measured as of August 31, 2023. There were no changes in assumptions or other inputs that affected measurement of the TPL during the measurement period.

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

For the measurement year ended August 31, 2023, the City recognized pension expense of \$174,531. On-behalf revenues and expenses were immaterial and not recognized by the City.

At August 31, 2023, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual investment earnings	\$ 220,683	\$ -
Changes in assumptions	-	1,423
Difference between expected and actual economic experience	10,772	-
Contributions paid to TESRS subsequent to the measurement date	<u>31,734</u>	<u>-</u>
Total	<u>\$ 263,189</u>	<u>\$ 1,423</u>

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 – OTHER INFORMATION (Continued)

The net amounts of the City's balances of deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ 57,860
2026	60,081
2027	104,551
2028	<u>7,540</u>
Total	<u>\$ 230,032</u>

Aggregate Pension: The aggregate amounts of pension expense, NPL, deferred outflows, and deferred inflows for the TMRS and TESRS pension plans were \$1,089,022, \$3,945,196, \$2,269,028, and \$476,199.

Other Postemployment Benefits:

TMRS Supplemental Death Benefit

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

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

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

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to, but not yet receiving benefits	27
Active employees	148
Total	<u>231</u>

Total OPEB Liability: The City's total OPEB liability of \$359,866 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50% per year
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with intermediate convergence).
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

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

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 24,943
Interest	13,491
Difference between expected and actual experience	(11,751)
Changes of assumptions	18,553
Benefit payments *	(12,010)
Net changes	33,226
Beginning balance	326,640
Ending balance	\$ 359,866

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

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

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

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

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	\$ 434,281	\$ 359,866	\$ 302,804

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended September 30, 2024, the City recognized TMRS OPEB expense of \$20,711.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 995	\$ 31,635
Changes in assumptions	43,923	109,106
Contributions subsequent to the measurement date	9,058	-
Total	<u>\$ 53,976</u>	<u>\$ 140,741</u>

\$9,058 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2025.

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

<u>Fiscal Year ended September 30,</u>	<u>OPEB Expense Amount</u>
2025	\$ (17,474)
2026	(36,729)
2027	(39,448)
2028	(2,335)
2029	163
Total	<u>\$ (95,823)</u>

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Tax Abatements:

Chapter 380 Economic Development Agreement

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

Dees Properties, LLC 380 Agreement - On October 8, 2019, City Council approved a community development program agreement (the "Agreement") with Dees Properties LLC (the "Business") for the restoration and preservation of the Bowman Building located at 116 North Velasco (the "Building"). The City agreed to the following:

Each Agreement provides for recapture in the event of material breach. The following summarizes the current Agreement:

- Provide a 5-year refund equal to 50% of the property and sales taxes or until the property and sales taxes rebate imposed and received by the City reaches a combined total of \$300,000, whichever comes first.
- This Agreement shall remain in effect until the expiration of the 5-year period and may be extended for an additional period on terms mutually accepted by both parties.
- In the event this Agreement is terminated, or the Building is sold by the Business to another party other than City, before the fifth anniversary of the signing of this Agreement, the Business shall repay the total amount of the grant received up to the date of sale or termination.

The Business agreed to the following:

- Revitalize the Building.
- Add taxable improvements to the real property.
- Create employment opportunities.

No taxes were refunded during fiscal year 2024.

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Public Improvement Districts:

The City of Angleton (the "City") is authorized pursuant to Tex. Local Gov't Code, Ch. 372, as amended ("Chapter 372") to create public improvement districts and to levy and collect an assessment. The purpose of the districts is to finance the actual costs of authorized improvements that confer a special benefit to property owners within the districts.

Green Trails Public Improvement District - The City approved the creation of the Green Trails Public Improvement District (PID) under the provisions of Chapter 372. Effective August 10, 2019, the City entered into a Reimbursement Agreement (the "Agreement") with Angleton Green Trails, LLC, (the "Developer") in which the Developer agreed to fund and construct certain infrastructure projects, and the City agrees to reimburse the Developer for those costs paid solely from the revenue collected by the City from levy assessments on all benefitted property located within the PID. On January 26, 2021, the City approved an assignment and sale agreement between Angleton Green Trails, LLC and Texas PID Financing I, LLC. The estimated reimbursable obligation is \$1,049,930, which includes estimated financing costs of \$336,488, is secured by assessments to be paid by the applicable property owners within the PID pursuant to the Agreement. Any unpaid balance shall bear simple interest at the rate of 4.00%. The maturity date is the earlier date of (1) January 1 of the year following the date the last assessment payment has been made in accordance with the PID Service and Assessment Plan and Assessment Roll(s) which is based on 20 years, or (2) until the Developer is paid in full in accordance with the terms of the Agreement. The obligation of the City for the PID Agreement balance is payable solely from the assessments collected. No other City funds, revenue, taxes, income, or property shall be used even if the PID Agreement balance is not paid in full by the maturity date. In fiscal year 2024, the City collected assessments of \$80,540 and made distributions to the developer of \$67,349.

Riverwood Ranch Public Improvement District - The City authorized the creation of the Riverwood Ranch Public Improvement District (PID) under the provisions of Chapter 372. The City also passed and approved an ordinance authorizing the creation of the Tax Increment Reinvestment Zone Number 2, Riverwood Ranch TIRZ (TIRZ). Effective July 14, 2020, the City entered into a Reimbursement Agreement (the "Agreement") with Riverway Capital Partners, L.L.C. (the "Developer") in which the Developer agreed to fund and construct certain infrastructure projects, and the City agrees to reimburse the Developer for those costs. PID Bonds are anticipated to be issued following the completion of 25% of homes within Improvement Area #1 of the PID according to the Agreement. The Improvement Area #1 reimbursement obligation shall not to exceed \$5,180,000 payable from Improvement Area #1 levy assessments on all benefitted property located within the PID, excluding any payments from the net proceeds of PID Bonds. It is intended that a portion of the TIRZ increment receipts generated from each assessed property will be used to offset a portion of the property's assessment amount. Any unpaid balance shall bear simple interest at the rate of 4.00%. In fiscal year 2024, the City collected assessments of \$328,708 and made distributions to the developer of \$303,468.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Kiber Reserve Public Improvement District - The City approved the creation of the Kiber Reserve Public Improvement District Number 2 under the provisions of Chapter 372. Effective October 12, 2021, the City entered into a Reimbursement Agreement (the "Agreement") with Waterstone Development Group, LLC, (the "Developer") in which the Developer agreed to fund and construct certain infrastructure projects, and the City agrees to reimburse the Developer for those costs paid solely from the revenue collected by the City from levy assessments on all benefitted property located within the PID. The reimbursable obligation is \$1,780,000 secured by assessments to be paid by the applicable property owners within the PID pursuant to the Agreement. Any unpaid balance shall bear simple interest at the rate of 4.04%. The first annual installment was due on January 31, 2023. The maturity date is the earlier date of (1) 35 years from the effective date of the Agreement, or (2) until the Developer is paid in full in accordance with the terms of the Agreement. The obligation of the City for the PID Agreement balance is payable solely from the assessments collected. No other City funds, revenue, taxes, income, or property shall be used even if the PID Agreement balance is not paid in full by the maturity date. In fiscal year 2024, the City collected assessments of \$124,094 and made distributions to the developer of \$103,469.

Greystone Public Improvement District - The City approved the creation of the City of Angleton Greystone Public Improvement District (the "PID") under the provisions of Chapter 372. Effective January 25, 2022, the City entered into a Reimbursement Agreement (the "Agreement") with Greystone Angleton, LLC (the "Developer"), in which the Developer agreed to fund and construct certain infrastructure projects, and the City agrees to reimburse the Developer for those costs paid solely from the revenue collected by the City from levy assessments on all benefitted property located within the PID. The reimbursable obligation is \$1,842,530 secured by assessments to be paid by the applicable property owners within the PID pursuant to the Agreement. Any unpaid balance shall bear simple interest at the rate of 3.99%. The First annual installment is due on 1/31/23. The maturity date is the earlier date of (1) 32 years from the effective date of the Agreement, or (2) until the Developer is paid in full in accordance with the terms of the Agreement. The obligation of the City for the PID Agreement balance is payable solely from the assessment revenue collected. No other City funds, revenue, taxes, income, or property shall be used even if the PID Agreement balance is not paid in full by the maturity date. In fiscal year 2024, the City collected assessments of \$117,446 and made distributions to the developer of \$95,010.

(Continued)

CITY OF ANGLETON, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Austin Colony Public Improvement District - The City approved the creation of the Austin Colony Public Improvement District (PID) under the provisions of Chapter 372. Effective June 14, 2022, the City entered into a Reimbursement Agreement (the "Agreement") with Tejas-Angleton Development, L.L.C., ("Developer") in which the Developer agreed to fund and construct certain infrastructure projects, and the City agrees to reimburse the Developer for those costs. Upon satisfaction of the conditions and in accordance with the terms set forth in the Agreement, the City intends to levy assessments on all benefitted property located within the PID and issue PID bonds for the reimbursement to the Developer. The reimbursement to the Developer shall be solely from the installment payments of assessments and/or proceeds of the PID bonds and the City shall never be responsible for the payment of the public improvements or the PID bonds from its general fund or its ad valorem tax collections, past or future or any other source of City revenue or any assets of the City of whatsoever. Assessments shall be structured to be amortized over 30 years, including interest. The total amount of reimbursement to the Developer from any source, including the proceeds of PID bonds, or assessment revenues shall be no more than \$31,250,000. This Agreement shall terminate upon the earlier of: (i) the expiration of the assessments levied to reimburse the Public Improvements, (ii) (a) the date on which the City and the Developer discharge all of their obligations, and (b) all PID bond proceeds or assessment revenues pursuant to a reimbursement agreement have been expended for reimbursement of all of the public improvements and the Developer has been reimbursed for all completed and accepted public improvements. The Developer has six years to complete the project from the date of issuance of the first building permit in the project.

Subsequent Events: In October 2024, the City issued its Emergency Note, Series 2024 (the "Emergency Note"), in the principal amount of \$4,063,000. Proceeds from the issuance are designated to fund emergency debris removal and related recovery efforts. The Emergency Note is secured by a pledge of ad valorem taxes and a limited pledge of net revenues from the City's water and sewer system. The Note is subject to optional redemption prior to maturity. Annual principal payments of \$400,000 begin on August 15, 2025, with the remaining principal due on August 15, 2029.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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BRACEWELL

[CLOSING DATE]

\$7,960,000

CITY OF ANGLETON, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

We have represented the City of Angleton, Texas (the “Issuer”) as its bond counsel in connection with an issue of certificates of obligation (the “Certificates”) as described below:

CITY OF ANGLETON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025, dated November 15, 2025.

The Certificates mature, 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 adopted by the City Council of the City authorizing their issuance (the “Ordinance”).

We have represented the Issuer as its 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 excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer, customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

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IM-#10836365.4

Based upon such examination and reliance on such representations, certifications and assumptions, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer.
2. A continuing ad valorem tax upon all taxable property within the City of Angleton, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of a subordinate lien on the Net Revenues of the Issuer's waterworks and sanitary sewer system in an amount not to exceed \$1,000 as provided in the Ordinance.
3. Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Certificates or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, disposition of the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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