

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 3, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

RATINGS: S&P Global Ratings.“AAA”
See “SALE AND DISTRIBUTION OF THE CERTIFICATES – Municipal Bond Ratings” herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.

The Certificates will **NOT** be designated as “Qualified Tax-Exempt Obligations for Financial Institutions.”

\$10,530,000*

CITY OF WEST UNIVERSITY PLACE, TEXAS

(A political subdivision and home rule city of the State of Texas located within Harris County)

CERTIFICATES OF OBLIGATION, SERIES 2025

Dated: December 1, 2025

Due: February 1, as shown below

Interest Accrues from Delivery Date (defined below)

Principal of and interest on the \$10,530,000* City of West University Place, Texas (the “City”), Certificates of Obligation, Series 2025 (the “Certificates”) are payable by The Bank of New York Mellon Trust Company, N.A., the initial paying agent/registrar (the “Paying Agent/Registrar”). The Certificates are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of 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 beneficial owners of the Certificates. See “THE CERTIFICATES - Book-Entry-Only System” herein.

Interest on the Certificates will accrue from the Delivery Date and will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owner (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the 15th calendar day of the month preceding each interest payment date (the “Record Date”). See “THE CERTIFICATES – Description of the Certificates.”

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND CUSIP NUMBERS

Maturity February 1	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 956398 (b)	Maturity February 1	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 956398 (b)
2027	\$220,000	%	%		2042(c)	\$340,000	%	%	
2028	235,000				2043(c)	355,000			
2029	240,000				2044(c)	375,000			
2030	255,000				2045(c)	395,000			
2031	270,000				2046(c)	415,000			
2032	205,000				2047(c)	435,000			
2033	215,000				2048(c)	460,000			
2034	225,000				2049(c)	480,000			
2035	240,000				2050(c)	505,000			
2036(c)	250,000				2051(c)	530,000			
2037(c)	265,000				2052(c)	560,000			
2038(c)	280,000				2053(c)	590,000			
2039(c)	290,000				2054(c)	620,000			
2040(c)	305,000				2055(c)	650,000			
2041(c)	325,000								

- * Preliminary, subject to change.
- (a) The initial yields will be established by and are the sole responsibility of the Underwriters (hereinafter defined), and may subsequently be changed.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) The Certificates maturing on February 1, 2036* and thereafter, are subject to redemption, in whole or from time to time in part, on February 1, 2035* or any date thereafter, at the option of the City, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date of redemption. See “THE CERTIFICATES – Redemption Provisions.” If two or more consecutive maturities are combined to create one or more term certificates (the “Term Certificates”), such Term Certificates will additionally be subject to mandatory sinking fund redemption as provided herein. See “THE CERTIFICATES – Mandatory Sinking Fund Redemption.”

The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of an annual ad valorem tax, levied within the limits prescribed by law, against all taxable property within the City and will be further payable from a pledge of a subordinate lien on the surplus revenues of the City’s water and sewer system (the “System”) in an amount not to exceed \$1,000. See “THE CERTIFICATES - Source of Payment.”

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C, Chapter 271, Texas Local Government Code, and provisions of an ordinance to be adopted by the City Council of the City on November 10, 2025 (the “Ordinance”). See “THE CERTIFICATES – Authority for Issuance.”

Proceeds of the Certificates are being used to provide funds for (i) Westside drainage design, repair, renovation and improvement; (ii) city-wide cast iron waterline replacement; (iii) design, repair, renovation and improvement of the Wakeforest Plant distribution line; (iv) design, repair, renovation and improvement of the Milton Water Plant; (v) design, repair, renovation, rehabilitation and improvement of Wakeforest elevated and ground storage tanks interior; (vi) deposit into Capitalized Interest Fund; and (vii) payment of the costs of issuance of the Certificates. See “THE CERTIFICATES - Use of Proceeds.”

The Certificates are offered when, as, and if issued and delivered to the underwriters listed below (the “Underwriters”) subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Houston, Texas. The Certificates are expected to be available for delivery on or about December 9, 2025 (the “Delivery Date”).

SAMCO CAPITAL

CREWS & ASSOCIATES

* Preliminary, subject to change.

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

This Official Statement, which includes the cover 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, salesman or other person has been authorized by the City to give any 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.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR, THE UNDERWRITERS NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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.

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

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to web site 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 web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

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PRELIMINARY OFFICIAL STATEMENT
relating to

\$10,530,000*

CITY OF WEST UNIVERSITY PLACE, TEXAS

(A political subdivision and home rule city of the State of Texas located within Harris County)

CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including APPENDIX A and APPENDIX B, has been obtained from the City of West University Place, Texas (the “City”) in connection with the offering by the City of its \$10,530,000* Certificates of Obligation, Series 2025 (the “Certificates”), identified on the cover page hereof.

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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.

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 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. See “GENERAL CONSIDERATIONS – Forward Looking Statements.”

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

SALE AND DISTRIBUTION OF THE CERTIFICATES

Underwriting

The underwriters listed on the cover page hereof (collectively, the “Underwriters”) have agreed, subject to certain conditions, to purchase the Certificates from the City for \$_____ (being the principal amount of the Certificates, plus a [net] premium of \$_____ and less an Underwriters’ discount of \$_____) with no accrued interest.

The Underwriters’ 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 offering prices may be changed, from time to time, by the Underwriters.

* Preliminary, subject to change.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of 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.

SAMCO Capital Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

Prices and Marketability

The delivery of the Certificates is conditioned upon the receipt by the City of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Certificates stating the prices at which a substantial amount of the Certificates of each maturity have been sold to the public or the prices for which have been held as provided in the "Purchase Agreement" between the Underwriters and the City. Subject to certain restrictions, the City has no control over trading of the Certificates after a bona fide offering of the Certificates is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriters after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Certificates into investment accounts. IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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.

Securities Laws

No registration statement relating to the Certificates has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or 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 or qualification provisions in such jurisdictions.

Municipal Bond Ratings

In connection with the sale of the Certificates, the City has made application to S&P Global Ratings ("S&P"), for a rating and a rating of "AAA" has been assigned to the Certificates.

An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the City makes no representation as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such rating 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.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The City	The City of West University Place, Texas (the “City”) is a political subdivision and home rule city of the State of Texas (the “State”) located within Harris County, Texas. See “ADMINISTRATION OF THE CITY” and “APPENDIX A – General Information Regarding the City of West University Place” herein.
The Certificates	\$10,530,000* Certificates of Obligation, Series 2025 (the “Certificates”), are dated December 1, 2025, and mature annually February 1, 2027 through February 1, 2055. See “THE CERTIFICATES - Description of the Certificates.”
Payment of Interest.....	Interest on the Certificates accrues from the date of initial delivery, and will be payable February 1, 2026 and on each August 1 and February 1 thereafter until maturity or prior redemption. See “THE CERTIFICATES – Description of the Certificates.” The Certificates are issued in fully registered form in integral multiples of \$5,000 of principal amount.
Redemption Provisions*	The Certificates maturing on February 1, 2036* and thereafter are subject to redemption, in whole or from time to time in part, prior to their scheduled maturities on February 1, 2035*, or any date thereafter, at the option of the City at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date of redemption. See “THE CERTIFICATES - Redemption Provisions.” If two or more consecutive maturities are combined to create one or more term certificates (the “Term Certificates”), such term certificates shall be subject to mandatory sinking fund redemption as provided herein. See “THE CERTIFICATES – Mandatory Sinking Fund Redemption.”
Authority.....	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C, Chapter 271, Texas Local Government Code, and provisions of an ordinance to be adopted by the City Council of the City on November 10, 2025 (the “Ordinance”). See “THE CERTIFICATES – Authority for Issuance.”
Paying Agent/Registrar.....	The initial paying agent/registrar is The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”). The City intends to use the book-entry-only system of The Depository Trust Company, New York, New York (“DTC”), but reserves the right on its behalf or on behalf of DTC to discontinue such system. See “THE CERTIFICATES - Book-Entry-Only System.”
Source of Payment.....	Principal of and interest on the Certificates are payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City and will be further payable from a pledge of a subordinate lien on the surplus revenues of the City’s water and sewer system (the “System”) in an amount not to exceed \$1,000. See “THE CERTIFICATES - Source of Payment.”

* Preliminary, subject to change.

Use of Proceeds	Proceeds of the Certificates will be used to provide funds for (i) Westside drainage design, repair, renovation and improvement; (ii) city-wide cast iron waterline replacement; (iii) design, repair, renovation and improvement of the Wakeforest Plant distribution line; (iv) design, repair, renovation and improvement of the Milton Water Plant; (v) design, repair, renovation, rehabilitation and improvement of Wakeforest elevated and ground storage tanks interior; (vi) deposit into Capitalized Interest Fund; and (vii) payment of the costs of issuance of the Certificates. See “THE CERTIFICATES - Use of Proceeds” and “- Sources and Uses of Funds.”
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein. The Certificates will <u>NOT</u> be designated as “Qualified Tax-Exempt Obligations for Financial Institutions.”
Ratings.....	S&P Global Ratings.....“AAA” See “SALE AND DISTRIBUTION OF THE CERTIFICATES – Municipal Bond Ratings.”
Payment Record.....	The City has never defaulted on the timely payment of principal of and interest on its obligations.

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- Selected Financial Information -

2025 Certified Net Taxable Assessed Valuation \$ 9,033,155,201 (a)
(100% of Market Value as of January 1, 2025)

Direct Debt:

Outstanding Tax-Supported Debt (as of October 1, 2025) \$ 72,105,000
Plus: The Certificates 10,530,000 *
Less: Self-Supporting Debt (31,395,000) * (b)
Total Tax-Supported Debt \$ 51,240,000 *

Estimated Overlapping Debt \$ 119,973,821

Total Direct and Estimated Overlapping Debt \$ 171,213,821 *

Debt Service Fund Balance (as of September 30, 2025) \$ 1,077,789 (c)

	<u>% of 2025 Certified Taxable Assessed Valuation</u>	<u>Per Capita (Estimated Population: 14,647)</u>
Debt Ratios: (d)		
Direct Tax-Supported Debt.....	0.57%	\$ 3,498
Direct Tax-Supported and Estimated Overlapping Debt.....	1.90%	\$ 11,689

2025 Tax Rate (per \$100 of Assessed Valuation) (e)

General Fund.....	\$ 0.176728
Debt Service Fund.....	<u>0.052713</u>
Total	<u>\$ 0.229441</u>

Estimated Annual Debt Service Requirements:

Average (Fiscal Years 2026-2050).....	\$ 3,107,002 (d)
Maximum (2026).....	\$ 4,773,975 (d)

Tax Collections:

Arithmetic Average, Tax Years (2019-2023) - Current Year Collections	99.24%
- Total and Prior Years.....	99.59%

* Preliminary, subject to change.

- (a) Certified by the Harris Central Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.
- (b) Includes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.
- (c) Unaudited. As of September 30, 2025. This amount represents unaudited information for the nine-month period ended September 30, 2025. The unaudited information has not been prepared or reviewed by the City's independent auditor. The unaudited information is derived from internal account balances of the City. The unaudited information is subject to revision.
- (d) Preliminary, subject to change. Includes the Certificates and excludes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

**OFFICIAL STATEMENT
relating to**

\$10,530,000*

CITY OF WEST UNIVERSITY PLACE, TEXAS
(A home rule city of the State of Texas located within Harris County)
CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement and Appendices A and B hereto provide certain information with respect to the issuance by the City of West University Place, Texas (the “City”) of its Certificates of Obligation, Series 2025 (the “Certificates”).

The Certificates are issued pursuant to the Texas Constitution, the general laws of the State of Texas (the “State”), particularly Subchapter C, Chapter 271, Texas Local Government Code, and an ordinance authorizing issuance of the Certificates to be adopted by the City Council of the City (the “City Council”) on November 10, 2025 (the “Ordinance”).

There follows in this Official Statement descriptions of the Certificates, the plan of financing, and certain information about 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 upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

THE CERTIFICATES

Description of the Certificates

The Certificates are dated December 1, 2025 and bear interest from the date of their delivery to the underwriters listed on the cover page hereof (the “Underwriters”) at the stated interest rates indicated on the cover page of this Official Statement, which interest is payable initially on February 1, 2026, and each August 1 and February 1 thereafter until the earlier of maturity or prior redemption. The Certificates are issued in fully registered form in principal denominations of \$5,000 each or any multiple thereof. Principal of the Certificates is payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”). Interest on the Certificates will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. See “THE CERTIFICATES – Paying Agent/Registrar.”

The definitive Certificates will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “THE CERTIFICATES – Book-Entry-Only System” herein.

Redemption Provisions*

The Certificates maturing on February 1, 2036* and thereafter are subject to optional redemption prior to maturity, in whole or from time to time in part, on February 1, 2035*, or any date thereafter, at the option of the City at a price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Certificates are redeemed at any time, the maturities of the Certificates to be redeemed will be selected by the City.

Mandatory Sinking Fund Redemption

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of such Term Certificate.

* Preliminary, subject to change.

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection, a principal amount of Term Certificates equal to the aggregate principal amount of such Term Certificates to be redeemed, shall call such Term Certificates for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided below. The principal amount of Term Certificates required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

At least 30 days prior to a redemption date for the Certificates, the City will 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 WILL 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 WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT INTEREST ON ANY CERTIFICATE OR PORTION THEREOF THAT HAS NOT BEEN SURRENDERED FOR PAYMENT, WILL CEASE TO ACCRUE.

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

Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or 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."

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. Provision is made in the Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar must, promptly upon the appointment of a successor deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar will act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City must be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates.

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 will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange 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. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the

Certificates to be canceled, and written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “THE CERTIFICATES – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

Record Date for Interest Payment

The date for determining the person to whom interest is payable on the Certificates on any interest payment date is the close of business on the 15th calendar day of the preceding month (“Record Date”). In the event of a nonpayment 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 will be 15 days after the Special Record Date) will 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 owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor, and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States 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 registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the 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 for the Certificates is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue 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 the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Source of Payment

The Certificates are payable as to principal and interest from, and secured by, the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. The Certificates will be further payable from a pledge of a subordinate lien on the surplus revenues of the City's water and

sewer system (the "System") in an amount not to exceed \$1,000. In the Ordinance, the City covenants that while the Certificates are outstanding, it will levy, assess and undertake to collect such tax. See also "REMEDIES IN THE EVENT OF DEFAULT" herein.

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the ad valorem taxes pledged thereto, as well as the pledge of the pledged revenues additionally securing the Certificates, and such pledges are, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Certificates are outstanding and unpaid, the result of such amendment being that the pledge of the ad valorem taxes and/or pledged revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Certificates a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge or pledges to occur.

Authority for Issuance

The Certificates are being issued pursuant to the applicable provisions of the Constitution and laws of the State, particularly Subchapter C, Chapter 271, Texas Local Government Code, and the provisions of the Ordinance. No election is required as a prerequisite to the sale and issuance of certificates of obligation, unless a petition signed by 5% of the qualified voters of the City is filed with the City Secretary protesting the issuance of such certificates prior to their authorization. In addition, there has been no bond election to authorize bonds for the purpose for which the Certificates are being issued within the last three years that has failed.

Defeasance*

The Ordinance provides that the Certificates may be defeased in any manner now or hereafter permitted by law.

Use of Proceeds

Proceeds of the Certificates are being used to provide funds for (i) Westside drainage design, repair, renovation and improvement; (ii) city-wide cast iron waterline replacement; (iii) design, repair, renovation and improvement of the Wakeforest Plant distribution line; (iv) design, repair, renovation and improvement of the Milton Water Plant; (v) design, repair, renovation, rehabilitation and improvement of Wakeforest elevated and ground storage tanks interior; (vi) deposit into Capitalized Interest Fund; and (vii) payment of the costs of issuance of the Certificates.

Sources and Uses of Funds

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

SOURCES OF FUNDS:	
Principal Amount of the Certificates	\$
[Net] Premium on the Certificates	
Total Sources of Funds	<u>\$</u>
USES OF FUNDS	
Deposit to Construction Fund	\$
Deposit to Capitalized Interest Fund	
Expenses:	
Underwriters' Discount	\$
Other Issuance Expenses (1)	
Total Uses of Funds	<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.

Future 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, like the Certificates, and tax anticipation notes. The City currently anticipates issuing approximately \$235.5 million in additional debt over the next three years to fund

* Preliminary, subject to change.

projects identified in its capital improvement plan. If issued, the actual amount of debt issued will depend upon a number of factors, including potential funding from the Texas Water Development Board and the availability of community development block grants. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and the timing of issuance of any additional bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Certificates, and any such future bonds.

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance. Additionally, the Home Rule Charter of the City limits the total bonded indebtedness of the City secured by ad valorem taxes to an amount not to exceed 5% of the net taxable assessed valuation of property in the City.

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 sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions of public agencies of the State, 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 "RATINGS." 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 a capital of one million dollars or more, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

The City has not made any investigations of any other laws, rules, regulations or investment criteria that might affect the suitability of the Certificates for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Certificates.

REMEDIES IN THE EVENT OF DEFAULT

The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) ("*Tooke*"), 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, Certificate holders 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 procuring goods or services. The City

is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general certificate 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

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 other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Texas law authorizes the City to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United

States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing deposits or certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission 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 interest-bearing deposits or certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and certain obligations, 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 of Texas; (9) securities lending programs meeting certain conditions imposed by State law; (10) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds that are registered with and regulated by the SEC that provide a prospectus and other information required by the SEC, and that comply with SEC Rule 2a-7; (13) no-load mutual funds that are registered with the SEC, have an average weighted maturity of less than two years, and either have (a) a duration of one year or more and are invested exclusively in obligations authorized as investments under State law or (b) a duration of less than one year and are invested in investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA-m” or “AAA” or an equivalent by at least one nationally recognized rating service. Except with respect to a non-profit corporation created to act on its behalf or entities created under Chapters 392 and 394 of the Local Government Code, 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 the market index.

Investment Policies

The City is required by law to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each 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, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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.

The City's policies require investments in accordance with applicable State law. The City's “Statement of Investment Policy” may exclude investments allowable under State law described above under “Legal Investments.” The City generally invests in local government investment pools, municipal bonds, and obligations of the United States or its agencies and instrumentalities.

Current Investments

The City’s investment balances (unaudited) on September 30, 2025 were as follows:

	Principal Invested	Market Value
Cash/Checking	\$ 10,972,601	\$ 10,972,601
Investment Pools	37,542,082	37,542,082
Government Securities	60,000,000	60,095,147
Total Portfolio	<u>\$108,514,683</u>	<u>\$108,609,830</u>

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 Mayor and 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 a maturity no greater than the term of the reverse repurchase agreement; (7) restrict the aggregate investment in permitted no-load mutual funds to no more than 15% of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for debt service, and prohibit the investment of bond proceeds, reserves, and other funds held for debt service in no-load mutual funds; (8) restrict the aggregate investment in any one permitted mutual fund to no more than 10% of the total assets of the mutual fund; and (9) require local government investment pools to conform to certain disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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CITY TAX DEBT

Tax-Supported Debt Statement

The following tables and calculations relate to the Certificates and to all tax-supported debt of the City. The City and various other governmental entities which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the City. See “- Estimated Overlapping Tax Debt.”

2025 Certified Net Taxable Assessed Valuation	\$ 9,033,155,201 (a)
(100% of Market Value as of January 1, 2025)	
Direct Debt:	
Outstanding Tax-Supported Debt (as of September 30, 2025)	\$ 72,105,000
Plus: The Certificates.....	10,530,000 *
Less: Self-Supporting Debt.....	<u>(31,395,000) (b)</u>
Total Tax-Supported Debt.....	<u>\$ 51,240,000 *</u>
Debt Service Fund Balance (as of September 30, 2025)	<u>\$ 1,077,789 (c)</u>

* Preliminary, subject to change.

- (a) Certified by the Harris Central Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.
- (b) Includes ad valorem tax debt that the City treats as self-supporting debt, including a portion of the Certificates, payable from revenues of the City’s water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.
- (c) Unaudited. As of September 30, 2025. This amount represents unaudited information for the nine-month period ended September 30, 2025. The unaudited information has not been prepared or reviewed by the City’s independent auditor. The unaudited information is derived from internal account balances of the City. The unaudited information is subject to revision.

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Pro-Forma Tax-Supported Debt Service Schedule

The following schedule sets forth the principal and interest on the City's outstanding tax-supported debt, plus the estimated principal and interest requirements on the Certificates.

Fiscal Year Ending (12/31)	Current Debt Service Requirements	Plus: The Certificates			Less: Self-Supporting Debt (b)*	Total Tax-Supported Debt Service Requirements*
		Principal*	Interest (a)	Total*		
2026	\$ 6,326,762		\$ 339,300	\$ 339,300	(\$ 1,892,087)	\$ 4,773,975
2027	5,941,676	\$ 220,000	521,000	741,000	(2,226,206)	4,456,470
2028	5,912,284	235,000	509,625	744,625	(2,228,456)	4,428,452
2029	5,167,700	240,000	497,750	737,750	(2,228,706)	3,676,744
2030	5,167,200	255,000	485,375	740,375	(2,226,956)	3,680,619
2031	5,165,700	270,000	472,250	742,250	(2,228,081)	3,679,869
2032	5,166,725	205,000	460,375	665,375	(2,226,956)	3,605,144
2033	5,165,300	215,000	449,875	664,875	(2,228,456)	3,601,719
2034	5,166,750	225,000	438,875	663,875	(2,227,456)	3,603,169
2035	4,485,900	240,000	427,250	667,250	(2,228,831)	2,924,319
2036	4,489,225	250,000	415,000	665,000	(2,227,456)	2,926,769
2037	4,487,300	265,000	402,125	667,125	(2,228,206)	2,926,219
2038	4,489,875	280,000	388,500	668,500	(2,230,831)	2,927,544
2039	4,489,644	290,000	374,250	664,250	(2,229,269)	2,924,625
2040	4,485,869	305,000	359,375	664,375	(2,228,128)	2,922,116
2041	4,489,588	325,000	343,625	668,625	(2,232,663)	2,925,550
2042	4,486,363	340,000	327,000	667,000	(2,228,388)	2,924,975
2043	4,486,813	355,000	309,625	664,625	(2,226,000)	2,925,438
2044	4,488,850	375,000	291,375	666,375	(2,226,875)	2,928,350
2045	4,486,600	395,000	272,125	667,125	(2,230,375)	2,923,350
2046	4,485,800	415,000	251,875	666,875	(2,229,375)	2,923,300
2047	4,485,950	435,000	230,625	665,625	(2,228,750)	2,922,825
2048	1,381,200	460,000	208,250	668,250	(668,250)	1,381,200
2049	1,380,200	480,000	184,750	664,750	(664,750)	1,380,200
2050	1,382,100	505,000	160,125	665,125	(665,125)	1,382,100
2051		530,000	134,250	664,250	(664,250)	0
2052		560,000	107,000	667,000	(667,000)	0
2053		590,000	78,250	668,250	(668,250)	0
2054		620,000	48,000	668,000	(668,000)	0
2055		650,000	16,250	666,250	(666,250)	0
Totals	<u>\$111,661,372</u>	<u>\$10,530,000</u>	<u>\$9,504,050</u>	<u>\$20,034,050</u>	<u>(\$54,020,384)</u>	<u>\$77,675,038</u>

Estimated Average Annual Requirements (2026-2050)..... \$3,107,002*(c)

Estimated Maximum Annual Requirement (2026)..... \$4,773,975*(c)

Debt Service Payout (All Tax-Supported Bonds).....

22.20% in 5 years

41.90% in 10 years

59.93% in 15 years

82.05% in 20 years

100.00% in 25 years

* Preliminary, subject to change.

(a) Interest estimated at market rates for illustration purposes only. Preliminary, subject to change.

(b) Includes ad valorem tax debt that the City treats as self-supporting debt, including a portion of the Certificates, payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

(c) Includes the Certificates and excludes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

Estimated Overlapping Tax Debt

The following table indicates the outstanding tax debt of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. The information is based upon data secured from individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. 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. 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 tax debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional tax debt, the amount of which cannot be determined. The following table reflects the estimated overlapping tax debt.

Taxing Jurisdiction	Debt as of October 1, 2025	Percent	Overlapping
			Amount
Harris County	\$2,257,734,736	1.25%	\$ 28,221,684
Harris County Department of Education	28,960,000	1.25	362,000
Harris County Flood Control District	937,165,000	1.25	11,714,563
Harris County Hospital District	867,820,000	1.25	10,847,750
Houston Community College	396,510,000	2.82	11,181,582
Houston Independent School District	1,592,875,000	3.30	52,564,875
Port of Houston Authority	406,509,397	1.25	<u>5,081,367</u>
TOTAL ESTIMATED OVERLAPPING			\$119,973,821
The City (a)	51,240,000	100.00	<u>51,240,000</u>
Total Direct and Estimated Overlapping Debt (a)			<u>\$171,213,821</u>

- (a) Preliminary, subject to change. Includes the Certificates and excludes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

Debt Ratios

	Direct Tax Debt (a)	Direct and Estimated Overlapping Tax Debt (a)
Per 2025 Certified Net Assessed Valuation (\$9,033,155,201)	0.57%	1.90%
Per Capita (14,647)	\$3,498	\$11,689

- (a) Preliminary, subject to change. Includes the Certificates and excludes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

AD VALOREM TAX PROCEDURES

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. Reference is made to 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 ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Harris Central Appraisal District (the "Appraisal District"). Except as 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 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.

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.

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 TAX PROCEDURES - City’s Rights in the Event of Tax Delinquencies.”

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.

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. The City did not elect to grant an additional homestead exemption for the 2025 tax year. The City grants a \$185,000 exemption to persons over age 65 and a \$185,000 exemption to disabled persons.

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 Exemptions. Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”),

are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

The City has taken official action and determined not to grant a "Goods-in Transit" exemption.

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.

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.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance. Additionally, the Home Rule Charter of the City limits the total bonded indebtedness of the City secured by ad valorem taxes to an amount not to exceed 5% of the net taxable assessed valuation of property in the City.

Levy and Collection of Taxes

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

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.

TAX DATA

Historical Analysis of Tax Collection

- Collection Ratios -

Tax Year	Net Taxable Assessed Valuation (a)	Tax Rate Per \$100 of Assessed Valuation	Adjusted Tax Levy	% of Collections		Fiscal Year Ending 12-31
				Current Year Collection	Total Collections	
2015	\$5,440,905,294	\$0.331790	\$18,067,404	99.46%	99.83%	2016
2016	5,864,302,202	0.316800	18,574,908	99.59	99.83	2017
2017	6,078,494,687	0.316800	19,226,229	99.54	99.82	2018
2018	6,176,493,043	0.316800	19,378,101	99.60	99.83	2019
2019	6,517,042,301	0.309210	19,953,328	99.42	99.78	2020
2020	6,740,467,205	0.294070	19,695,480	99.54	99.75	2021
2021	6,922,283,771	0.278520	19,250,385	99.49	99.71	2022
2022	7,281,680,906	0.277400	20,119,215	99.51	99.67	2023
2023	8,029,718,974	0.260840	20,814,072	99.43	99.56	2024
2024	8,512,698,677	0.241930	20,395,969	99.24	99.24	2025
2025	9,033,155,201	0.229441	20,725,762	(In Process of Collection)		2026

(a) Certified by the Harris Central Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

- Tax Rate Distribution -

	2025	2024	2023	2022	2021
Maintenance	\$0.176728	\$0.180072	\$0.182446	\$0.192669	\$0.193797
Debt Service	0.052713	0.061858	0.078394	0.084733	0.084725
Total	<u>\$0.229441</u>	<u>\$0.241930</u>	<u>\$0.260840</u>	<u>\$0.277402</u>	<u>\$0.278522</u>

- Delinquent Tax Collection Procedures -

In addition to the legal procedures and penalties described under “Levy and Collection of Taxes,” the City has contracted with Linebarger Goggan Blair & Sampson, LLP to act as Delinquent Tax Attorney, to file suit to collect delinquent taxes due the City.

Analysis of Tax Base

- Tax Base Distribution -

Type of Property	2025 Tax Roll (a)		2024 Tax Roll (a)		2023 Tax Roll(a)	
	Amount	%	Amount	%	Amount	%
Residential	\$9,109,176,674	94.04%	\$8,573,882,328	93.76%	\$8,069,191,935	93.61%
Vacant Lots/Tracts	116,321,493	1.20	110,420,755	1.21	112,507,399	1.31
Commercial/Industrial	116,415,246	1.20	115,991,499	1.27	114,276,150	1.33
Utilities	27,735,665	0.29	26,053,994	0.28	23,024,656	0.27
Personal Property	49,039,107	0.51	48,841,500	0.53	35,881,179	0.42
Other	267,492,287	2.76	269,017,846	2.94	265,242,268	3.08
Total Market Value	\$9,686,180,472	100.00%	\$9,144,207,922	100.00%	\$8,620,123,587	100.00%
Less: Exemption	(653,025,271)		(631,509,245)		(590,404,613)	
Net Taxable Assessed Value	<u>\$9,033,155,201</u>		<u>\$8,512,698,677</u>		<u>\$8,029,718,974</u>	

(a) These values may differ from those shown elsewhere in this Official Statement due to subsequent additions, deletions and adjustments to the tax roll.

- Principal Taxpayers -

Principal Taxpayer	Type of Property	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Brixmor West U Marketplace LLC (a)	Retail	\$14,762,773	\$14,755,168	\$14,789,510
CenterPoint Energy	Utility	12,170,900	10,959,510	9,141,200
2715 Bissonnet LLC	Commercial	11,704,469	12,778,447	10,431,071
AT&T Corp.	Utility	9,899,045	11,696,524	10,805,336
Retail Fund Houston Rice	Commercial	9,054,287	8,674,569	8,422,945
Homeowner	Residence	8,730,000	7,916,049	7,679,199
Homeowner	Residence	8,415,028	7,285,334	(b)
Homeowner	Residence	8,216,631	7,058,760	(b)
Homeowner	Residence	7,585,967	6,972,495	6,321,814
Homeowner	Residence	7,451,434	(b)	6,607,905
DKGA / WUC LP	Commercial	(b)	7,479,273	7,867,412
Jermar Company LC	Commercial	(b)	(b)	6,137,403
Total Ten Principal Taxpayers		<u>\$97,990,534</u>	<u>\$95,576,129</u>	<u>\$88,203,795</u>
Percentage Ten Principal Taxpayers Comprise of Tax Roll		<u>1.10%</u>	<u>1.12%</u>	<u>1.10%</u>

(a) Brixmor purchased West U Marketplace in May 2022.

(b) Not included as top ten taxpayer for respective tax year.

- Tax Adequacy -

Estimated Average Annual Debt Service Requirements (2026-2050).....	\$3,107,002 (a)
Tax Rate of \$0.037 per \$100 assessed valuation against the 2025 Certified Assessed Valuation at 95% collection produces.....	\$3,132,052
Estimated Maximum Annual Tax Debt Service Requirements (in the year 2026).....	\$4,773,975 (a)
Tax Rate of \$0.056 per \$100 assessed valuation against the 2025 Certified Assessed Valuation at 95% collection produces.....	\$4,805,639

(a) Preliminary, subject to change. Includes the Certificates and excludes ad valorem tax debt, including a portion of the Certificates, that the City treats as self-supporting debt payable from revenues of the City's water and sewer system pursuant to a policy determination by City Council, which is subject to change. To the extent that such self-supporting debt is not paid from available revenues, the City is obligated to levy and collect an ad valorem tax, within the limits prescribed by law, for the payment of debt service on such debt.

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Estimated Overlapping Taxes

Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed, which lien is on a parity with any tax lien on such property in favor of the City. In addition to ad valorem taxes required to retire the aforementioned direct and estimated overlapping debt, certain taxing jurisdictions including those mentioned above in "CITY TAX DEBT - Estimated Overlapping Tax Debt" are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2025 Total Tax Rate Per \$100
The City	\$0.229441
Harris County	0.377420
Harris County Flood Control District	0.049660
Harris County Department of Education	0.004798
Harris County Hospital District	0.187610
Port of Houston Authority	0.008900
Houston Independent School District	0.848900
Houston Community College	0.988020
Total	<u>\$2.694749</u>

Sales Tax

- Authority -

The City has adopted the provisions of Texas Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% sales tax. **The City may not and has not pledged the proceeds from the sales tax as security for the Certificates.**

- Collection History -

The State Comptroller, after deduction of a 2% service fee, currently remits the City's portion of sales tax collections monthly. By statute the Comptroller is required to remit at least twice annually. The following is an analysis of the collection history of the City's sales and use tax:

Fiscal Year Ended 12-31	Sales and Use Tax Receipts	Ad Valorem Tax Comparisons		
		Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2015	\$1,117,336	(2014)	\$0.023	6.41%
2016	1,051,361	(2015)	0.019	5.83
2017	1,064,672	(2016)	0.018	5.76
2018	1,172,256	(2017)	0.019	6.10
2019	1,300,764	(2018)	0.021	6.70
2020	1,358,237	(2019)	0.021	6.81
2021	1,468,046	(2020)	0.022	7.45
2022	1,700,938	(2021)	0.025	8.83
2023	1,694,035	(2022)	0.023	8.39
2024	1,828,036	(2023)	0.023	8.78
2025 (a)	1,044,981	(2024)	0.012	5.12

(a) Unaudited. Collections as of September 30, 2025.

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SELECTED FINANCIAL DATA

Historical Operations of the City

-General Fund-

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years. The inclusion of the following table is not intended to imply that any revenues of the City, other than receipts from ad valorem taxes as provided in the Ordinance, are pledged to pay principal and interest on the Certificates and the City's outstanding tax-supported debt.

	Fiscal Year Ended December 31,				
	2024	2023	2022	2021	2020
REVENUES					
General Property Taxes	\$14,548,840	\$14,085,348	\$13,423,780	\$12,947,028	\$12,307,660
Sales Taxes (a)	1,828,036	1,694,035	1,700,938	1,468,046	1,358,237
Franchises Fees	897,614	936,597	967,369	934,635	908,389
Other Taxes	36,812	23,212	14,670	12,191	8,382
Permits, Licenses and Fees	1,151,728	1,113,269	1,316,648	829,652	648,152
Fines & Forfeitures	247,114	198,374	212,829	113,748	110,580
Charges for Services	3,984,739	4,326,992	3,787,311	3,035,641	1,954,822
Intergovernmental	10,349	3,894,087	37,731	132,898	940,669
Interest Earnings	895,845	831,033	171,884	6,742	103,151
Other Revenue	788,460	623,864	665,607	499,612	405,857
Total Revenues	\$24,389,537	\$27,726,811	\$22,298,767	\$19,980,193	\$18,745,899
EXPENDITURES					
General Government	\$ 4,566,808	\$ 3,943,467	\$ 3,701,429	\$ 3,784,049	\$ 3,160,460
Public Safety	10,293,896	9,871,619	9,552,191	8,702,975	8,450,215
Public Works	3,941,614	3,677,777	3,505,603	3,463,865	3,184,914
Public Service	4,645,936	4,738,471	4,100,481	3,761,017	3,032,351
Capital Outlay	52,317	23,549	76,497	1,905	102,904
Debt Service	9,879	6,814	3,772	0	0
Total Expenditures	\$23,510,450	\$22,261,697	\$20,939,973	\$19,713,811	\$17,930,844
Excess (Deficiency) Revenues					
Over Expenditures	\$ 879,087	\$ 5,465,114	\$ 1,358,794	\$ 266,382	\$ 815,055
Operating Transfers In	\$ 1,603,681	\$ 1,736,802	\$ 1,650,659	\$ 1,727,202	\$ 1,740,691
Operating Transfers Out (b)	(7,050,000)	(2,065,000)	(4,200,000)	(4,800,000)	0
Other	0	25,378	0	0	585
Revenues and Other Sources					
Over (Under) Expenditures and Other Uses	\$ (4,567,232)	\$ 5,162,294	\$ (1,190,547)	\$ (2,806,416)	\$ 2,556,331
Beginning General Fund Balance (Restated)	\$ 13,618,960	\$ 8,456,666	\$ 9,647,213	\$12,453,629	\$ 9,897,298
Ending General Fund Balance	\$ 9,051,728	\$13,618,960	\$ 8,456,666	\$ 9,647,213	\$12,453,629

(a) See "TAX DATA – Sales Tax."

(b) Represents transfers to the Capital Projects Fund to be used for future capital projects as determined by City Council.

Source: For fiscal years ended December 31, 2020-2024, City's audited financial statements.

- Debt Service Fund -

	Fiscal Year Ended December 31,				
	2024	2023	2022	2021	2020
Debt Service Fund Balance	\$1,135,161	\$1,125,424	\$915,547	\$934,368	\$1,561,361

Source: For fiscal years ended December 31, 2020-2024, City's audited financial statements.

Pension Fund

The City participates in one of the nontraditional joint contributory, hybrid defined benefits pension plans administered by the Texas Municipal Retirement System ("TMRS"), an agency operated by the State. Employees of municipal governmental entities who participate in TMRS contribute a fixed percentage, currently 7.0% of their gross pay, and the City currently contributes approximately 12.24% of such employees gross pay to TMRS. As employees leave municipal employment other than through retirement, they may withdraw from TMRS those funds they contributed, but forfeit their employer's contributions. Each municipal employer's requirements for current contributions are offset by the amounts of such forfeitures.

As of October 1, 2025, the City employed 122 full-time employees and 82 part-time employees. All full-time employees are covered by TMRS and both the City and the covered employees made the required contributions for the year ended December 31, 2024 which amounted to \$2,280,413, including amortization of prior service cost over 25 years. The City had an unfunded accrued liability for prior service benefits in the amount of approximately \$4,963,025 as of December 31, 2024. The liability for prior service benefits will be amortized over a period of twenty-five years or less by contributions from the City which are a level percentage of payroll. For information regarding the City's participation in TMRS, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024, Note 9."

Other Post-Employment Benefits

The City maintains the City of West University Place Retiree Health Care Plan ("Plan"), which is a single employer defined benefits healthcare plan administered by the City. The Plan provides medical benefits to eligible retirees and their spouses. For information regarding the Plan, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024, Note 10."

The City participates in a cost-sharing multiple employer defined benefits group-term life insurance program operated by TMRS know as the Supplemental Death Benefits Fund (the "SDBF"). For information regarding the City's participation in the SDBF, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024, Note 10."

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ADMINISTRATION OF THE CITY

Mayor and City Council

Policy-making functions are the responsibility of and are vested in the Mayor and City Council for the City, under provisions of the Home Rule Charter of the City of West University Place (the “Charter”) adopted in 1940 and most recently revised in 2019. The Mayor and four City Council members are elected at large in odd-numbered years on the second Saturday in May. The Mayor is entitled to vote on all issues and has no power to veto City Council action. City Council members are term limited to three consecutive terms. Members of the City Council are described below:

<u>Council Members</u>	<u>Term Begins June 1</u>	<u>Term Expires May 31</u>	<u>Occupation</u>
Susan Sample Mayor	2021	2027	Attorney
John P. Barnes Mayor Pro Tem Council Member	2025	2027	Attorney
Clay Brett Council Member	2023	2027	Attorney
Kalie Jackura Rainsberger Council Member	2025	2027	Stay at Home Parent
John Bertini Council Member	2025	2027	Doctor

Administration

Under provisions of the Charter, the City Council enacts local legislation, adopts budgets, determines policies and appoints the City Manager, who is charged with the duties of executing the laws and administering the government of the City. As the chief executive officer and head of the administrative branch of the City government, the City Manager is given the power and duties to:

- (1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;
- (2) Prepare the budget annually, submit it to the City Council, and be responsible for its administration;
- (3) Prepare and submit to the City Council a complete report on the finances and administrative activities of the City;
- (4) Keep the City Council advised of the financial condition and future needs of the City and make appropriate recommendations; and
- (5) Perform such other necessary duties as prescribed by the Charter or required by the City Council.

Members of the administrative staff are described below:

<u>Name</u>	<u>Position</u>	<u>Years with City</u>	<u>Years in Current Position</u>
Dave Beach	City Manager	20 Years	7 Years
Tracy Garcia	City Secretary	6 Months	6 Months
Marie Kalka	Finance Director	6 Years	3 Years

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Several of these consultants are identified below:

Bond Counsel	Orrick, Herrington & Sutcliffe LLP Houston, Texas
Certified Public Accountants.....	Weaver and Tidwell, L.L.P. The Woodlands, Texas
Financial Advisor	BOK Financial Securities, Inc. Houston, Texas

LEGAL MATTERS

Legal Opinions

The delivery of the Certificates is subject to the approving opinion of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and is additionally secured by and payable from a pledge of the surplus revenues of the City's water and sewer system, in an amount not to exceed \$1,000, and the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Certificates, Bond Counsel has represented only the City in this transaction. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "SALE AND DISTRIBUTION OF THE CERTIFICATES – Securities Laws," "THE CERTIFICATES" (except the subcaptions "Book-Entry-Only System," "Use of Proceeds," "Future Debt," and "Sources and Uses of Funds"), "LEGAL MATTERS – Legal Opinions" (excluding the last sentence of the second paragraph thereof), "TAX MATTERS," "REMEDIES IN THE EVENT OF DEFAULT," "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings"), and Bond Counsel is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions are an accurate description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Counsel to the Underwriters. The legal fee to be paid to Underwriters' Counsel for services rendered in connection with the sale and delivery of the Certificates is contingent upon the sale and deliver of the Certificates.

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

No-Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Certificates, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

No Material Adverse Change

The obligations of the Underwriters to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the City subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Certificates”) will be treated as having amortizable Certificate Premium. No deduction is allowable for the amortizable Certificate Premium in the case of obligations, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable Certificate Premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable Certificate Premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The

introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Certificates may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

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 Rule Making Board ("MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the headings "OFFICIAL STATEMENT SUMMARY - Selected Financial Information," "CITY TAX DEBT" (except for "Estimated Overlapping Debt"), "TAX DATA," "SELECTED FINANCIAL DATA," "INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY - Current Investments," and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not commissioned or are not available by the required time, the City will provide unaudited financial statements by the time required and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX "B" or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor trustee or change in the name of the 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. Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement or credit enhancement, merger, consolidation, or acquisition. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to Rule 15c2-12 effected by the 2018 Release.

Availability of Information

The City has agreed to provide the foregoing information only to the MSRB. The information will be available to the public at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule 15c2-12, taking into account any amendments or interpretations of the Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates

consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

On March 9, 2021, the City cash defeased \$2,955,000 of its General Obligation Refunding Bonds, Series 2017. The City failed to timely file on EMMA the Notice of Redemption associated with the defeasance. The City subsequently filed the Notice of Redemption and the Failure to File on September 7, 2022.

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 hurricanes, tropical storms, and other tropical disturbances. The greater Houston area, including the City, has experienced several storms exceeding a 0.2% probability (i.e. "500-year flood" event) since 2015. Storms, including Hurricane Harvey, resulted in damages to City facilities, and also resulted in damages to residential and commercial properties in the City which comprise the City's ad valorem tax base. If a weather-related event were to significantly damage all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will choose to carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

In July 2024, the City was impacted by Hurricane Beryl. The City incurred approximately \$671,000 in debris removal and response costs in connection with the storm and received approximately \$619,000 in FEMA reimbursements.

INFORMATION TECHNOLOGY AND CYBERSECURITY

The City depends upon information and computing technology to conduct general business operations. These systems may be subject to disruptions or security breaches that could materially disrupt the City's operations, cause reputational damage and/or give rise to losses or legal liability. The City continually monitors these threats, however, no assurance can be given that the City will fully prevent potential business continuity or cybersecurity risks arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyberattacks, or larger scale political events, including terrorist attacks. Any such occurrence could materially and adversely affect the City's operations and reputation, which could lead to decreased financial performance that insurance may not cover and may require the City to expend significant resources to correct the failure or disruption.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the City resulting in a reduction in property tax revenue. The Certificates are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates.

NO LITIGATION CERTIFICATE

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Certificates, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

FINANCIAL ADVISOR

BOK Financial 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. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City.

The descriptions herein of the Certificates and the Ordinance do not purport to be complete and all such descriptions of references thereto are qualified in their entirety by reference to the complete Ordinance. Statements made herein involving estimates or projections, whether or not expressly identified as such, should not be construed to be statements of fact or as representations that such estimates or projections will ever be attained or will approximate actual results. Any summaries or excerpts of constitutional provisions, statutes, ordinances, or other documents do not purport to be complete statements of same and are made subject to all of the provisions thereof. Reference should be made to such original sources in all respects.

Audited Financial Statements

Weaver and Tidwell, L.L.P., has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Weaver and Tidwell, L.L.P. relating to the City's financial statements for the fiscal year ended December 31, 2024 is included in this Official Statement in APPENDIX B; however, Weaver and Tidwell, L.L.P., 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.

Updating of Official Statement

The City will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the City and, to the extent that information comes to its attention, to the other matters described in the Official Statement, until the delivery of the Certificates to the Underwriters. All changes in the affairs of the City and other matters described in the Official Statement subsequent to the delivery of the Certificates to the Underwriters and all information with respect to the resale of the Certificates shall be the responsibility of the Underwriters except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

Forward Looking Statements

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

The forward-looking statements 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.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

The City Council has delegated to an authorized officer of the City the authority to deem the Official Statement final as of its date. In connection with the approval of the sale of the Certificates the final Official Statement will be authorized and approved by the City Council of the City of West University Place, Texas as of its date.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF WEST UNIVERSITY PLACE

The following information has been derived from various sources, including the Texas Municipal Reports, U.S. Census data, and City officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

- City Economics -

The City of West University Place (the “City”), located in Harris County, Texas, encompasses a 2.0 square mile area located a few blocks south of U.S. Highway 59 (the “Southwest Freeway”) and approximately five miles from the central business district of downtown Houston. Incorporated in 1924, the City became a Home-Rule City in 1940 and operates under the Council-Manager form of municipal government. The City, with a 2020 census population of 14,955, is a zoned residential area completely surrounded by the Cities of Houston, Bellaire and Southside Place. Primarily a residential area, its citizens are employed throughout the Houston metropolitan area. Rice University and the Texas Medical Center complex are located about one mile east of the City in the adjoining City of Houston.

There is very little vacant and/or undeveloped land in the City; however, some commercial and townhouse development is occurring along the City’s periphery. Residential construction generally involves rebuilding and remodeling. Home prices within the City are estimated to be approximately \$550,000 to \$5,400,000 with an average home value of approximately \$2,400,000.

The largest taxpayers of the City include utility companies, office buildings, shopping centers, homebuilders, and homeowners. There have been few changes in the nature of the largest taxpayers over the past 10 years, and few changes are anticipated in the future.

The City provides numerous recreational facilities for its citizens. They consist of nine parks provided with picnic-and-play facilities, including a baseball and softball complex with numerous fields available for various organized activities; five tennis courts; three handball/racquetball courts; two swimming pools; a community center, and a fitness center with six rooms for recreational activities. A branch of the Harris County Library is located in the City, which sponsors many reading programs, after school movies, family movies, and numerous other community-oriented cultural programs.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	City of West University Place		City of Houston		Harris County	
	Number	% Change	Number	% Change	Number	% Change
1930	1,322	---	292,352	+111.43%	359,328	+92.50%
1940	9,221	+597.50%	384,514	+31.52	528,961	+47.20
1950	17,074	+85.16	596,163	+55.04	806,701	+52.51
1960	14,628	-14.33	938,219	+57.38	1,243,158	+54.10
1970	13,317	-8.96	1,232,802	+31.40	1,741,912	+40.12
1980	12,010	-9.81	1,573,630	+27.65	2,409,544	+38.33
1990	12,920	+7.58	1,630,553	+3.62	2,818,199	+16.96
2000	14,211	+9.99	1,953,631	+19.81	3,400,578	+20.66
2010	14,787	+4.05	2,099,451	+7.46	4,092,459	+20.35
2020	14,955	+1.14	2,304,580	+9.77	4,731,145	+15.61

Employment Statistics**Harris County, Texas**

	<u>2025 (a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Labor Force	2,534,434	2,497,420	2,432,184	2,360,859	2,319,413
Employed	2,407,336	2,386,885	2,327,972	2,260,680	2,173,458
Unemployed	127,098	110,535	104,212	100,179	145,955
Rate	5.0%	4.4%	4.3%	4.2%	6.3%

City of Houston, Texas

	<u>2025 (a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Labor Force	1,235,786	1,218,646	1,191,728	1,158,419	1,143,312
Employed	1,175,042	1,165,055	1,136,304	1,110,249	1,072,371
Unemployed	60,744	53,591	55,424	48,170	70,941
Rate	4.9%	4.4%	4.7%	4.2%	6.2%

(a) As of August 31, 2025.

Source: Texas Workforce Commission.

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

City of West University Place, TX **Annual Comprehensive Financial Report**

For Fiscal Year Ended December 31, 2024



City of West University Place, Texas

Annual Comprehensive Financial Report
For the Fiscal Year Ended December 31, 2024

Officials Issuing Report:

David Beach
City Manager

Marie Kalka
Finance Director

Introductory Section

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May 29, 2025

The Honorable Mayor, City Council
Members, and Citizens of the
City of West University Place, Texas:

The Finance Department is pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of West University Place, Texas (the "City") for the fiscal year ended December 31, 2024. This report is published to provide the City Council (the "Council"), City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

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

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended December 31, 2024. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City was incorporated in 1924 and became a Texas Home-Rule City in 1940. The City operates under the Council-Manager form of municipal government. The Council is comprised of the Mayor and four Council members, who are responsible for passing ordinances, adopting the budget, appointing board and committee members, and appointing the City Manager. The Mayor and Council are elected on an at-large, non-partisan basis for two-year terms. The City Manager is responsible for carrying out the policies and ordinances of the Mayor and Council, overseeing the day-to-day operations of the City, and appointing department directors.

The City provides a full range of municipal services. These services include police and fire protection, municipal court, streets, drainage, leisure services, water and sewer, solid waste collection and disposal, community development, and general administrative services. Based upon the criterion set forth in generally accepted accounting principles, the following organization is included within the City's reporting entity:

<u>Entity</u>	<u>Method of Inclusion</u>
Friends of West University Parks Fund	Blended

LOCAL ECONOMY

The City encompasses a two square mile area located a few blocks south of U.S. Highway 59 (the "Southwest Freeway") and approximately five miles from downtown Houston, Texas. The City is an integral part of the Houston metropolitan area and is completely surrounded by the cities of Houston, Bellaire, and Southside Place. The City is primarily a residential area whose working inhabitants are employed throughout the Houston urban area. Rice University and the Texas Medical Center complex are located about one mile east of the City limits in the City of Houston.

There is almost no vacant and/or undeveloped land in the City, so construction generally involves rebuilding and remodeling. The City continues to enjoy a stable outlook, with property values currently estimated at \$9.2 billion for the 2024 tax year. Among reasons for this strength are the City's convenient proximities to the Texas Medical Center, downtown Houston, the Rice Village and Rice University, as well as the Galleria area.

The City's tax rate is one of the lowest in the Houston area and is projected to remain relatively stable into the future due to projected stability in taxable values and political stability of the community. The relative stability is the result of a desire for suburban families to live closer to work. The City's low crime rate, exceptional elementary school, and hometown appeal have attracted many of these families. These factors have contributed, and continue to contribute, to the relative stability of property values in the City.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The City Council has adopted a series of financial standards and policies for operating and debt management. Management of the City has made every effort to comply with these standards and policies and believes we are currently in compliance.

The City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, in an effort to reduce the City's unfunded liability and cost of the Texas Municipal Retirement System, the Council previously approved the elimination of the recurring cost-of-living adjustment for employees and retirees. For retiree healthcare, at the November 17, 2008 Council meeting, Council adopted a new personnel handbook, with modifications that included elimination of City funded healthcare coverage for employees hired January 1, 2009 and thereafter.

The City has refunded several outstanding debt obligations from 2010 through 2020, resulting in total debt savings of over \$5.5M.

Capital expenditures are funded through annual allocations from the general fund, the water and sewer fund, the Congestion Mitigation/Traffic Management agreement funds received from the Metropolitan Transit Authority of Harris County or the issuance of debt. The allocations are transferred to the capital improvements fund for general capital projects, to the water and sewer capital reserve fund for water and sewer related projects, or to the transportation/drainage fund for qualifying projects.

General capital projects planned for the 2025 budget include radio replacements, and additional funding for ERP software replacement.

Transportation and drainage projects planned for the 2025 budget include roadway and drainage improvements throughout the City, and sidewalk replacements.

Water and sewer related projects planned in 2025 include waterline replacements, water well improvements, water plant improvements, and EST/GST interior rehabilitation.

These projects are listed specifically in the annual budget in the capital project funds section.

RELEVANT FINANCIAL POLICIES

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

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing the financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter (the "Charter") establishes the fiscal year as January 1 through December 31. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the Council each year. The proposed budget is reviewed by the Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items within a department within any fund; however, any revisions that alter the total expenditures of any fund or departments within a fund greater than \$50,000 must be approved by the Council.

Budgetary control has been established at the department level. Monthly financial reports for Council are produced showing budget and actual revenues and expenditures. Individual line items are reviewed and analyzed for budgetary compliance.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2023. This was the 40th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

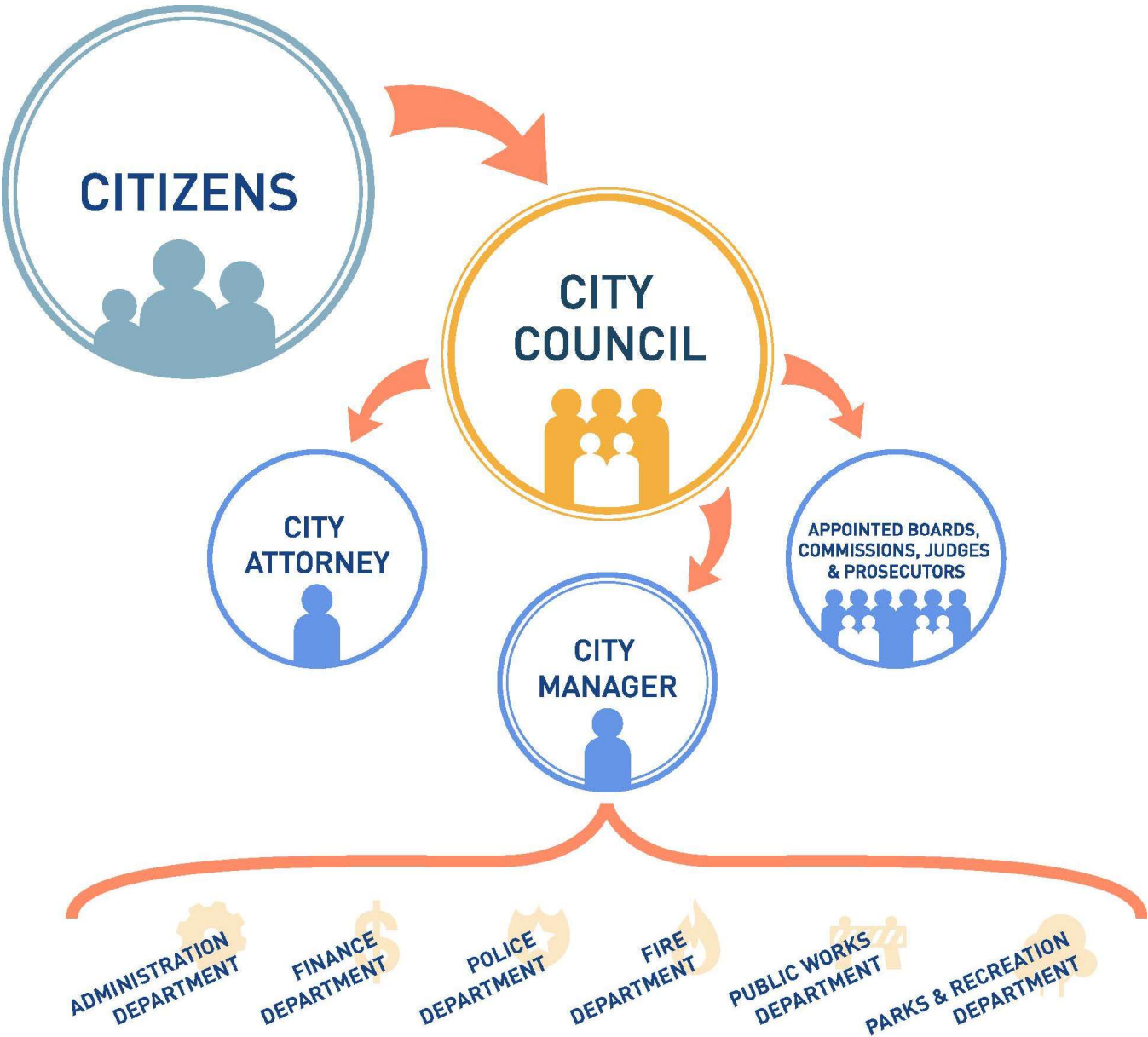
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. Appreciation is expressed to all City employees throughout the organization, especially to those who were instrumental in the successful completion of this report. Additionally, we thank the Mayor, Council, and City Manager for their support and for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Marie Kalka
Finance Director

City of West University Place, Texas
Organizational Chart
December 31, 2024



City of West University Place, Texas

Certificate of Achievement for
Excellence in Financial Reporting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of West University Place
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Merrill

Executive Director/CEO

City of West University Place, Texas

Principal Officials

December 31, 2024

City Officials*	Term Expires	Elective Position
Susan Sample.....	05/2025.....	Mayor
John Montgomery.....	05/2025.....	Mayor Pro Tem
Clay Brett.....	05/2025.....	Council Member
Shannon Carroll.....	05/2025.....	Council Member
Matt Hart.....	05/2025.....	Council Member

* City Officials were each elected to a two-year term at the May 2023 election.

Key Staff	Position
David Beach.....	City Manager
Thelma Gilliam.....	City Secretary
James Urban.....	Human Resources Director
Loren Smith, Olson & Olson.....	City Attorney
Marie Kalka.....	Finance Director
Robert Loper.....	Municipal Court Judge
Gary Ratliff.....	Police Chief
James Novak.....	Fire Chief
Susan White.....	Parks and Recreation Director
Russel Brown.....	Information Technology Director
Daniel Cameron.....	Public Works Director

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Financial Section

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Independent Auditor's Report

The Honorable Mayor
and Members of the City Council of the
City of West University Place, 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 West University Place, Texas (the City), as of and for the year ended December 31, 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 present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2024, the City implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 GAAS. In our opinion, the Combining and Individual Fund Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report ("ACFR"). The other information comprises the Introductory and Statistical Sections, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

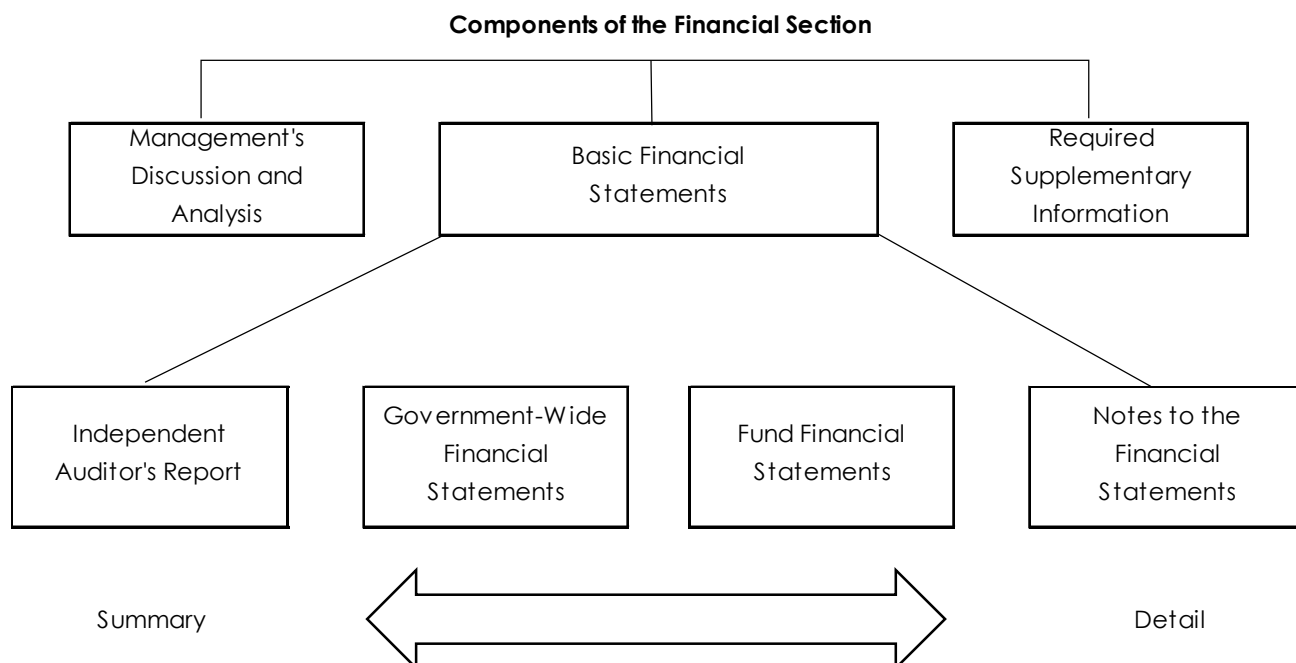
The Woodlands, Texas
May 29, 2025

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Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of West University Place, Texas (the "City") for the year ending December 31, 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 transmittal letter at the front of this report and the City's basic 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 Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 government (administration and finance), public safety (police and fire protection), public works (streets and drainage), and public services (leisure services and community development). Interest payments on the City's tax-supported debt are also reported here. Sales tax, property tax, franchise taxes, 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 and sewer services and solid waste collection, as well as interest payments on debt issued for water and wastewater improvements.

The Friends of West University Parks Fund, although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds for reporting purposes.

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

Proprietary Funds

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, wastewater collection/treatment, and solid waste operations. The proprietary fund financial statements provide separate information for the water and sewer and solid waste funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses internal service funds to account for its vehicle and asset replacement services and for expenses associated with health benefits, human resources expenses and technology management. These internal service funds have 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 a budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios for the Texas Municipal Retirement System (TMRS), schedule of contributions for TMRS, schedule of changes in total other postemployment benefits liability and related ratios for the TMRS Supplemental Death Benefits Fund, and schedule of changes in total other postemployment benefits liability and related ratios for the Retiree Health Care Plan. 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 exceeded liabilities and deferred inflows of resources by \$157,110,254 as of December 31, 2024. This compares with \$147,130,213 from the prior fiscal year. The largest portion of the City's net position, 64 percent, reflects its net investment in capital assets.

Statement of Net Position

The following table reflects the condensed statement of net position:

City of West University Place, Texas's Combined Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 103,060,426	\$ 106,891,567	\$ 33,405,397	\$ 31,708,864	\$ 136,465,823	\$ 138,600,431
Capital assets	123,364,311	114,656,274	16,068,148	16,314,260	139,432,459	130,970,534
Total assets	226,424,737	221,547,841	49,473,545	48,023,124	275,898,282	269,570,965
Deferred charge on refunding	208,624	261,666	-	-	208,624	261,666
Deferred outflows - pensions	2,585,648	4,490,878	314,492	528,412	2,900,140	5,019,290
Deferred outflows - OPEB	394,322	311,689	47,961	36,674	442,283	348,363
Total deferred outflows of resources	3,188,594	5,064,233	362,453	565,086	3,551,047	5,629,319
Long-term liabilities outstanding	93,531,252	99,110,383	1,225,403	1,281,238	94,756,655	100,391,621
Other liabilities	4,051,144	3,884,576	1,106,511	720,836	5,157,655	4,605,412
Total liabilities	97,582,396	102,994,959	2,331,914	2,002,074	99,914,310	104,997,033
Property taxes	20,455,245	20,899,929	-	-	20,455,245	20,899,929
Deferred inflow - leases	250,010	318,365	-	-	250,010	318,365
Deferred inflow - pensions	475,287	389,083	57,809	45,781	533,096	434,864
Deferred inflow - OPEB	1,057,760	1,270,400	128,654	149,480	1,186,414	1,419,880
Total deferred inflows of resources	22,238,302	22,877,777	186,463	195,261	22,424,765	23,073,038
Net position:						
Net investment in capital assets*	85,176,244	76,303,347	15,837,896	16,245,265	101,014,140	92,548,612
Restricted	3,094,578	3,143,297	-	-	3,094,578	3,143,297
Unrestricted	21,521,811	21,292,694	31,479,725	30,145,610	53,001,536	51,438,304
Total net position	\$ 109,792,633	\$ 100,739,338	\$ 47,317,621	\$ 46,390,875	\$ 157,110,254	\$ 147,130,213

* Fiscal year 2023 restated to correct net investment in capital assets balance.

A portion of the City's net position, \$3,094,578 or two percent, represents resources that are subject to external restriction on how they may be used. A significant portion of the City's net position is net investment in capital assets, \$101,014,140 or 64 percent. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The remaining balance of net position, \$53,001,536 or 34 percent, represents unrestricted financial resources available for future operations.

The City's total net position increased by \$11,632,039 during the current fiscal year, an increase of 8 percent in comparison to the prior year. This overall increase results from the operations of the current fiscal year. The City implemented GASB Statement No. 101, *Compensated Absences*, in fiscal year 2024 resulting in a restatement which decreased net position by \$1,651,998 as of December 31, 2023. Because the restatement is the result of a change in accounting principle, the information for 2023 in the tables in the MD&A have not been restated in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62. See Note 1 for more information.

Of the \$11,632,039 increase in net position resulting from the operations of the current fiscal year, an increase of \$1,107,321 is attributable to the business-type activities. The increase in business-type activities is the result of an increase in utility rates. Governmental activities saw an increase of \$10,524,718 in net position largely due to increases in capital assets, operating grants and contributions, and investment earnings.

As of December 31, 2024, the City reports a combined pension and OPEB liability of \$8,627,494, compared to \$11,405,662 as of December 31, 2023. The decrease in the combined liability is due primarily to an increase in pension plan fiduciary net position due to current year pension plan investment gain, which decreases the net pension liability. Further details can be found in the notes to the basic financial statements as well as the RSI following the notes.

Statement of Activities

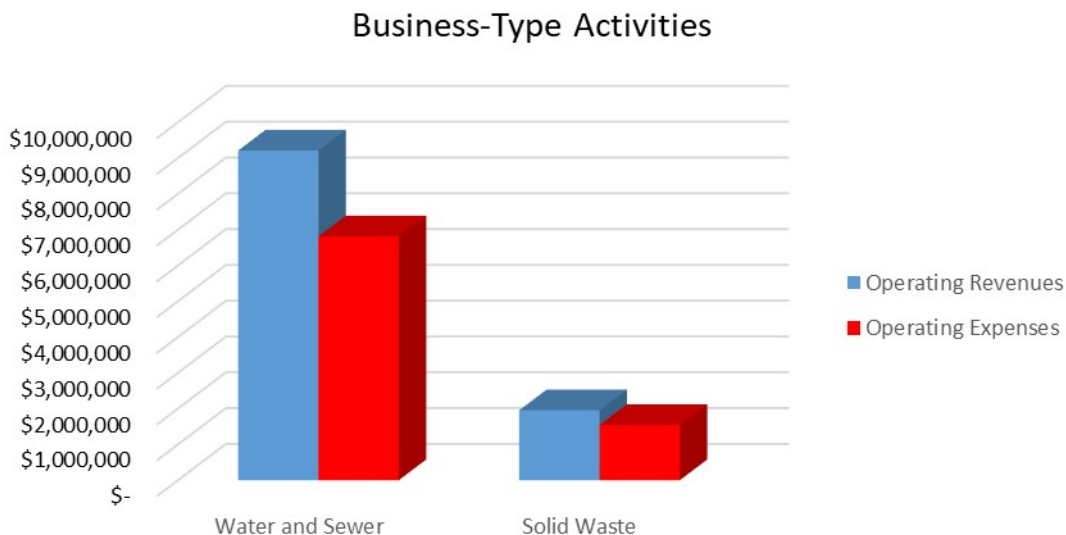
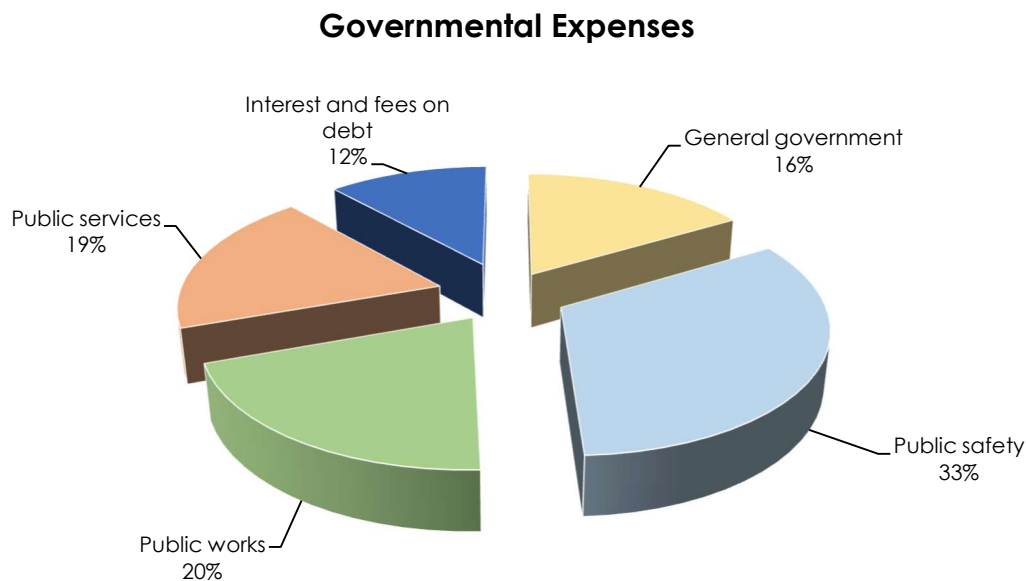
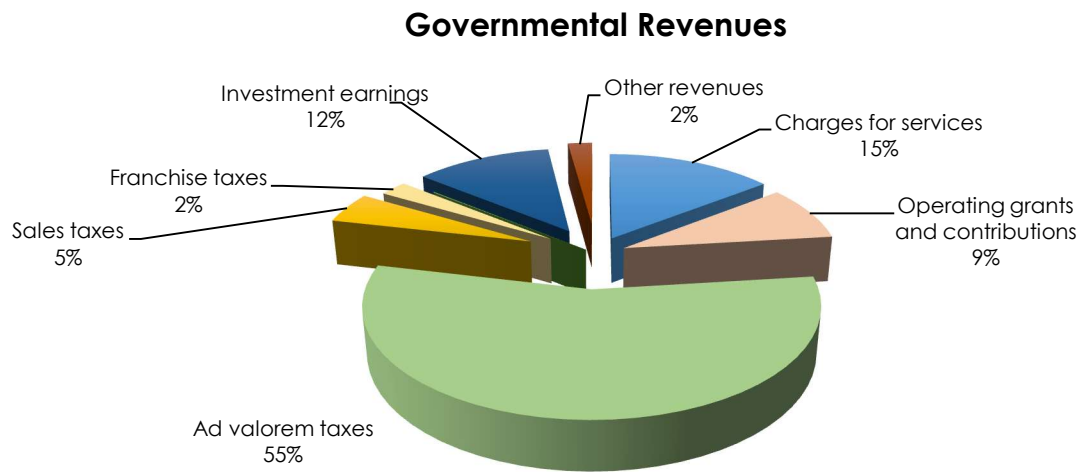
The following table reflects the City's changes in net position:

City of West University Place, Texas's Change in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 5,455,483	\$ 5,751,744	\$ 11,157,274	\$ 11,370,710	\$ 16,612,757	\$ 17,122,454
Operating grants and contributions	3,257,053	9,735,182	-	-	3,257,053	9,735,182
General revenues:						
Ad valorem taxes	20,883,023	20,258,745	-	-	20,883,023	20,258,745
Sales taxes	1,828,036	1,694,035	-	-	1,828,036	1,694,035
Franchise taxes	897,614	936,597	-	-	897,614	936,597
Other taxes	36,812	23,212	-	-	36,812	23,212
Investment earnings	4,508,530	4,248,942	1,416,506	1,342,711	5,925,036	5,591,653
Other revenues	805,736	652,848	6,878	7,567	812,614	660,415
Gain (Loss) on disposal of capital assets	106,650	-	-	-	106,650	-
Total revenues	37,778,937	43,301,305	12,580,658	12,720,988	50,359,595	56,022,293
Expenses:						
General government	5,016,758	4,569,370	-	-	5,016,758	4,569,370
Public safety	9,956,842	10,023,163	-	-	9,956,842	10,023,163
Public works	6,140,906	5,930,433	-	-	6,140,906	5,930,433
Public services	5,724,826	5,739,712	-	-	5,724,826	5,739,712
Interest and fees on debt	3,535,844	3,218,649	-	-	3,535,844	3,218,649
Water and sewer	-	-	6,810,463	7,740,076	6,810,463	7,740,076
Solid waste	-	-	1,541,917	1,558,400	1,541,917	1,558,400
Total expenses	30,375,176	29,481,327	8,352,380	9,298,476	38,727,556	38,779,803
Increase in net position before transfers	7,403,761	13,819,978	4,228,278	3,422,512	11,632,039	17,242,490
Transfers	3,120,957	3,151,202	(3,120,957)	(3,151,202)	-	-
Change in net position	10,524,718	16,971,180	1,107,321	271,310	11,632,039	17,242,490
Net position - beginning	100,739,338	83,768,158	46,390,875	46,119,565	147,130,213	129,887,723
Implementation of new standard	(1,471,423)	-	(180,575)	-	(1,651,998)	-
Net position - beginning, as restated	99,267,915	83,768,158	46,210,300	46,119,565	145,478,215	129,887,723
Net position - ending	\$ 109,792,633	\$ 100,739,338	\$ 47,317,621	\$ 46,390,875	\$ 157,110,254	\$ 147,130,213

Governmental activities expenses increased due to several factors including an increase in payroll expenses. Governmental activities revenues decreased by \$5,522,368 due to a decrease in operating grants and contributions, the result of less federal funding.

Business-type activities revenues decreased by \$140,330 primarily due to the decrease in charges for services. Charges for services decreased \$213,436, which is a decrease of 2 percent. This decrease is due to reduced consumption. Operating expenses for business-type activities decreased by \$946,096, primarily due to a decrease in cost of sales and services.

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



Financial Analysis of 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 report a combined fund balance of \$68,558,121. Of this amount, \$446,406 is nonspendable, \$1,135,161 is restricted for debt service, \$44,925,895 is restricted to capital projects funds, \$172,726 is restricted by enabling legislation, \$1,500,060 is restricted for City parks, \$562,048 is restricted for METRO, \$396,344 is restricted for tree replacement, \$22,021 is restricted for special projects, \$432,398 is restricted for governmental programming, and \$10,794,108 is assigned for capital projects and purchases on order. The remaining fund balance of \$8,170,954 is unassigned.

There was a decrease in the combined fund balance of \$4,840,223 compared to the prior year. This is largely attributable to the \$6,742,883 decrease in intergovernmental revenue.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$8,170,954, while total fund balance reached \$9,051,728. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35 percent of total general fund expenditures, while total fund balance represents 39 percent of the total general fund expenditures. The general fund demonstrated an overall decrease of \$4,567,232 as a result of transfers out of \$7,050,000 for capital projects and funding the Centennial celebration.

The debt service fund has a total fund balance of \$1,135,161, all of which is restricted for the payment of debt service. Expenditures exceeded revenues by \$1,551,220, with an overall net increase in fund balance after other financing sources for the year of \$9,737. This increase in fund balance is primarily due to \$1.6 million transfers from the Water and Sewer fund.

The capital projects fund has a total fund balance of \$55,565,806, of which \$23,066,290 is restricted and \$32,499,516 is assigned. Expenditures exceeded revenues by \$7,990,562, with an overall net decrease in fund balance after other financing sources for the year of \$190,562. This decrease in fund balance is primarily due to net transfers in of \$7.8 million.

Proprietary Funds

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

General Fund Budgetary Highlights

There had been a planned increase in budgeted fund balance in the amount of \$115,523 in the general fund. Budget amendments throughout the year resulted in a budgeted decrease of \$7,737,243. Actual fund balance decreased by \$4,567,232, resulting in a positive variance of \$3,170,011 from actual over budget as amended.

Actual general fund revenues were more than the amended budgeted revenues by \$1,560,199 during 2024. This net variance includes the positive variances of \$328,036 for sales taxes, \$215,185 for other revenues, \$474,539 for charges for services, and \$490,945 for investment earnings.

Actual expenditures were less than budgeted amounts in total by \$1,764,931 for the fiscal year. This net variance is due to positive variances of \$405,532 for general government, \$613,921 for public safety, \$149,731 for public works and \$605,626 for public services.

Capital Assets

At the end of fiscal year 2024, the City's governmental and business-type activities had invested \$123,364,311 and \$16,068,148, respectively, in a variety of capital assets and infrastructure (net of accumulated depreciation/amortization). This represents a net increase of \$8,708,037 and decrease of \$246,112, respectively.

Major capital assets events during the year included the following:

- Purchases of land in the amount of \$4,673,780
- Construction in progress for various City projects in the amount of \$7,494,691

More detailed information about the City's capital assets is presented in note 5 to the financial statements.

Long-term Debt

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$75,755,000. Of this amount, \$1,465,000 was general obligation debt, \$70,360,000 was certificates of obligation debt and \$3,930,000 was private placement bonds. During the year, the City had a net decrease in long-term debt of \$4,830,284 due to debt payments made.

More detailed information about the City's long-term liabilities is presented in note 6 to the financial statements.

Current underlying ratings on debt issues are as follows:

	Standard and Poor's
General obligation bonds	AAA
Certificates of obligation	AAA

Economic Factors and Next Year's Budget

The City Council approved a \$111.64 million operating budget for fiscal year 2025. The budget includes a property tax rate of \$0.241930 per \$100 of valuation, which is a decrease from \$0.260840 per \$100 of valuation in 2024. The City's tax rate is one of the lowest in the Houston area and is projected to remain relatively stable into the future due to projected stability in taxable values, the political stability of the community, and the underlying strength in the Houston area economy.

The City has carefully monitored the performance of utility services and increased rates as needed for the water and sewer fund. As of January 2016, the water and sewer fund had no direct debt. General obligation refunding bonds were issued in 2010 and 2016 to refund all the outstanding revenue bonds for substantial interest rate savings. The adopted fiscal year 2025 budget did increase the water rates 6%, wastewater rates 3%, and solid waste 3.5% from 2024.

The strength and continued diversity of the Metro Houston market area has a positive impact on the City. There is almost no vacant and/or undeveloped land in the City, so construction generally involves rebuilding and remodeling. For the immediate future, the rate of growth is expected to remain steady with reconstruction continuing to impact the value of property well into the future, as well as the recapture of value that has been capped at ten percent per year. The City continues to enjoy a stable outlook, with property values appraised at \$8.4 billion per the September 2024 appraisal rolls. Among reasons for this strength are the City's convenient proximities to the Texas Medical Center, downtown Houston, the Rice Village, and Rice University, as well as the Galleria area. The City's low crime rate and hometown appeal have attracted many of these families. These factors have contributed, and continue to contribute, to the relative stability of property values in the City.

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 Marie Kalka, Finance Director, 3800 University Boulevard, West University Place, Texas, 77005; telephone 713.662.5816; or for general City information, visit the City's website at www.westutx.gov.

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Basic Financial Statements

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City of West University Place, Texas

Statement of Net Position

December 31, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 33,214,600	\$ 11,203,841	\$ 44,418,441
Investments	52,454,841	18,196,283	70,651,124
Receivables, net of allowances	14,339,819	1,829,464	16,169,283
Internal balances	(2,170,369)	2,170,369	-
Due from other governments	4,611,496	-	4,611,496
Inventory	12,440	-	12,440
Prepays	597,599	5,440	603,039
Capital assets:			
Capital assets, not being depreciated/amortized	27,307,009	3,018,358	30,325,367
Capital assets, being depreciated/amortized, net	96,057,302	13,049,790	109,107,092
Total assets	226,424,737	49,473,545	275,898,282
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	208,624	-	208,624
Deferred outflows - pension	2,585,648	314,492	2,900,140
Deferred outflows - other postemployment benefits	394,322	47,961	442,283
Total deferred outflows of resources	3,188,594	362,453	3,551,047
LIABILITIES			
Accounts payable and accrued liabilities	2,667,873	1,106,511	3,774,384
Unearned revenue	3,000	-	3,000
Accrued interest payable	1,380,271	-	1,380,271
Noncurrent liabilities:			
Due within one year - bonds, certificates of obligation, leases, subscriptions, compensated absences	4,718,227	107,411	4,825,638
Due in more than one year - bonds, certificates of obligation, rebtable arbitrage, leases, subscriptions, compensated absences:	81,121,097	182,426	81,303,523
Net pension liability	5,204,411	633,010	5,837,421
Other postemployment benefits liability	2,487,517	302,556	2,790,073
Total liabilities	97,582,396	2,331,914	99,914,310
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - property taxes	20,455,245	-	20,455,245
Deferred inflows - pension	475,287	57,809	533,096
Deferred inflows - other postemployment benefits	1,057,760	128,654	1,186,414
Deferred inflows - leases	250,010	-	250,010
Total deferred inflows of resources	22,238,302	186,463	22,424,765
NET POSITION			
Net investment in capital assets	85,176,244	15,837,896	101,014,140
Restricted for:			
Debt service	8,981	-	8,981
Enabling legislation	172,726	-	172,726
City parks	1,500,060	-	1,500,060
METRO	562,048	-	562,048
Tree replacement	396,344	-	396,344
Special projects	22,021	-	22,021
Governmental programming	432,398	-	432,398
Unrestricted	21,521,811	31,479,725	53,001,536
TOTAL NET POSITION	\$ 109,792,633	\$ 47,317,621	\$ 157,110,254

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas
Statement of Activities
For the Fiscal Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 5,016,758	\$ -	\$ 912,954	\$ -
Public safety	9,956,842	1,273,175	10,038	-
Public works	6,140,906	1,690,218	1,287,166	-
Public services	5,724,826	2,492,090	1,046,895	-
Interest on long-term debt	3,535,844	-	-	-
Total governmental activities	30,375,176	5,455,483	3,257,053	-
Business-type activities:				
Water and sewer	6,810,463	9,204,806	-	-
Solid waste	1,541,917	1,952,468	-	-
Total business-type activities	8,352,380	11,157,274	-	-
TOTAL PRIMARY GOVERNMENT	\$ 38,727,556	\$ 16,612,757	\$ 3,257,053	\$ -
General revenues:				
Ad valorem taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Investment earnings				
Other revenues				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Restatement - Implementation of GASB 101, <i>Compensated Absences</i>				
Net position - beginning, as restated				
NET POSITION - ENDING				

The Notes to Financial Statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (4,103,804)	\$ -	\$ (4,103,804)
(8,673,629)	-	(8,673,629)
(3,163,522)	-	(3,163,522)
(2,185,841)	-	(2,185,841)
(3,535,844)	-	(3,535,844)
(21,662,640)	-	(21,662,640)
-	2,394,343	2,394,343
-	410,551	410,551
-	2,804,894	2,804,894
(21,662,640)	2,804,894	(18,857,746)
20,883,023	-	20,883,023
1,828,036	-	1,828,036
897,614	-	897,614
36,812	-	36,812
4,508,530	1,416,506	5,925,036
805,736	6,878	812,614
106,650	-	106,650
3,120,957	(3,120,957)	-
32,187,358	(1,697,573)	30,489,785
10,524,718	1,107,321	11,632,039
100,739,338	46,390,875	147,130,213
(1,471,423)	(180,575)	(1,651,998)
99,267,915	46,210,300	145,478,215
<u>\$ 109,792,633</u>	<u>\$ 47,317,621</u>	<u>\$ 157,110,254</u>

City of West University Place, Texas

Balance Sheet - Governmental Funds

December 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,758,332	\$ 819,965	\$ 21,408,396	\$ 1,509,244	\$ 28,495,937
Investments	7,724,477	1,331,714	34,769,608	965,407	44,791,206
Receivables, net of allowances	10,514,209	3,288,591	269,037	185,202	14,257,039
Due from other governments	3,432,403	1,179,093	-	-	4,611,496
Inventory	12,440	-	-	-	12,440
Prepays	281,739	-	-	152,227	433,966
TOTAL ASSETS	\$ 26,723,600	\$ 6,619,363	\$ 56,447,041	\$ 2,812,080	\$ 92,602,084
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,534,005	\$ -	\$ 881,235	\$ 6,654	\$ 2,421,894
Unearned revenue	3,000	-	-	-	3,000
Total liabilities	1,537,005	-	881,235	6,654	2,424,894
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	15,634,853	5,484,202	-	-	21,119,055
Unavailable revenue - warrants	199,665	-	-	-	199,665
Unavailable revenue - ambulance services	50,339	-	-	-	50,339
Deferred inflows - leases	250,010	-	-	-	250,010
Total deferred inflows of resources	16,134,867	5,484,202	-	-	21,619,069
FUND BALANCES					
Nonspendable:					
Inventory	12,440	-	-	-	12,440
Prepays	281,739	-	-	152,227	433,966
Restricted for:					
Debt service	-	1,135,161	-	-	1,135,161
Capital projects funds	-	-	23,066,290	-	23,066,290
Enabling legislation	-	-	-	172,726	172,726
City parks	-	-	-	1,500,060	1,500,060
METRO	-	-	-	562,048	562,048
Tree replacement	-	-	-	396,344	396,344
Special projects	-	-	-	22,021	22,021
Governmental programming	432,398	-	-	-	432,398
Assigned	154,197	-	32,499,516	-	32,653,713
Unassigned	8,170,954	-	-	-	8,170,954
Total fund balances	9,051,728	1,135,161	55,565,806	2,805,426	68,558,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,723,600	\$ 6,619,363	\$ 56,447,041	\$ 2,812,080	\$ 92,602,084

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

\$ 68,558,121

Amounts reported for governmental activities in the statement
of net position are different because:

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

Capital assets, not being depreciated/amortized	\$ 27,307,009	
Capital assets, net of accumulated depreciation/amortization	91,590,767	118,897,776

Other long-term assets are not available to pay for current period
expenditures and, therefore, are reported as unavailable revenue
in the governmental funds.

Property taxes	\$ 663,810	
Warrants	199,665	
Ambulance services	50,339	913,814

Internal service funds are used by management to charge certain costs
to individual funds. A portion of the assets, deferred outflows, liabilities
and deferred inflows of the internal service funds is included in the
governmental activities in the statement of net position.

13,977,509

Long-term liabilities and related deferred outflows and deferred inflows
of resources are not due and payable in the current period and, therefore,
are not reported as liabilities or deferrals in the governmental funds.

General obligation bonds and certificates of obligation	\$ (75,755,000)	
Premiums on bonds and certificates of obligation	(6,289,350)	
Accrued interest on bonds and certificates of obligation	(1,380,271)	
Rebatable arbitrage	(503,807)	
Leases payable	(20,712)	
Compensated absences	(2,828,212)	
Deferred charge on refunding	208,624	
Net pension liability	(4,988,447)	
Deferred outflows of resources - pension	2,478,353	
Deferred inflows of resources - pension	(455,564)	
Other postemployment benefits liability	(2,384,294)	
Deferred outflows of resources - other postemployment benefits	377,959	
Deferred inflows of resources - other postemployment benefits	(1,013,866)	(92,554,587)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 109,792,633

City of West University Place, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended December 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 14,548,840	\$ 6,251,507	\$ -	\$ -	\$ 20,800,347
Sales taxes	1,828,036	-	-	-	1,828,036
Franchise taxes	897,614	-	-	-	897,614
Other taxes	36,812	-	-	-	36,812
Permits, licenses, and fees	1,151,728	-	-	58,550	1,210,278
Fines and forfeitures	247,114	-	-	33,922	281,036
Charges for services	3,984,739	-	-	-	3,984,739
Intergovernmental	10,349	-	1,227,830	912,954	2,151,133
Contributions	-	-	-	1,046,895	1,046,895
Investment earnings	895,845	54,754	2,918,961	71,140	3,940,700
Other revenues	788,460	-	3,600	13,676	805,736
Total revenues	24,389,537	6,306,261	4,150,391	2,137,137	36,983,326
EXPENDITURES					
Current:					
General government	4,566,808	-	149,656	90,104	4,806,568
Public safety	10,293,896	-	-	-	10,293,896
Public works	3,941,614	-	76,947	59,249	4,077,810
Public services	4,645,936	-	-	433,670	5,079,606
Capital outlay	52,317	-	11,914,350	891,699	12,858,366
Debt service:					
Principal	8,649	4,485,000	-	-	4,493,649
Interest and fiscal agent fees	1,230	3,369,257	-	-	3,370,487
Bond issuance costs	-	3,224	-	-	3,224
Total expenditures	23,510,450	7,857,481	12,140,953	1,474,722	44,983,606
Excess (deficiency) of revenues over (under) expenditures	879,087	(1,551,220)	(7,990,562)	662,415	(8,000,280)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,603,681	1,560,957	7,800,000	954,607	11,919,245
Transfers out	(7,050,000)	-	-	(1,709,188)	(8,759,188)
Total other financing sources (uses)	(5,446,319)	1,560,957	7,800,000	(754,581)	3,160,057
Net change in fund balances	(4,567,232)	9,737	(190,562)	(92,166)	(4,840,223)
Fund balance, beginning of year	13,618,960	1,125,424	55,756,368	2,897,592	73,398,344
FUND BALANCES, END OF YEAR	\$ 9,051,728	\$ 1,135,161	\$ 55,565,806	\$ 2,805,426	\$ 68,558,121

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended December 31, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ (4,840,223)

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	\$ 12,560,258	
Depreciation/amortization expense	(4,041,794)	8,518,464

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	\$ 82,676	
Warrants	(421)	
Ambulance services	(20,149)	62,106

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. 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.

Principal repayments	\$ 4,485,000	
Amortization of bond premiums	345,284	
Amortization of deferred charges on refunding	(53,042)	
Change in accrued interest	72,449	
Rebutable arbitrage	(503,807)	
Lease principal repayments	8,649	
Compensated absences	(7,510)	4,347,023

The changes in net pension and other postemployment benefits liabilities and related deferred outflows and deferred inflows of resources are reported in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The net change consists of the following:

Change in net pension liability	\$ 2,490,933	
Change in deferred outflows of resources - pension	(1,841,035)	
Change in deferred inflows of resources - pension	(81,338)	
Change in other postemployment benefits liability	(48,443)	
Change in deferred outflows of resources - other postemployment benefits	78,173	
Change in deferred inflows of resources - other postemployment benefits	208,023	806,313

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue of the internal service funds is reported with governmental activities.

1,631,035

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 10,524,718

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Statement of Net Position

Proprietary Funds

December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 10,973,044	\$ 230,797	\$ 11,203,841	\$ 4,718,663
Investments	17,821,443	374,840	18,196,283	7,663,635
Receivables, net of allowances	1,494,202	335,262	1,829,464	82,780
Prepays	5,440	-	5,440	163,633
Total current assets	30,294,129	940,899	31,235,028	12,628,711
Noncurrent assets:				
Capital assets:				
Land	193,875	-	193,875	-
Construction in progress	2,824,483	-	2,824,483	-
Buildings and improvements	459,625	-	459,625	-
Machinery and equipment	2,569,494	-	2,569,494	7,952,701
Water and sewer systems	58,330,281	-	58,330,281	-
Right of use asset - equipment	7,481	-	7,481	72,729
Right of use subscription asset - equipment	-	-	-	1,064,440
Accumulated depreciation/amortization	(48,317,091)	-	(48,317,091)	(4,623,335)
Total capital assets (net of accumulated depreciation/amortization)	16,068,148	-	16,068,148	4,466,535
Total noncurrent assets	16,068,148	-	16,068,148	4,466,535
Total assets	46,362,277	940,899	47,303,176	17,095,246
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	212,671	101,821	314,492	107,295
Deferred outflows - other postemployment benefits	32,434	15,527	47,961	16,363
Total deferred outflows of resources	245,105	117,348	362,453	123,658
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	996,340	110,171	1,106,511	245,979
Leases payable	1,751	-	1,751	11,560
Subscription payable	-	-	-	120,380
Compensated absences	75,953	29,707	105,660	48,796
Total current liabilities	1,074,044	139,878	1,213,922	426,715
Noncurrent liabilities:				
Leases payable	973	-	973	2,903
Subscription payable	-	-	-	222,112
Compensated absences	119,335	62,118	181,453	36,492
Net pension liability	428,065	204,945	633,010	215,964
Other postemployment benefits liability	204,600	97,956	302,556	103,223
Total noncurrent liabilities	752,973	365,019	1,117,992	580,694
Total liabilities	1,827,017	504,897	2,331,914	1,007,409
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	39,093	18,716	57,809	19,723
Deferred inflows - other postemployment benefits	87,001	41,653	128,654	43,894
Total deferred inflows of resources	126,094	60,369	186,463	63,617
NET POSITION				
Net investment in capital assets	15,837,896	-	15,837,896	4,071,937
Unrestricted	28,816,375	492,981	29,309,356	12,075,941
TOTAL NET POSITION	\$ 44,654,271	\$ 492,981	\$ 45,147,252	\$ 16,147,878
Reconciliation to the government-wide statement of net position:				
Adjustment to reflect internal service fund activities related to enterprise funds			2,170,369	
Net position of business-type activities			\$ 47,317,621	

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Fiscal Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES				
Charges for sales and services	\$ 9,204,806	\$ 1,952,468	\$ 11,157,274	\$ 6,259,057
Other revenues	5,497	1,381	6,878	91,168
Total operating revenues	9,210,303	1,953,849	11,164,152	6,350,225
OPERATING EXPENSES				
Costs of sales and services	4,122,124	1,104,066	5,226,190	3,318,874
Personnel	1,133,023	567,020	1,700,043	564,084
Repairs and maintenance	-	-	-	194,121
Depreciation/amortization	1,776,960	-	1,776,960	962,513
Total operating expenses	7,032,107	1,671,086	8,703,193	5,039,592
Operating income	2,178,196	282,763	2,460,959	1,310,633
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	-	-	59,025
Investment earnings	1,385,415	31,091	1,416,506	567,830
Gain on sale of capital assets	-	-	-	106,650
Interest expense	(173)	-	(173)	(23,017)
Total nonoperating revenues	1,385,242	31,091	1,416,333	710,488
Income before transfers	3,563,438	313,854	3,877,292	2,021,121
TRANSFERS				
Transfers out	(2,810,957)	(310,000)	(3,120,957)	(39,100)
Change in net position	752,481	3,854	756,335	1,982,021
Net position - beginning	44,011,920	559,572	44,571,492	14,208,600
Restatement - Implementation of GASB 101, <i>Compensated Absences</i>	(110,130)	(70,445)	(180,575)	(42,743)
Net position - beginning, as restated	43,901,790	489,127	44,390,917	14,165,857
NET POSITION, END OF YEAR	<u>\$ 44,654,271</u>	<u>\$ 492,981</u>	<u>\$ 45,147,252</u>	<u>\$ 16,147,878</u>
Reconciliation to the government-wide statement of activities:				
Adjustment to reflect internal service fund activities related to enterprise funds			350,986	
Change in net position for business-type activities			<u>\$ 1,107,321</u>	

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Totals Enterprise Funds	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 9,079,217	\$ 1,943,038	\$ 11,022,255	\$ 37,901
Cash received from interfund charges for services	-	-	-	6,259,057
Cash payments to suppliers	(3,885,076)	(1,108,612)	(4,993,688)	(3,322,107)
Cash payments to employees	(1,163,909)	(577,043)	(1,740,952)	(570,132)
Net cash provided by operating activities	4,030,232	257,383	4,287,615	2,404,719
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(2,810,957)	(310,000)	(3,120,957)	(39,100)
Intergovernmental	-	-	-	29,512
Net cash used for noncapital financing activities	(2,810,957)	(310,000)	(3,120,957)	(9,588)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,367,926)	-	(1,367,926)	(932,333)
Proceeds from sale of capital assets	-	-	-	106,650
Principal paid on leases payable	(1,666)	-	(1,666)	(20,903)
Principal paid on subscription payable	-	-	-	(394,137)
Interest paid	(173)	-	(173)	(23,017)
Net cash used for capital and related financing activities	(1,369,765)	-	(1,369,765)	(1,263,740)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	1,245,145	59,051	1,304,196	(272,741)
Earnings on investments	1,385,415	31,091	1,416,506	567,830
Net cash provided by investing activities	2,630,560	90,142	2,720,702	295,089
Net increase in cash and cash equivalents	2,480,070	37,525	2,517,595	1,426,480
Cash and cash equivalents, beginning balance	8,492,974	193,272	8,686,246	3,292,183
CASH AND CASH EQUIVALENTS, ENDING BALANCE	\$ 10,973,044	\$ 230,797	\$ 11,203,841	\$ 4,718,663
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,178,196	\$ 282,763	\$ 2,460,959	\$ 1,310,633
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation and amortization	1,776,960	-	1,776,960	962,513
Changes in assets, liabilities and related deferrals:				
(Increase) decrease in assets and deferred outflows:				
Receivables, net of allowances	(123,479)	(10,811)	(134,290)	(53,267)
Prepays	2,142	-	2,142	159,872
Deferred outflows - net pension liability	151,574	62,346	213,920	64,195
Deferred outflows - other postemployment benefits	(7,153)	(4,134)	(11,287)	(4,460)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	227,299	(4,546)	222,753	36,878
Compensated absences	28,229	2,206	30,435	(1,395)
Net pension liability	(202,655)	(79,324)	(281,979)	(80,984)
Other postemployment benefits liability	7,623	9,177	16,800	10,485
Deferred inflows - net pension liability	7,535	4,493	12,028	4,866
Deferred inflows - other postemployment benefits	(16,039)	(4,787)	(20,826)	(4,617)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,030,232	\$ 257,383	\$ 4,287,615	\$ 2,404,719
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset acquisitions under subscriptions	\$ -	\$ -	\$ -	\$ 206,486

The Notes to Financial Statements are an integral part of this statement.

City of West University Place, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of West University Place, Texas (the "City") was incorporated in 1924. The City has operated under a "Home Rule Charter" since 1940, which provides for a Council-Manager form of government. A Mayor and four Council members are elected by voters of the City at large for two year terms.

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

The City provides the following services: public safety to include police and fire services, municipal court, leisure services, streets, drainage, water and sewer services, solid waste collection and disposal, community development, and general administration.

The City is an independent political subdivision of the State of Texas 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 unit listed below, although legally separate, is 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 Unit

Friends of West University Parks Fund

Friends of West University Parks Fund (the "Corporation") has been included in the reporting entity as a blended component unit. The Corporation is a not-for-profit corporation created to solicit private contributions for the beautification, improvement, and maintenance of the City's parkland. The Corporation's Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for any projects of the Corporation that exceed \$50,000. In the event of dissolution, any assets of the Corporation will be transferred to the City. Funding of the Corporation is for the exclusive benefit of the City, and therefore the Corporation is included in the reporting entity on a "blended" basis, and the operations of the Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

City of West University Place, Texas

Notes to the Financial Statements

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which 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.

C. Basis of Presentation – Government-wide Financial Statements

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and public service. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes.

City of West University Place, Texas

Notes to the Financial Statements

The City utilizes both enterprise funds and internal service funds in the proprietary fund financial statements.

The City reports the following enterprise funds:

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

Additionally, the City reports the following fund type:

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The vehicle replacement and asset replacement funds are used to account for vehicle and asset replacement and maintenance services. The employee benefits fund accounts for costs associated with healthcare benefits. The human resources fund accounts for costs associated with non-insurance related human resources expenses. The technology management fund accounts for technology services.

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 funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. Measurement Focus and Basis of Accounting

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

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

City of West University Place, Texas

Notes to the Financial Statements

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in local government 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.

The City maintains pooled cash and investment accounts. Each fund whose monies are deposited in the pooled cash and investment accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

2. Investments

Investments, with certain exceptions, are reported at fair value. The exceptions are investments in external investment pools and nonparticipating interest earning contracts, such as certificates of deposit, which are reported at amortized cost or net asset value, and a cost-based measure, respectively.

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

- Obligations of the U.S. government, its agencies and instrumentalities, including letters of credit
- Obligations of the state of Texas
- Certificates of deposit that meet certain criteria
- Money market mutual funds that meet certain criteria
- Local government investment pools
- Interest bearing checking accounts that are fully collateralized at 102% of the ledger balance

City of West University Place, Texas

Notes to the Financial Statements

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, machinery and equipment, right of use leased assets – equipment, subscription – right of use, infrastructure (e.g. roads, bridges, sidewalks, and similar items), and water and sewer systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Land and improvements and construction in progress are not depreciated/amortized. Buildings and improvements, machinery and equipment, right of use leased assets – equipment, subscription – right of use, infrastructure, and water and sewer systems of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings	15 to 40 years
Improvements	5 to 50 years
Machinery and equipment	5 to 25 years
Right of use leased assets - equipment	1 to 5 years
Subscription - right of use	2 to 10 years
Water and sewer system	5 to 60 years
Infrastructure	10 to 60 years

5. Deferred Outflows/Inflows of Resources

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

In the government-wide and proprietary fund statements of net position:

- A deferred charge on refunding bonds 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.

City of West University Place, Texas

Notes to the Financial Statements

- Deferred outflows related to net pension and other postemployment benefit liabilities result from differences in projected and actual earnings on plan investments, expected and actual economic experience, changes in actuarial assumptions and other inputs, and contributions made subsequent to the measurement date of each plan. The deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the liability in the next fiscal year. The other items are amortized over the weighted average remaining service life of all participants in the respective qualified pension and OPEB plan, except for projected and actual earnings differences on investments, which are amortized on a closed basis over a 5-year period.

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

In the governmental funds balance sheet:

- Unavailable revenues from property taxes, warrants, and ambulance services are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to leases will be adjusted over the life of the lease by the current portion of the principal received.

In the government-wide and proprietary fund statements of net position:

- A deferred inflow of resources results from property taxes that were levied and/or collected in the current period for use in the subsequent period.
- Deferred inflows related to net pension and other postemployment benefit liabilities results from differences in projected and actual earnings on plan investments, expected and actual economic experience, changes in actuarial assumptions and other inputs. These activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments, which are amortized on a closed basis over a 5-year period.
- Deferred inflows related to leases will be adjusted over the life of the lease by the current portion of the principal received.

6. **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The maximum amount of hours that can be carried from one year to the next is dependent on the number of years of service that the employee has with the City.

Length of Service (Months)	Maximum Vacation Leave Accrual		
	Shift Fire		
	Full Time Employees	Department Personnel	3/4 time employees
1 - 48	160 hours	240 hours	120 hours
49 - 144	240 hours	360 hours	180 hours
145 - 240	320 hours	480 hours	240 hours
More than 240	400 hours	600 hours	225 hours

City of West University Place, Texas

Notes to the Financial Statements

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts 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.

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be paid from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be paid from proprietary fund operations are accounted for in those funds.

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 and a transfer of resources from the water and sewer fund for revenue bonds refunded through general obligation debt in a prior year. 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.

8. Leases

Lessee

With the exception of short-term leases, when the City is a lessee in noncancellable lease arrangements the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. For leases not meeting these criteria, lease payments are recognized as outflows of resources based on the payment provisions of the contract.

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 over its useful life.

City of West University Place, Texas

Notes to the Financial Statements

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 purchase option price that the City is reasonably certain to exercise.

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

Lessor

With the exception of short-term leases and certain regulated leases, when the City is a lessor in noncancellable lease arrangements the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements. For short-term leases and excluded regulated leases, lease revenues are recognized as inflows of resources based on the payment provisions of the contract.

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

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

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

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

9. Subscription-Based Information Technology Arrangements (SBITA)

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability (SBITA liability), reported with long-term debt, and an intangible right-to-use subscription asset (SBITA asset), reported with other capital assets, in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

City of West University Place, Texas

Notes to the Financial Statements

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the subscription term or its useful life.

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

10. Pensions

For 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's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's net pension liability is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

11. Other Postemployment Benefits (OPEB)

The City offers two OPEB plans, a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund administered by TMRS and a single-employer defined benefit other postemployment benefits plan known as the Retiree Health Care Plan administered by the City. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the plans. For this purpose, the plans recognize benefit payments when due and payable in accordance with the benefit terms.

Information regarding the City's total OPEB liability for Retiree Health is obtained through reports prepared for the City by a consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

City of West University Place, Texas

Notes to the Financial Statements

Information regarding the City's total OPEB liability for Supplemental Death Benefit Fund (SDBF) is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

12. Net Position Flow Assumption

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

13. Fund Balance Flow 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.

14. Fund Balance Policies

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

Nonspendable fund balance – includes amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that have external constraints imposed upon the use of the resources by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - includes amounts that can be used only for the specific purposes pursuant to constraints imposed 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 approval of a resolution prior to the end of the fiscal year, commit fund balance. Once approved, the limitation imposed by the resolution remains in place until a similar action is taken (the approval of another resolution) to remove or revise the limitation.

Assigned fund balance – includes amounts that 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 has, by resolution, authorized the City Manager to assign fund balance to a specific purpose as approved by the City's fund balance policy. 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. Assigned fund balance in the general fund represents encumbrances for purchases on order. Assigned fund balance in the capital projects fund is for future capital projects and purchases.

City of West University Place, Texas

Notes to the Financial Statements

It is the City's policy to achieve and maintain an unassigned fund balance in the general fund equal to 20 percent of estimated expenditures for the current annual budget. The general fund is the only fund that reports a positive unassigned fund balance. The debt service fund will maintain a fund balance at 10 percent of the annual debt service requirements or a fund balance reserve as required by bond ordinances, whichever is greater. All enterprise funds will maintain working capital equal to 10 percent of the estimated operating expenditures for the current annual budget. The vehicle and asset replacement internal service funds will maintain fund balance equal to 20 percent of the total gross capital assets. The technology management, employee benefits, and human resources internal service funds will maintain fund balance equal to 20 percent of the estimated operating expenditures for the current annual budget.

15. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred outflows and inflows of resources, and the 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.

16. Implementation of New Accounting Standard

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2024 financial statements. See Note 1.F.17 below for the impact to amounts previously reported.

17. Restatement

During fiscal year 2024, changes in accounting principles resulted in adjustments and restatements of beginning net position, as follows:

	12/31/2023 As Previously Reported	Change in Accounting Principle	12/31/2023 As Restated
Government-wide			
Governmental activities	\$ 100,739,338	\$ (1,471,423)	\$ 99,267,915
Business-type activities	46,390,875	(180,575)	46,210,300
Total Primary Government	<u>147,130,213</u>	<u>(1,651,998)</u>	<u>145,478,215</u>
Proprietary Funds			
Major Enterprise Funds:			
Water and Sewer	44,011,920	(110,130)	43,901,790
Solid Waste	559,572	(70,445)	489,127
Internal Service Fund	<u>14,208,600</u>	<u>(42,743)</u>	<u>14,165,857</u>
Total Proprietary Funds	<u>\$ 58,780,092</u>	<u>\$ (223,318)</u>	<u>\$ 58,556,774</u>

City of West University Place, Texas

Notes to the Financial Statements

G. Revenues and Expenditures/Expenses

1. 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.

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Note 2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except 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, in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended December 31, 2024. An annual budget is not adopted for the blended component unit, Friends of West University Parks Fund. The parks fund, tree replacement fund, truancy prevention fund, municipal jury fund, court technology/security fund, METRO fund, opioid settlement fund, and centennial celebration fund are all special revenue funds that have adopted budgets.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. Encumbrances represent the estimated amount of expenditures ultimately to result when these outstanding items are completed. The encumbrances do not constitute expenditures or liabilities in the current period because the commitments will be reappropriated and honored during the subsequent year.

As of December 31, 2024, significant encumbrances included in the governmental funds include \$154,197 in the general fund and \$9,853,299 in the capital projects fund for purchases on order.

City of West University Place, Texas

Notes to the Financial Statements

Note 3. Deposits and Investments

As of December 31, 2024, the City had the following deposits and investments:

	Value	Weighted Average Maturity (Years)
Deposits		
Cash	\$ 10,989,543	
Cash equivalents:		
TexPool external investment pool	22,065,959	0.10
Texas CLASS external investment pool	11,057,170	0.30
Other	305,769	
Total	\$ 44,418,441	
Investments		
U.S. government agency bonds/notes	\$ 14,797,364	0.52
U.S. Treasury notes	55,634,499	0.40
Corporation's certificates of deposit	219,261	0.48
Total	\$ 70,651,124	
Portfolio weighted average maturity		0.34

A. Deposits

Custodial credit risk – deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities, to the extent the deposits exceed FDIC coverage. As of December 31, 2024, the combined values of pledged securities and FDIC coverage exceeded bank balances for the City. The City's investment policy collateralization requirements have not been extended to the Corporation. The Corporation's bank balances exceeded FDIC coverage by \$239,493 at December 31, 2024.

Local Government Investment Pools

As of December 31, 2024, the City maintained balances in TexPool and Texas CLASS local government investment pools. The investment pool balances are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the PFIA. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the "Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government Agency securities and placed through a primary government securities dealer.

City of West University Place, Texas

Notes to the Financial Statements

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. 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. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at amortized cost, which approximates fair value.

Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), is governed by a board of trustees, elected annually by its participants. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the PFIA. The City reports its investment in Texas CLASS at net asset value (NAV), which is the same as the value of the pool shares.

The local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

B. Investments

The City's investments are stated at fair value, with certain exceptions described below. The City categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain City investments are not required to be measured at fair value; these include its investments in the local government investment pools which are measured at amortized cost or NAV and are included in cash equivalents, and its investments (through the Corporation) in certificates of deposit, which are measured based on cost. These instruments are exempt from categorization within the fair value hierarchy.

City of West University Place, Texas

Notes to the Financial Statements

As of December 31, 2024, the City had the following recurring fair value measurements:

Investments by Fair Value Level	Ending Balance	Fair Value Measurements Using	
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)
U.S. Government agency bonds/notes:			
Federal Home Loan Bank	\$ 5,063,371	\$ -	\$ 5,063,371
Federal Agriculture Mortgage Corp	9,733,993	-	9,733,993
U.S. Treasury notes	55,634,499	55,634,499	-
Total	\$ 70,431,863	\$ 55,634,499	\$ 14,797,364

The U.S. government agency bonds and notes included in Level 2 of the fair value hierarchy are valued using a market approach based on a matrix pricing technique, whereby valuation is determined in reference to benchmark prices and interest rates.

Interest rate risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations, and monitors interest rate risk using weighted average maturity analysis. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 365 days. The maximum allowable stated maturity of any individual investment owed by the City shall not exceed three years from the date of purchase, unless matched to a specific cash flow.

Credit Risk

The City's policy requires that investments are limited to only certain instruments that are authorized by the Public Funds Investment Act. Further specifications are that external investment pools must be rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service and certificates of deposit are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized under an approved pledge agreement.

As of December 31, 2024, the City's investments in local government investment pools were rated "AAAm" by Standard & Poor's. The certificates of deposit are unrated.

Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy limits investments by security type and institution. With the exception of U.S. Treasury securities, government-sponsored enterprises (GSE's), interest-bearing checking accounts that are fully collateralized, and authorized local government pools, the City will diversify the entire portfolio to comply with the investment strategy. In no case shall any single investment transaction be more than twenty five-percent of the entire portfolio at the time of purchase of the security.

City of West University Place, Texas

Notes to the Financial Statements

Custodial Credit Risk – Investments

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

Note 4. Receivables

Amounts are aggregated into a single accounts receivable (net of allowances for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the capital projects fund, the nonmajor governmental funds in the aggregate, and the enterprise funds, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Internal Service	Water and Sewer	Solid Waste	Total
Ad valorem taxes	\$ 9,243,308	\$ 3,288,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,531,899
Other taxes	443,247	-	-	-	-	-	-	443,247
Accounts	3,047,799	-	-	-	-	1,510,064	341,891	4,899,754
Lease receivable	257,101	-	-	-	-	-	-	257,101
Intergovernmental	-	-	269,037	182,439	29,513	-	-	480,989
Other	173,702	-	-	2,763	53,267	-	-	229,732
Less: Allowance	(2,650,948)	-	-	-	-	(15,862)	(6,629)	(2,673,439)
Totals	\$ 10,514,209	\$ 3,288,591	\$ 269,037	\$ 185,202	\$ 82,780	\$ 1,494,202	\$ 335,262	\$ 16,169,283

Lease Receivable

The City is a lessor in noncancelable lease agreements for certain facilities and properties. The leases range from one to twenty years. The City recognized \$68,355 in lease revenue during the current fiscal year related to these leases. The lease receivable for the City was \$257,101 and is included in accounts receivable in the government-wide and fund financial statements. Additionally, the City has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. The balance of the deferred inflow of resources was \$250,010 as of December 31, 2024.

City of West University Place, Texas

Notes to the Financial Statements

Note 5. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended December 31, 2024:

	Beginning Balance	Increases	Reclassifications / (Decreases)	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land and improvements	\$ 9,180,302	\$ 4,673,780	\$ -	\$ 13,854,082
Construction in progress	7,931,664	6,508,831	(987,568)	13,452,927
Total capital assets, not being depreciated/amortized	17,111,966	11,182,611	(987,568)	27,307,009
Depreciable/amortizable assets:				
Buildings and improvements	82,088,737	1,099,909	962,374	84,151,020
Machinery and equipment	14,696,777	1,223,341	(415,702)	15,504,416
Right of use leased assets - equipment	111,148	-	-	111,148
Subscription - right of use	893,356	206,486	(35,402)	1,064,440
Infrastructure	66,505,148	-	-	66,505,148
Total depreciable/amortizable assets	164,295,166	2,529,736	511,270	167,336,172
Less accumulated depreciation/amortization for:				
Buildings and improvements	(28,918,762)	(2,228,816)	25,194	(31,122,384)
Machinery and equipment	(7,347,320)	(1,124,583)	415,702	(8,056,201)
Right of use leased assets - equipment	(49,002)	(26,044)	-	(75,046)
Subscription - right of use	(228,297)	(292,377)	35,402	(485,272)
Infrastructure	(30,207,477)	(1,332,490)	-	(31,539,967)
Total accumulated depreciation/amortization	(66,750,858)	(5,004,310)	476,298	(71,278,870)
Total depreciable/amortizable assets, net	97,544,308	(2,474,574)	987,568	96,057,302
Governmental activities capital assets, net	\$ 114,656,274	\$ 8,708,037	\$ -	\$ 123,364,311

All capital assets constructed or paid for with funds of the component unit are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation/amortization expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 331,004
Public safety	430,600
Public works	2,413,492
Public service	866,701
Capital assets held by the City's internal service fund	962,513
Total governmental activities depreciation/amortization expense	\$ 5,004,310

City of West University Place, Texas

Notes to the Financial Statements

Remaining commitments under related construction contracts for general government construction projects at year end were as follows:

Projects	Approved Construction Budget	Stored and Completed To Date	Remaining Commitment
ERP Software	\$ 588,571	\$ 444,042	\$ 144,529
Comm. Bldg, Sr. Center, Library	997,198	201,590	795,608
Radio Replacements	99,996	20,920	79,076
Public Works Facility	697,283	581,530	115,753
Buffalo Speedway	22,307,491	21,794,945	512,546
Westside Drainage	9,825,995	6,541,700	3,284,295
Eastside Street/Drainage	15,845,362	10,969,277	4,876,085
Weslayan Traffic	74,689	65,388	9,301
Sidewalk Replacement	478,175	442,069	36,106
Total	\$ 50,914,760	\$ 41,061,461	\$ 9,853,299

The remaining commitments above will be primarily financed through completion of construction with the resources of the capital projects funds, supplemented by the general fund and issuance of debt, as needed, as well as funding by grant proceeds.

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2024:

	Beginning Balance	Increases	Reclassifications / (Decreases)	Ending Balance
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land and improvements	\$ 193,875	\$ -	\$ -	\$ 193,875
Construction in progress	1,838,623	985,860	-	2,824,483
Total capital assets, not being depreciated/amortized	2,032,498	985,860	-	3,018,358
Depreciable/amortized assets:				
Buildings and improvements	459,625	-	-	459,625
Water and sewer systems	57,998,840	331,441	-	58,330,281
Machinery and equipment	2,355,947	213,547	-	2,569,494
Right of use leased assets - equipment	7,481	-	-	7,481
Total depreciable/amortizable assets	60,821,893	544,988	-	61,366,881
Less accumulated depreciation/amortization for:				
Buildings and improvements	(459,625)	-	-	(459,625)
Water and sewer systems	(44,629,947)	(1,596,136)	-	(46,226,083)
Machinery and equipment	(1,447,423)	(177,688)	-	(1,625,111)
Right of use leased assets - equipment	(3,136)	(3,136)	-	(6,272)
Total accumulated depreciation/amortization	(46,540,131)	(1,776,960)	-	(48,317,091)
Total depreciable/amortized assets, net	14,281,762	(1,231,972)	-	13,049,790
Business-type activities capital assets, net	\$ 16,314,260	\$ (246,112)	\$ -	\$ 16,068,148

City of West University Place, Texas

Notes to the Financial Statements

Depreciation/amortization expense was charged to business-type functions as follows:

Water and sewer	\$ 1,776,960
Total business-type activities depreciation/amortization expense	\$ 1,776,960

Remaining commitments under related construction contracts for business-type construction projects at year end were as follows:

Projects	Approved Construction Budget	Stored and Completed To Date	Remaining Commitment
Water System Modeling/Bellaire EST	\$ 203,443	\$ 200,538	\$ 2,905
Milton Cast Iron	410,429	269,044	141,385
Water Line Replacement	346,653	254,514	92,139
Wakeforest EST/GST Exterior Painting/Rehab	49,910	25,806	24,104
Wakeforest Plant	473,230	74,737	398,493
Wakeforest Distribution	529,380	342,407	186,973
Water Well No. 10	713,639	94,709	618,930
Milton Water Plant Imp	163,925	55,095	108,830
Total	\$ 2,890,609	\$ 1,316,850	\$ 1,573,759

The remaining commitments above will be primarily financed through completion of construction with the resources of water and sewer fees collected by the City.

City of West University Place, Texas

Notes to the Financial Statements

Note 6. Long-term Liabilities

The following is a summary of changes in the City's total long-term liabilities for the year ended December 31, 2024. In general, the City uses the general, debt service and internal service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 3,140,000	\$ -	\$ 1,675,000	\$ 1,465,000	\$ 355,000
Certificates of obligation	73,145,000	-	2,785,000	70,360,000	1,755,000
Private placement general obligation bonds	3,955,000	-	25,000	3,930,000	1,540,000
Unamortized premiums and/or discounts	6,634,634	-	345,284	6,289,350	-
Total bonds, notes and other payables, net	86,874,634	-	4,830,284	82,044,350	3,650,000
Other liabilities:					
Rebatable arbitrage	-	513,545	9,738	503,807	-
Leases payable	64,727	-	29,552	35,175	20,019
Subscriptions payable	530,143	206,486	394,137	342,492	120,380
Compensated absences*	2,907,385	6,115 **	-	2,913,500	927,828
Net pension liability	7,776,328	5,225,179	7,797,096	5,204,411	-
Other postemployment benefit liability	2,428,589	402,691	343,763	2,487,517	-
Total governmental activities	\$ 100,581,806	\$ 6,354,016	\$ 13,404,570	\$ 93,531,252	\$ 4,718,227
Business-type activities:					
Lease payable	\$ 4,390	\$ -	\$ 1,666	\$ 2,724	\$ 1,751
Compensated absences*	256,678	30,435 **	-	287,113	105,660
Net pension liability	914,989	666,378	948,357	633,010	-
Other postemployment benefit liability	285,756	58,612	41,812	302,556	-
Total business-type activities	\$ 1,461,813	\$ 755,425	\$ 991,835	\$ 1,225,403	\$ 107,411

* Restated for implementation of GASB 101, *Compensated absences*.

** The change in compensated absences liability is presented as a net change.

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 leases payable, compensated absences, OPEB liability, and net pension liability are generally liquidated by the general fund. Subscriptions payable is generally liquidated by the technology management fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Arbitrage liability is generally liquidated by the capital projects fund.

City of West University Place, Texas

Notes to the Financial Statements

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

Description	Interest Rates	Balance
Governmental activities:		
General obligation bonds		
General obligation refunding, Series 2020	2.00 - 4.00 %	\$ 1,465,000
Total general obligation bonds		1,465,000
Certificates of obligation		
Series 2019	3.00 - 4.00 %	3,430,000
Series 2020	3.00 - 5.00 %	22,065,000
Series 2022	4.25 - 5.00%	44,865,000
Total certificates of obligation		70,360,000
Private placement general obligation bonds		
General obligation refunding, Series 2017	2.01 %	3,930,000
Total private placement general obligation bonds		3,930,000
Totals		\$ 75,755,000

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

Year Ending December 31,	General Obligation Bond and Certificates of Obligation			Private Placement General Obligation Bond		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 2,110,000	\$ 3,145,447	\$ 5,255,447	\$ 1,540,000	\$ 63,516	\$ 1,603,516
2026	2,180,000	3,054,775	5,234,775	1,040,000	37,587	1,077,587
2027	2,270,000	2,956,975	5,226,975	680,000	20,301	700,301
2028	2,370,000	2,851,150	5,221,150	670,000	6,734	676,734
2029	2,415,000	2,738,300	5,153,300	-	-	-
2030 - 2034	13,960,000	11,835,675	25,795,675	-	-	-
2035 - 2039	13,650,000	8,791,944	22,441,944	-	-	-
2040 - 2044	16,850,000	5,587,483	22,437,483	-	-	-
2045 - 2049	14,665,000	1,265,250	15,930,250	-	-	-
2050	1,355,000	-	1,355,000	-	-	-
Totals	\$ 71,825,000	\$ 42,226,999	\$ 114,051,999	\$ 3,930,000	\$ 128,138	\$ 4,058,138

City of West University Place, Texas

Notes to the Financial Statements

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water, and wastewater) and equipment for general government and enterprise fund activities. As of December 31, 2024, outstanding instruments include a general obligation bond, certificates of obligation and a private placement general obligation bond. These obligations are secured by the proceeds of future ad valorem tax revenues levied on all taxable property located within the City and a limited subordinate lien on, and pledge of, net water and sewer system revenues. The City is not obligated in any manner for special assessment debt.

Defeased Bonds

In prior years, the City defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the defeased liabilities are not included in the City's financial statements. As of December 31, 2024, there were no outstanding balances of defeased bonds.

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 not performed correctly, a substantial liability to the City could result. The City has estimated an arbitrage liability of \$503,807 as of December 31, 2024.

Leases Payable

The City has entered into lease agreements as lessee for various types of equipment. The leases allow the City the right-to-use the leased assets over the term of the lease. The City is required to make principal and interest payments at its incremental borrowing rate or the interest rate stated or implied within the lease. The lease rate, term, and ending lease liability as of December 31, 2024 are as follows:

Description	Matures	Interest Rate (%)	Ending Balance
Governmental activities:			
Printers	2025	5%	\$ 3,086
Phone System	2025	5%	11,589
Tower	2025	5%	1,023
Repeater Antennas	2025	5%	899
Beverage Machines	2027	5%	5,718
Printers	2028	5%	12,860
Total governmental activities			\$ 35,175
Description	Matures	Interest Rate (%)	Ending Balance
Business-type activities:			
Beverage Machines	2026	5%	\$ 2,724
Total business-type activities			\$ 2,724

City of West University Place, Texas

Notes to the Financial Statements

The future principal and interest lease payments as of December 31, 2024, are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2025	\$ 20,019	\$ 1,124
2026	6,076	492
2027	4,034	225
2028	5,046	47
Totals	\$ 35,175	\$ 1,888

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2025	\$ 1,751	\$ 100
2026	973	18
Totals	\$ 2,724	\$ 118

Subscriptions Payable

The City has entered into a subscription-based information technology arrangement ("SBITA") which allows the right to use vendor-provided information technology. The City is required to make yearly payments at its incremental borrowing rate or the interest rate stated or implied within the SBITA. The SBITA rate, term and ending liability are as follows:

Description	Term in Years	Interest Rate (%)	Ending Balance
Governmental activities:			
Software Subscriptions	1-10	5%	\$ 342,492
Total governmental activities			\$ 342,492

The future principal and interest SBITA payments as of December 31, 2024, are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2025	\$ 120,380	\$ 16,298
2026	111,389	10,707
2027	95,505	5,279
2028	15,218	504
Totals	\$ 342,492	\$ 32,788

City of West University Place, Texas

Notes to the Financial Statements

Note 7. Interfund Balances and Activity

1. Interfund Receivables and Payables

Interfund balances consist of short-term lending/borrowing arrangements that have resulted primarily from expenditures that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more governmental funds due to earned revenues not being received from outside agencies until the subsequent year. There were no interfund balances at December 31, 2024.

2. Interfund Transfers

Transfers between funds during the year were as follows:

Transfers Out	Transfers In	Amounts
General	Capital projects	\$ 7,000,000
General	Nonmajor	50,000
Nonmajor	Capital projects	800,000
Nonmajor	General	4,581
Nonmajor	Nonmajor	904,607
Internal Service Fund	General	39,100
Water and sewer	Debt service	1,560,957
Water and sewer	General	1,250,000
Solid waste	General	310,000
Totals		\$ 11,919,245

Transfers to the general fund were subsidies for administrative expenditures. Other amounts transferred between funds related to amounts collected by the nonmajor governmental funds for various governmental expenditures. Transfers to the debt service fund are used to provide resources to assist with debt service principal and interest payments when they become due as well as issuance costs. Transfers to the capital projects fund were to fund various City projects.

Note 8. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,803 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 that exceeded coverage amounts for the past three years.

B. 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 that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of West University Place, Texas

Notes to the Financial Statements

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.

Note 9. Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

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

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

The plan provisions adopted by the City were as follows:

Employee deposit rate	7.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	0/20, 60/5
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI Repeating
Supplemental death benefit - active employees and retirees	Yes

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	134
Inactive employees entitled to but not yet receiving benefits	152
Active employees	132
Total	418

City of West University Place, Texas

Notes to the Financial Statements

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.52% and 12.24% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended December 31, 2024, were \$1,450,741, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

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

City of West University Place, Texas

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35%	6.70%
Core fixed income	6%	4.70%
Non-core fixed income	20%	8.00%
Other public and private markets	12%	8.00%
Real estate	12%	7.60%
Hedge funds	5%	6.40%
Private equity	10%	11.60%
Total	100%	

Discount Rate

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

City of West University Place, Texas

Notes to the Financial Statements

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	\$ 61,550,308	\$ 52,858,991	\$ 8,691,317
Changes for the year:			
Service cost	1,745,725	-	1,745,725
Interest	4,106,641	-	4,106,641
Difference between expected and actual experience	(129,597)	-	(129,597)
Changes of assumptions	(326,382)	-	(326,382)
Contributions - employer	-	1,398,365	(1,398,365)
Contributions - employee	-	781,834	(781,834)
Net investment income	-	6,109,275	(6,109,275)
Benefit payments, including refunds of employee contributions	(3,168,089)	(3,168,089)	-
Administrative expense	-	(38,920)	38,920
Other changes	-	(271)	271
Net changes	2,228,298	5,082,194	(2,853,896)
Balance at December 31, 2023	\$ 63,778,606	\$ 57,941,185	\$ 5,837,421

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 13,837,114	\$ 5,837,421	\$ (812,529)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

City of West University Place, Texas

Notes to the Financial Statements

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

For the year ended December 31, 2024, the City recognized pension expense of \$814,228.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 312,340
Changes in actuarial assumptions	-	220,756
Difference between projected and actual investment earnings	1,449,399	-
Contributions subsequent to the measurement date	1,450,741	-
Totals	\$ 2,900,140	\$ 533,096

\$1,450,741 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2025	\$ 63,225
2026	262,195
2027	1,099,140
2028	(508,257)
Totals	\$ 916,303

Note 10. Other Postemployment Benefits Plans

In addition to the pension plan discussed in Note 9, the City offers other postemployment benefits (OPEBs) through two plans: Texas Municipal Retirement System's Supplemental Death Benefits Fund, and the City's single-employer Retiree Health Care Plan.

Plan Descriptions

Supplemental Death Benefits Fund

Texas Municipal Retirement System (TMRS) administers a 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

City of West University Place, Texas

Notes to the Financial Statements

Retiree Health Care Plan

The City administers a single-employer defined benefit other postemployment benefits plan, known as the Retiree Health Care Plan (the RHCP). The RHCP offers medical benefits to eligible retirees and their spouses. The RHCP has no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB Liability

The City's total OPEB liability (TOL) for each of its OPEB plans was measured as of December 31, 2023. The actuarial valuation dates for each of its OPEB plans was December 31, 2023.

Benefits Provided and Contributions

Membership in the plans as of the measurement date of December 31, 2023 was as follows:

	SDBF	RHCP
Inactive employees currently receiving benefits	88	7
Inactive employees entitled to but not yet receiving benefits	51	-
Active employees	132	24
Totals	271	31

Supplemental Death Benefits Fund

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit and is a fixed amount of \$7,500.

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The retiree portion of contribution rates to the SDBF for the City were 0.16% and 0.17% in calendar years 2023 and 2024, respectively. The City's contributions to the SDBF for the year ended December 31, 2024 were \$20,149 and were equal to the required contributions.

Retiree Health Care Plan

Employees Hired January 1, 2009 and Thereafter:

A retiree and his or her covered dependent(s) may be eligible for continued coverage through COBRA according to regulatory requirements. Retirees may not add dependents after retiring. Retirees are responsible for all costs, including premiums and administrative fees, associated with COBRA benefits. Retiree/Dependent COBRA benefits will be terminated if the City (or the City's Third Party Administrator) does not receive the required contributions by the date due.

City of West University Place, Texas

Notes to the Financial Statements

Employees Hired Prior to January 1, 2009:

Non-exempt Employees – If you retire through TMRS and have been employed full-time for the City for at least ten years immediately preceding the date of the retirement, you may continue coverage with the City's health plan.

Exempt Employees – If you retire through TMRS and have minimum of ten years of service credit with TMRS of which five years immediately preceding the date of retirement were with the City, you may continue to be covered through the City's health plan. The benefit includes basic medical coverage, excluding accidental death, life, disability and dental.

The City provides a subsidy to the retiree that varies based on the medical plan elected. Spouse and dependents are eligible for continued coverage. Retirees are responsible for all costs associated with spouse and dependent benefits, including premiums. Surviving spouses of deceased retirees are eligible for continued coverage though COBRA according to regulatory requirements. All benefits terminate when retiree becomes eligible for Medicare or other federal or state health insurance plans or if retiree becomes employed, including self-employment.

Employees who retire under a disability retirement are eligible for retiree health benefits if they have met the eligibility for a regular retirement upon their disability. TMRS retirement requirement: 5 years of service at age 60; or 20 years of service regardless of age.

Actuarial Assumptions

The total OPEB liabilities were determined using the following actuarial assumptions and other inputs.

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	3.77% - based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial assumptions were developed primarily from an actuarial experience study performed as of December 31, 2022 and a measurement date of December 31, 2023.

The retiree's share of benefit-related costs for the SDBF OPEB is assumed to be \$0, and the healthcare trend cost rate for the RHCP actuarial valuation is assumed at an initial rate of 7.20%, declining to an ultimate rate of 4.25% after 15 years.

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

The OPEB plans are treated as unfunded plans because 1) the SDBF trust covers both actives and retirees and the assets are not segregated for these groups, and 2) the RHCP plan is a pay-as-you go plan.

City of West University Place, Texas

Notes to the Financial Statements

Changes in Total OPEB Liability

	Total OPEB Liability	
	SDBF	RHCP
Balance at December 31, 2022	\$ 494,084	\$ 2,220,261
Changes for the year:		
Service cost	17,871	54,118
Interest on total OPEB liability	20,010	88,662
Difference between expected and actual experience	12,021	(251,418)
Changes of assumptions or other inputs	28,336	240,285
Benefit payments	(17,871)	(116,286)
Net changes	60,367	15,361
Balance at December 31, 2023	\$ 554,451	\$ 2,235,622

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

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

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB liability			
SDBF	\$ 662,094	\$ 554,451	\$ 470,918
RHCP	2,417,863	2,235,622	2,068,742

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

In addition, the following disclosure is applicable to the RHCP only. The following presents the total OPEB liability, calculated using the current healthcare rates, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current trend rate:

	1% Decrease Healthcare Cost Trend Rate (6.0 % Decreasing to 3.15 %)	Healthcare Cost Trend Rate (7.0 % Decreasing to 4.15 %)	1% Increase Healthcare Cost Trend Rate (8.0 % Decreasing to 5.15 %)
Total OPEB liability			
RHCP	\$ 2,045,146	\$ 2,235,622	\$ 2,450,070

City of West University Place, Texas

Notes to the Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024, the City recognized OPEB expense of \$30,537 for SDBF and OPEB income of \$177,630 for RHCP.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SDBF		RHCP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,468	\$ 6,059	\$ 132	\$ 762,847
Changes in assumptions and other inputs	51,471	148,159	279,634	269,349
Contributions made subsequent to the measurement date	20,149	-	81,429	-
Totals	\$ 81,088	\$ 154,218	\$ 361,195	\$ 1,032,196

The \$20,149 and \$81,429 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date for the SDBF and RHCP, respectively, will reduce the total OPEB liability during the year ending December 31, 2025. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	SDBF	RHCP
2025	\$ (20,476)	\$ (345,317)
2026	(38,294)	(204,309)
2027	(40,586)	(138,001)
2028	6,077	(63,920)
2029	-	(883)
Totals	\$ (93,279)	\$ (752,430)

Combined Totals for OPEB Plans

The combined totals for the two OPEB plans are as follows:

	SDBF	RHCP	Total
OPEB liability	\$ (554,451)	\$ (2,235,622)	\$ (2,790,073)
Deferred inflows	(154,218)	(1,032,196)	(1,186,414)
Deferred outflows	81,088	361,195	442,283
OPEB expense (benefit)	30,537	(177,630)	(147,093)

APPENDIX C
FORM OF BOND COUNSEL OPINION



Orrick, Herrington & Sutcliffe LLP

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December __, 2025

We have acted as Bond Counsel in connection with the issuance by the City of West University Place, Texas (the “City”) of its Certificates of Obligation, Series 2025 (the “Certificates”), dated December 1, 2025 in the aggregate principal amount of _____. The Certificates are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, 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 on November 10, 2025 authorizing their issuance (the “Certificate Ordinance”).

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with

respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (1) The Certificates constitute the valid and binding obligations of the City.
- (2) The Certificates are payable, both as to principal and interest, from the receipts of all annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates and a pledge of a subordinate lien of the surplus revenues of the City's water and sewer system not to exceed \$1,000.
- (3) Interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

ORRICK, HERRINGTON & SUTCLIFFE LLP