

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON**

\$14,460,000*
CITY OF BRENHAM, TEXAS
(A political subdivision of the State of Texas located in Washington County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Sealed Bids Due Thursday, April 2, 2026 at 9:00 AM, CDT

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Brenham, Texas (the “City”), is offering for sale its \$14,460,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”).

ADDRESS OF BIDS . . . Signed, sealed bids, plainly marked “Bid for Certificates,” should be addressed to “Mayor and City Council, City of Brenham, Texas,” and delivered to the City Manager at City Hall, 200 West Vulcan Street, Brenham, Texas, 77833 prior to 9:00 AM, CDT, on the date of the bid opening. All bids must be submitted on the Official Bid Form the form of which is attached to this Notice of Sale and Bidding Instructions (the “Official Bid Form”), without alteration or interlineation.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the City, as described under “CONDITIONS OF SALE – Basis for Award” below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit SIGNED Official Bid Forms to Jennifer Ritter, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone or facsimile (fax) on the date of the sale.

Telephone bids will be accepted at (512) 275-7300, between 8:30 AM and 9:00 AM, CDT.

Fax bids must be received between 8:30 AM and 9:00 AM, CDT, on the date of the bid opening at (512) 275-7305, attention Jennifer Ritter.

Specialized Public Finance Inc. (the “Financial Advisor”) will not be responsible for submitting any bids received after the above deadlines.

The Financial Advisor assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read in the Council Chambers of the City Hall of the City at 1:00 PM, CDT, on Thursday, April 2, 2026.

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 9:30 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 1:00 PM, CDT, on the date of the bid opening, and adopt an ordinance authorizing the Certificates and approving the Official Statement (the “Certificate Ordinance”).

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated April 23, 2026 (the “Date of Initial Delivery”). Interest will accrue from the Date of Initial Delivery and will be due on August 15, 2026, and each February 15 and August 15 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on August 15 in each year as follows:

MATURITY SCHEDULE*

Maturity (8/15)	Principal Amount	Maturity (8/15)	Principal Amount
2026	\$ 385,000	2040	\$ 690,000
2027	370,000	2041	725,000
2028	385,000	2042	760,000
2029	405,000	2043	795,000
2030	420,000	2044	840,000
2031	445,000	2045	880,000
2032	470,000	2046	925,000
2033	490,000	2047	290,000
2034	515,000	2048	305,000
2035	540,000	2049	320,000
2036	570,000	2050	335,000
2037	595,000	2051	350,000
2038	625,000	2052	370,000
2039	660,000		

*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

OPTIONAL REDEMPTION . . . The City reserves the option to redeem Certificates maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof before their respective scheduled maturity dates, on August 15, 2035, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price equal to the principal amount of the Certificates so called for redemption plus accrued interest to the date of redemption.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as serial certificates (the “Serial Certificates”) or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION . . . If the successful bidder elects to convert principal amounts of the Serial Certificates into Term Certificates, such Term Certificates shall be subject to mandatory redemption on the first August 15 next following the last maturity for Serial Certificates, and annually thereafter on each August 15 until the stated maturity for the Term Certificates at the redemption prices of par plus accrued interest to the date of redemption. The principal amounts of the Term Certificates to be redeemed on each mandatory redemption date will be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no conversion to Term Certificates occurred. At least 45 days prior to each mandatory redemption date, the Paying Agent/Registrar (hereinafter defined) will select, by lot or any other customary method that results in a random selection, the Term Certificates to be redeemed and cause a notice of redemption to be given in the manner provided in the Certificate Ordinance and described in the Preliminary Official Statement.

The principal amount of the Term Certificates required to be redeemed on any mandatory redemption date 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.

A final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert Serial Certificates into one or more Term Certificates.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”). See “THE CERTIFICATES – Book-Entry-Only System” in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be BOKF, NA (see “THE CERTIFICATES – Paying Agent/Registrar” in the Preliminary Official Statement).

SOURCE OF PAYMENT . . . The Certificates are direct obligations of the City, payable out of the receipts from an ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, as provided in the Certificate Ordinance.

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Certificates will be sold in one block on an “All or None” basis, and at a price of not less than 102% of their par value and not more than 112% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate calculated in the manner prescribed by Chapter 1204, Texas Government Code, must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. The maximum coupon rate shall not exceed 5.00%. For Certificates having stated maturities on and after August 15, 2036, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS FOR AWARD . . . Subject to the City’s right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the “Purchaser”) making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Date of Initial Delivery of all debt service payments on the Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid, if any. In the event of a bidder’s error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City at least 10 business days prior to delivery of the Certificates with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. The Purchaser’s compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to “CONDITIONS OF THE SALE – Basis for Award” herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

OBLIGATION OF THE CITY TO RECEIVE INFORMATION FROM WINNING BIDDER . . . Pursuant to Texas Government Code, Section 2252.908 (the “Interested Party Disclosure Act”), unless a bidder represents and verifies that the bidder is a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity (an “Exempt Entity”), the City may not award the Certificates to a bidder unless the bidder submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”) at the time the bidder submits its Official Bid Form.

In the event that the bidder’s bid for the Certificates conforms to the specifications herein and is the best bid received, the City, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance

of the bid and the winning bidder must promptly file the materials described below. The apparent winning bidder and each syndicate member listed on the Official Bid Form must have submitted either (1) a completed Disclosure Form, as described below, or (2) a written representation that it is an Exempt Entity, not later than one hour after the deadline for the submission of bids in order for City to complete the formal award. If the apparent winning bidder and each syndicate member listed on the Official Bid Form fails to file the Disclosure Form or written representation that it is an Exempt Entity within the time period described in the previous sentence, the City reserves the right to notify the apparent winning bidder that their bid has been rejected and award the sale to the next lowest bidder.

WRITTEN REPRESENTATION REGARDING EXEMPTION . . . If a bidder is claiming an exemption from the filing requirement under Section 2252.908(c)(4), such bidder must deliver to the City and its bond counsel a written representation that states that such bidder is publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity and identify the publicly traded business entity that allows them to utilize the exception.

PROCESS FOR COMPLETING THE DISCLOSURE FORM . . . The Disclosure Form can be found at <https://www.ethics.state.tx.us/filinginfo/1295/>, and reference should be made to the following information in order to complete it: (a) item 2 – name of governmental entity (“City of Brenham, Texas”), (b) item 3 – the identification number (“Brenham 2026 CO”), and (c) item 3 – description of the goods or services assigned to this contract by the City (“Purchase of Certificates”).

If completing the Disclosure Form, the bidder must (i) complete the Disclosure Form electronically at the TEC’s “electronic portal,” and (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC’s “electronic portal.”

SUBMISSION OF WRITTEN REPRESENTATION REGARDING EXEMPTION OR COMPLETED DISCLOSURE FORM . . . The completed Disclosure Form or the written representation regarding the exemption from the Form 1295 filing requirements must be delivered electronically to the City, at cmiller@cityofbrenham.org and Bond Counsel, at glenn.opel@bracewell.com no later than one hour after the deadline for the submission of bids on the Sale Date.

Time will be of the essence in submitting the completed Disclosure Form or written representation regarding the exemption from the filing requirements to the City, and no bid will be accepted by the City unless a completed Disclosure Form or written representation regarding exemptions is received on time.

Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form or written representation, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form or the written representation. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed Disclosure Form or written representation promptly upon notification from the City that its bid is the conditional winning bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the “City of Brenham, Texas,” in the amount of \$289,200, is required. The Good Faith Deposit may be provided to the City via wire transfer (the City will provide wire instructions to the Purchaser), or in the form of a certified or cashier’s check (which is to be retained uncashed by the City pending the Purchaser’s compliance with the terms of the bid and this Notice of Sale and Bidding Instructions). The Good Faith Deposit will be retained by the City and: (a) (i) if the Purchaser utilizes a cashier’s check as its Good Faith Deposit, said cashier’s check will be returned to the Purchaser after delivery of the Certificates, (ii) if the Purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Certificates or (b) will be retained by the City as liquidated damages, except as provided under the captions “CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants,” if the Purchaser defaults with respect to its purchase of the Certificates in accordance with its bid, or (c) will be returned to the Purchaser if the Certificates are not issued by the City for any reason which does not constitute a default by the Purchaser. No interest will be allowed on the Good Faith Deposit.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . By submission of a bid for the Certificates, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the “Government Code”), as heretofore amended. As used herein, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If the bidder’s bid is accepted, then liability for breach of any such verification during the term of the contract for purchase and sale of the Certificates created thereby (the “Agreement”) shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

A. **Not a Sanctioned Company**: Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

B. **No Boycott of Israel**: Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of

the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

C. **No Discrimination Against Firearm Entities:** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

D. **No Boycott of Energy Companies:** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

REPRESENTATION REGARDING TEXAS ATTORNEY GENERAL STANDING LETTER AND BRINGDOWN VERIFICATION . . . By submission of a bid for the Certificates, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General’s (the “Texas Attorney General”) All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: (<https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf>) and the Texas Attorney General’s supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (<https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf>). Each bidder represents and verifies that the bidder has (i) on file a standing letter (“Standing Letter”) acceptable to the Texas Attorney General addressing the representations and verifications described under the heading “CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants,” and (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of this Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the City or Bond Counsel on the City’s behalf, each bidder shall provide additional written certifications to the City and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the Date of Initial Delivery (the “Bringdown Verification”). The City reserves the right, and each bidder hereby expressly authorizes the City, to provide such Bringdown Verifications to the Texas Attorney General.

IMPACT OF BIDDING SYNDICATE ON AWARD . . . For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate members would be for informational purposes only.

ESTABLISHING THE ISSUE PRICE FOR THE CERTIFICATES

GENERAL . . . In order to provide the City with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the excludability of interest on the Certificates from gross income for federal income tax purposes, the winning bidder will be required to complete, execute, and deliver to the City or to the Financial Advisor, at least five business days before the delivery date of the Certificates, a certification as to the Certificates’ “issue price” (the “Issue Price Certificate”) substantially in one of the forms and to the effect attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the delivery date of the Certificates, the Issue Price Certificate may be modified in a manner approved by the City and Bracewell LLP, Austin, Texas, as Bond Counsel for the City (“Bond Counsel”). Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver prior to delivery of the Certificates the appropriate Issue Price Certificate, if its bid is accepted by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts as are necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

DEFINED TERMS . . . For purposes of this section of this Notice of Sale:

- (i) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

(iii) “Related Party” means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iv) “Sale Date” means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the Financial Advisor, and any notice or report to be provided to the City may be provided to the Financial Advisor. The City will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Certificates, as specified in the bid.

THREE BID REQUIREMENT . . . The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) for purposes of establishing the issue price of municipal bonds, which requires, among other things, that the City receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Three Bid Requirement”). In the event that the Three Bid Requirement is not satisfied, Treasury Regulations permit the issue price for any maturity of the Certificates to be determined based upon either (i) the first price at which 10% of such maturity is sold to the Public (the “10% Test”) or (ii) if the requirements of the “Hold-the-Offering-Price Rule” described below are met, the initial offering price to the Public as of the Sale Date. For purposes hereof, if different interest rates apply within a maturity, each separate CUSIP number will be treated separately.

In the event that the Three Bid Requirement is satisfied, the sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the Three Bid Requirement is not satisfied, the City will notify the prospective winning bidder to that effect, and the prospective winning bidder will advise the City any maturity of the Certificates that satisfies the 10% Test. For any maturity of the Certificates that does not meet the 10% Test, it is the City’s intention to apply the “Hold-the-Offering-Price Rule” to any maturity of the Certificates, as described below.

HOLD-THE-OFFERING-PRICE RULE . . . If the “Hold-the-Offering-Price Rule” is applied to any maturity of the Certificates (each, a “Held Maturity”), the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Held Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth business day after the Sale Date; or
- (2) the date on which the Underwriters have satisfied the 10% Test with respect to that Held Maturity at a price that is no higher than the initial offering price to the Public.

The winning bidder shall promptly advise the City when the Underwriters have satisfied the 10% Test with respect to each Held Maturity at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth business day after the Sale Date. On or after the sixth business day after the Sale Date, if requested by the City, the winning bidder will confirm that the Underwriters have complied with the Hold-the-Offering-Price-Rule. If at any time the winning bidder becomes aware of any noncompliance by an Underwriter with respect to the Hold-the-Offering-Price Rule, the winning bidder will promptly report such noncompliance to the City.

ADDITIONAL REQUIREMENTS . . . By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Global Services, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Certificates shall be paid by the City.

DELIVERY OF CERTIFICATES . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the “Certificate” or “Certificates”), either in typed or printed form, in the aggregate principal amount of \$14,460,000*, payable in stated installments to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually or electronically signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC’s book-entry-only system. Delivery will be at the principal office of the Paying Agent/Registrar. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about April 23, 2026, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Certificates by 9:00 AM, CDT, on April 23, 2026, or thereafter on the date the Initial Certificate is tendered for delivery, up to and including May 7, 2026. If for any reason the City is unable to make delivery on or before May 7, 2026, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Certificates is subject to the Purchaser’s receipt of (a) the legal opinion of Bond Counsel and (b) the no-litigation certificate, all as further described in the Preliminary Official Statement. The Purchaser will be required to deliver the Issue Price Certificate to the City prior to delivery of the Certificates, as described above.

LEGAL OPINIONS . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of Texas. Delivery of and payment for the Certificates are subject to the receipt by the Purchaser of an opinion of Bond Counsel in substantially the form attached to the Preliminary Official Statement as APPENDIX C.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the City to deliver the Certificates and of the Purchaser to accept delivery of and pay for the Certificates are subject to the financial condition that at the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition of the City from those set forth in or contemplated by the “Preliminary Official Statement” as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Certificates to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that to the City’s knowledge no litigation is pending or, to the certifying officials’ knowledge or belief, threatened against the City, contesting or affecting the issuance of the Certificates; restraining or enjoining the authorization, execution, or delivery of the Certificates; affecting the provision 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 or the title of the present officials of the City.

RULE G-32 REQUIREMENTS . . . It is the responsibility of the Purchaser to comply with the Municipal Securities Rulemaking Board’s Rule G-32 within the required time frame. The Purchaser must send two copies of the Official Statement along with two complete Form G-32’s to the appropriate address.

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*See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.” Preliminary, subject to change.

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance 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. Specialized Public Finance Inc. may **NOT** submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Purchaser represents that the sale of the Certificates in states other than the State of Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the City shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional ad valorem tax supported debt within the next six months.

MUNICIPAL BOND RATING AND INSURANCE . . . The Certificates and the outstanding debt of the City have been rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are rated based on insurance provided by various commercial insurance companies. The City has applied for bond insurance on the Certificates. If qualified, the purchase of municipal bond insurance for the Certificates will be at the option and expense of the Purchaser. Any fees to be paid on a rating as a result of such insurance will be paid by the City. Any rating downgrade of the bond insurance provider after the Bid Opening shall not relieve the Purchaser of its obligation.

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The City has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with Securities and Exchange Commission ("SEC") Rule 15c2-12, deems such Preliminary Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the Sale Date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Certificate Ordinance to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Certificate Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement. The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related City's Annual Comprehensive Financial Report ("ACFR"), which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the ACFRs but can be calculated from information in the ACFRs.

USE OF HYPERLINKS . . . 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 Notice of Sale or the Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, as available over and above the normal mailing, may be obtained at the offices of Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, Financial Advisor to the City.

The City Council has approved the form and content of this Notice of Sale and Bidding Instructions, the Official Bid Form and Preliminary Official Statement, and authorized the use thereof in its initial offering of the Certificates. On the date of the sale, the City Council will, in the Certificate Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Purchaser.

/s/ ATWOOD C. KENJURA
Mayor
City of Brenham, Texas

/s/ JEANA BELLINGER
City Secretary
City of Brenham, Texas

March 23, 2026

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OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Brenham, Texas
 200 West Vulcan Street
 Brenham, Texas 77833

April 2, 2026

Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated March 23, 2026, of \$14,460,000* CITY OF BRENHAM, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, both of which constitute a part hereof.

For your legally issued Certificates, in the aggregate principal amount of \$14,460,000*, we will pay you a price of \$ _____, representing approximately _____% of the par value. Such Certificates mature August 15, in each of the years and in the amounts and bearing interest at the rates shown below:

<u>Maturity (August 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Maturity (August 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2026	\$ 385,000	_____ %	2040	\$ 690,000	_____ %
2027	370,000	_____ %	2041	725,000	_____ %
2028	385,000	_____ %	2042	760,000	_____ %
2029	405,000	_____ %	2043	795,000	_____ %
2030	420,000	_____ %	2044	840,000	_____ %
2031	445,000	_____ %	2045	880,000	_____ %
2032	470,000	_____ %	2046	925,000	_____ %
2033	490,000	_____ %	2047	290,000	_____ %
2034	515,000	_____ %	2048	305,000	_____ %
2035	540,000	_____ %	2049	320,000	_____ %
2036	570,000	_____ %	2050	335,000	_____ %
2037	595,000	_____ %	2051	350,000	_____ %
2038	625,000	_____ %	2052	370,000	_____ %
2039	660,000	_____ %			

Of the principal maturities set forth in the table above, term certificates have been created as indicated in the following table (which may include multiple term certificates, one term certificate or no term certificate if none is indicated). For those years which have been combined into a term certificate, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term certificate maturity date shall mature in such year. The term certificates created are as follows:

<u>Term Certificate Maturing August 15</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST _____ %

*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”) under its book-entry-only system and credited to the DTC account of the Purchaser.

A wire transfer or a cashiers or certified check to the City in the amount of \$289,200 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Certificates in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us, except as provided under the heading “CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants” in the Notice of Sale.

We are having the Certificates insured by _____ (the “Bond Insurer”) at a premium of \$ _____, said premium to be paid by the Purchaser. Any fees to be paid to the rating agency as a result of said insurance will be paid by the City. The undersigned acknowledges that the bond insurer will be required to (i) either: (a) submit a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”), or (b) represent to the City that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity at the time of delivery of any bond insurance commitment or other agreement to be executed by the City, and (ii) provide to the City similar representations and verifications as described under the heading “Compliance with Laws Prohibiting Contracts with Certain Companies” in the Notice of Sale.

We agree to accept delivery of the Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds to BOKF, NA, not later than 9:00 AM, CDT, on April 23, 2026, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the Purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, not later than the close of business on the business day following the award of the sale of the Certificates, a certificate relating to the “issue price” of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

The undersigned also agrees to provide the City and its consultants, at least 10 business days prior to delivery of the Certificates, a breakdown of its “Underwriting Spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

Upon notification of conditional verbal acceptance, the undersigned will either (i) complete an electronic form of the Certificate of Interested Parties Form 1295 (the “Disclosure Form”) through the Texas Ethics Commission’s (the “TEC”) electronic portal and the resulting certified Disclosure Form that is generated by the TEC’s electronic portal will be printed, signed, notarized sent by email to the City (cmiller@cityofbrenham.org) with a copy to the City’s Bond Counsel (Glenn Opel, glenn.opel@bracewell.com) or (ii) provide to the City and Bond Counsel by email to the listed addresses a written verification that it is exempt from such requirement by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity. The undersigned understands that the failure to provide the certified Disclosure Form, or written verification, will prohibit the City from providing final written award of the enclosed bid.

By submission of a bid for the Certificates, each bidder makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the “Government Code”), as heretofore amended. As used herein, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the contract for purchase and sale of the Certificates created thereby (the “Agreement”) shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or the Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

A. Not a Sanctioned Company: Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

B. No Boycott of Israel: Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

C. No Discrimination Against Firearm Entities: Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or

firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

D. **No Boycott of Energy Companies:** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

By submission of a bid for the Certificates, each bidder represents and verifies that it is aware of the Office of the Texas Attorney General’s (the “Texas Attorney General”) All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Office of the Texas Attorney General using the following link: (<https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf>) and the Texas Attorney General’s supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (<https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf>). Each bidder represents and verifies that the bidder has (i) on file a standing letter (“Standing Letter”) acceptable to the Texas Attorney General addressing the representations and verifications described under the heading “CONDITIONS OF THE SALE – Verifications of Statutory Representations and Covenants,” and (ii) will, upon request of the City or Bond Counsel on behalf of the City, provide the City and Bond Counsel with a copy of its Standing Letter. Each bidder further represents and verifies that its Standing Letter remains in effect as of the date of this Agreement and that the Texas Attorney General has not notified the bidder that a determination has been made that the bidder boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the City or Bond Counsel on the City’s behalf, each bidder shall provide additional written certifications to the City and Bond Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in the Agreement through the Date of Initial Delivery (the “Bringdown Verification”). The City reserves the right, and each bidder hereby expressly authorizes the City, to provide such Bringdown Verifications to the Texas Attorney General.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Name of Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Brenham, Texas, this the 2nd day of April, 2026.

ATTEST:

City Secretary
City of Brenham, Texas

Mayor
City of Brenham, Texas

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ISSUE PRICE CERTIFICATE

[THREE BID REQUIREMENT SATISFIED]

I, the undersigned officer of _____ (the "Purchaser"), acting on behalf of itself and any underwriting syndicate, make this certification in connection with the \$14,460,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") issued by the City of Brenham.

1. I hereby certify as follows in good faith as of the date hereof:
 - (a) I am the duly chosen, qualified and acting officer of the Purchaser for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Purchaser and any underwriting syndicate. I am the officer of the Purchaser charged, along with other officers of the Purchaser and any underwriting syndicate, with responsibility for the Certificates.
 - (b) The reasonably expected initial offering prices of the Certificates to the Public by the Purchaser as of the Sale Date are the prices set forth on page 2 of the Official Statement prepared in connection with the Certificates (the "Initial Offering Prices"). The Initial Offering Prices are the applicable prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached hereto as Attachment I is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.
 - (c) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.
 - (d) The bid submitted by the Purchaser constituted a firm offer to purchase the Certificates.
 - (e) The aggregate of the Initial Offering Prices of all maturities of the Certificates is \$ _____. The Certificates were sold with pre-issuance accrued interest in the amount of \$ _____. The sum of these two amounts is \$ _____.
 - (f) Please choose the appropriate statement:
 - The Purchaser will not purchase bond insurance for the Certificates.
 - The Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of \$ _____ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Certificates and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Purchaser represents that the present value of the Fee for each obligation constituting the Certificates to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Certificates. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. In determining present value for this purpose, the yield of the Certificates (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such Fee that has not been earned. The Purchaser will also be responsible for payment of any rating fees on the Certificates, if and as required by the Insurer to be obtained in connection with the purchase of insurance.
2. For purposes of this Issue Price Certificate, the following definitions apply:
 - (a) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
 - (b) "Related Party" means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).
 - (c) "Sale Date" means the first day on which there is a binding contract in writing for the sale or exchange of the Certificates. The Sale Date of the Certificates is _____, 2026.
 - (d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Bracewell LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the City from time to time relating to the Certificates.

*Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts."

EXECUTED as of this _____ day of _____, 2026.

[NAME OF PURCHASER OR MANAGER OF PURCHASING
SYNDICATE]

By: _____

Name: _____

Title: _____

ISSUE PRICE CERTIFICATE

[THREE BID REQUIREMENT NOT SATISFIED – HOLD-THE-OFFERING-PRICE RULE]

I, the undersigned officer of _____ (the “Purchaser”), acting on behalf of itself and any underwriting syndicate, make this certification in connection with the \$14,460,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) issued by the City of Brenham, Texas (the “City”).

1. I hereby certify as follows in good faith as of the date hereof:
 - (a) I am the duly chosen, qualified and acting officer of the Purchaser for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Purchaser and any underwriting syndicate. I am the officer of the Purchaser charged, along with other officers of the Purchaser and any underwriting syndicate, with responsibility for the Certificates.
 - (b) For the Certificates maturing in _____, the first price at which at least 10% of each maturity was sold to the Public is the price for each such maturity set forth on page 2 of the Official Statement prepared in connection with the Certificates (each, an “Actual Sales Price”).
 - (c) For the Certificates maturing in _____ (each, a “Held Maturity”), the Purchaser on or before the Sale Date offered for purchase each such maturity to the Public at the applicable initial offering price set forth on the inside cover of the Official Statement prepared in connection with the Certificates (each, an “Initial Offering Price”). A copy of the pricing wire evidencing the Initial Offering Prices is attached hereto as Attachment I. In connection with the offering of the Certificates, the Purchaser and each member of any underwriting syndicate agreed in writing that (i) during the Hold Period, it would neither offer nor sell any Held Maturity to any person at a price higher than the applicable Initial Offering Price (the “Hold-the-Offering-Price Rule”) and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement would contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, that, during the Hold Period, such party would comply with the Hold-the-Offering-Price Rule. In accordance with such agreements, no Underwriter offered or sold any of the Held Maturities at a price higher than the applicable Initial Offering Price for such Held Maturity during the Hold Period.
 - (d) The aggregate of the Actual Sales Prices and the Initial Offering Prices is \$ _____. The Certificates were sold with pre-issuance accrued interest in the amount of \$ _____. The sum of these two amounts is \$ _____.
 - (e) Please choose the appropriate statement:

 The Purchaser will not purchase bond insurance for the Certificates.
 The Purchaser will purchase bond insurance from _____ (the “Insurer”) for a fee/premium of \$ _____ (the “Fee”). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Certificates and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Purchaser represents that the present value of the Fee for each obligation constituting the Certificates to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Certificates. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. In determining present value for this purpose, the yield of the Certificates (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such Fee that has not been earned. The Purchaser will also be responsible for payment of any rating fees on the Certificates, if and as required by the Insurer to be obtained in connection with the purchase of insurance.
2. For purposes of this Issue Price Certificate, the following definitions apply:
 - (a) “Hold Period” means, with respect to a Held Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the Underwriters have sold at least 10% of such Held Maturity to the Public at a price no higher than the applicable Initial Offering Price.
 - (b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
 - (c) “Related Party” means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).
 - (d) “Sale Date” means the first day on which there is a binding contract in writing for the sale or exchange of the Certificates. The Sale Date of the Certificates is _____, 2026.
 - (e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

*Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.”

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Bracewell LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the City from time to time relating to the Certificates.

EXECUTED as of this _____ day of _____, 2026.

[NAME OF PURCHASER OR MANAGER OF PURCHASING SYNDICATE]

By: _____

Name: _____

Title: _____

PRELIMINARY OFFICIAL STATEMENT

Dated March 23, 2026

Rating:
S&P: “AA-”
Insurance: Applied For
See “OTHER INFORMATION – Rating”

NEW ISSUE – Book-Entry-Only

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



\$14,460,000*
CITY OF BRENHAM, TEXAS
(A political subdivision of the State of Texas located in Washington County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Date of Initial Delivery: April 23, 2026

Due: August 15, as shown on the next page

Interest Accrues from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$14,460,000* City of Brenham, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”), will accrue from the Date of Initial Delivery and will be payable August 15 and February 15 of each year commencing August 15, 2026 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System” herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – Paying Agent/Registrar”). The Certificates are subject to redemption prior to their stated maturity as provided herein (see “THE CERTIFICATES – Optional Redemption” and “– Mandatory Sinking Fund Redemption”).

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the “Certificate of Obligation Act of 1971”), Chapter 1502, Texas Government Code, as amended, and an ordinance (the “Certificate Ordinance”) to be adopted by the City Council of the City of Brenham, Texas (the “City”). The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Certificate Ordinance. The City has also pledged to the payment of the Certificates surplus revenues of the City’s combined utility system as described in the Certificate Ordinance, such pledge being limited to \$1,000 (see “THE CERTIFICATES – Authority for Issuance” and “THE CERTIFICATES – Security and Source of Payment”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (1) construction and acquisition of, and improvements to, the City’s waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, the City’s sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction and acquisition of, and improvements to, City’s drainage utility system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (4) construction and acquisition of, and improvements to, the City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (5) construction of a new City fire station, and expansion, renovation and repair of and improvements to existing City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (6) acquisition of vehicles and equipment for City fire purposes, including, the acquisition of new fire trucks (collectively, the “Project”); and (7) professional services incurred in connection with items (1) through (6), and to pay the costs incurred in connection with the issuance of the Certificates.

CUSIP PREFIX: 107115
MATURITY SCHEDULE
As Shown on the Next Page

LEGALITY . . . The Certificates are offered for delivery when, as and if issued by the City and received by the initial purchaser thereof (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Austin, Texas, Bond Counsel (see “APPENDIX C – Form of Bond Counsel’s Opinion”).

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on April 23, 2026 (the “Date of Initial Delivery”).

BIDS DUE ON THURSDAY, APRIL 2, 2026, AT 9:00 AM, CDT

*See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions. Preliminary, subject to change.

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 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 any such jurisdiction.

MATURITY SCHEDULE*

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers ⁽¹⁾
2026	\$ 385,000			
2027	370,000			
2028	385,000			
2029	405,000			
2030	420,000			
2031	445,000			
2032	470,000			
2033	490,000			
2034	515,000			
2035	540,000			
2036	570,000			
2037	595,000			
2038	625,000			
2039	660,000			
2040	690,000			
2041	725,000			
2042	760,000			
2043	795,000			
2044	840,000			
2045	880,000			
2046	925,000			
2047	290,000			
2048	305,000			
2049	320,000			
2050	335,000			
2051	350,000			
2052	370,000			

(Interest Accrues from the Date of Initial Delivery)

*See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions. Preliminary, subject to change.

- (1) 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 and are included solely for convenience of the registered owners of the Certificates. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP Numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the option to redeem Certificates maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof before their respective scheduled maturity dates, on August 15, 2035, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price equal to the principal amount of the Certificates so called for redemption plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION . . . If the Purchaser designates two or more consecutive maturities of the Certificates as a Term Certificate (defined herein), such Term Certificates will be subject to mandatory sinking fund redemption (see “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as a preliminary official statement with respect to the Certificates described herein that has been deemed “final” by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information permitted by Subsection (b)(1) Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized by the City or the Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Purchaser. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information set forth or included in this Official Statement, which includes the cover page and the appendices hereto, has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

References to 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 Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CITY..... The City of Brenham, Texas (the “City”), incorporated in 1858, is a political subdivision located in Washington County operating under the laws of the State of Texas (the “State”) and its home-rule charter approved by the voters in 1920. The City operates under the Council/Manager form of government in which the Mayor and six Councilmembers are elected for staggered four-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council of the City (the “City Council”). The City Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City.

The City is approximately 10.14 square miles in area. See “APPENDIX A – General Information Regarding the City.”

THE CERTIFICATES The Certificates are issued as \$14,460,000* Combination Tax and Revenue Certificates of Obligation, Series 2026, maturing on August 15 in the years and in the principal amounts as shown on page 2 hereof. See “THE CERTIFICATES – General.”

PAYMENT OF INTEREST Interest on the Certificates accrues from the Date of Initial Delivery and is payable August 15, 2026, and each February 15 and August 15 thereafter until maturity or prior redemption. See “THE CERTIFICATES – General.”

AUTHORITY FOR ISSUANCE The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the “Certificate of Obligation Act of 1971”), Chapter 1502, Texas Government Code, as amended, and an ordinance to be adopted by the City Council on April 2, 2026 (the “Certificate Ordinance”). See “THE CERTIFICATES – Authority for Issuance.”

SECURITY FOR THE CERTIFICATES..... The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Certificate Ordinance. The City has also pledged to the payment of the Certificates surplus revenues of the City’s combined utility system as described in the Certificate Ordinance, such pledge being limited to \$1,000. See “THE CERTIFICATES – Security and Source of Payment,” and “– Tax Rate Limitation” herein.

OPTIONAL REDEMPTION The City reserves the option to redeem Certificates maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof before their respective scheduled maturity dates, on August 15, 2035, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price equal to the principal amount of the Certificates so called for redemption plus accrued interest to the date of redemption. See “THE CERTIFICATES – Optional Redemption.”

MANDATORY SINKING FUND

REDEMPTION If the Purchaser designates two or more consecutive maturities of the Certificates as a term certificate (each, a “Term Certificate”), such Term Certificates will be subject to mandatory sinking fund redemption. See “THE CERTIFICATES – Mandatory Sinking Fund Redemption.”

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

*See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts.” in the Notice of Sale and Bidding Instructions. Preliminary, subject to change.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for (1) construction and acquisition of, and improvements to, the City’s waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, the City’s sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction and acquisition of, and improvements to, City’s drainage utility system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (4) construction and acquisition of, and improvements to, the City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (5) construction of a new City fire station, and expansion, renovation and repair of and improvements to existing City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (6) acquisition of vehicles and equipment for City fire purposes, including, the acquisition of new fire trucks (collectively, the “Project”); and (7) professional services incurred in connection with items (1) through (6), and to pay the costs incurred in connection with the issuance of the Certificates.

MUNICIPAL BOND RATING

AND INSURANCE The Certificates and the outstanding debt of the City have been rated “AA-” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The City also has various issues outstanding which are rated based on insurance provided by various commercial insurance companies. The City has applied for bond insurance on the Certificates. If qualified, the purchase of municipal bond insurance for the Certificates will be at the option and expense of the Purchaser. Any fees to be paid on a rating as a result of such insurance will be paid by the City. Any rating downgrade of the bond insurance provider after the Bid Opening shall not relieve the Purchaser of its obligation. See “OTHER INFORMATION – Rating.”

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

PAYMENT RECORD The City has never defaulted in payment of its tax-supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End Of Year ⁽³⁾	Per Capita G.O. Tax Debt	G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	18,676	\$ 1,628,067,498	\$ 87,174	\$ 32,505,000	\$ 1,740	2.00%	98.98%
2023	19,142	2,086,321,984	108,992	38,525,000	2,013	1.85%	99.25%
2024	19,728	2,346,890,505	118,962	44,825,000	2,272	1.91%	100.43%
2025	20,024	2,399,959,805	119,854	69,215,000	3,457	2.88%	100.74%
2026	20,324	2,730,121,657	134,330	78,425,000 ⁽⁴⁾	3,859 ⁽⁴⁾	2.87%	86.60% ⁽⁵⁾

- (1) Source: The Municipal Advisory Council of Texas.
- (2) Valuations shown are certified taxable assessed values reported by the Washington County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
- (3) Includes self-supporting debt.
- (4) Projected; includes the Certificates (see “Table 1 – Valuation, Exemptions and General Obligation Debt”). Preliminary, subject to change.
- (5) Partial collections as of January 31, 2026.

CITY OFFICIALS, STAFF AND CONSULTANTS

Policy making and supervisory functions are the responsibility of and are vested in the Mayor and a six-member City Council (the "City Council"). Mayor and City Council elections are held in May of odd-numbered years. The Mayor and City Council serve four-year staggered terms with four councilmembers being elected in one odd-numbered year and the Mayor and two councilmembers being elected in the next odd-numbered year. Administrative responsibilities belong to the City Manager. Various support services are provided by independent consultants and advisors.

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>
Atwood C. Kenjura Mayor	4 Years, 11 Months	May 2027
Clint Kolby Mayor Pro-Tem	7 Years, 4 Months	May 2029
Leah Cook Councilmember, At Large	4 Years, 11 Months	May 2029
Steve Soman Councilmember, Ward 1	11 Months	May 2029
Albert Wright Councilmember, Ward 2	7 Years, 7 Months	May 2027
Dr. Paul F. LaRoche, III Councilmember, Ward 3	2 Years, 11 Months	May 2029
Adonna Saunders Councilmember, Ward 4	6 Years, 11 Months	May 2027

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Carolyn D. Miller, CPA ⁽¹⁾	City Manager	21 Years
Megan Mainer	Interim City Manager	New
Jeana Bellinger, TRMC	Director of Administrative Services/City Secretary	19 Years
Julie Flagg	Chief Financial Officer	2 Years

(1) Ms. Carolyn Miller will be retiring effective April 3, 2026. It is anticipated that an Interim City Manager will be named at the April 2, 2026 City Council meeting.

CONSULTANTS AND ADVISORS

Certified Public Accountants	Seidel Schroeder Brenham, Texas
Bond Counsel	Bracewell LLP Austin, Texas
Financial Advisor.....	Specialized Public Finance Inc. Austin, Texas

For additional information regarding the City, please contact:

Julie Flagg Chief Financial Officer City of Brenham, Texas 200 W. Vulcan Street Brenham, Texas 77833 (979) 337-7389 (979) 277-1262 Fax	or	Jennifer Ritter Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 (512) 275-7305 Fax
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**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$14,460,000*
CITY OF BRENHAM, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

INTRODUCTION

GENERAL . . . This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$14,460,000* City of Brenham, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”). The Certificates are being issued by the City pursuant to an ordinance (the “Certificate Ordinance”) to be adopted by the City Council (the “City Council”) of the City of Brenham, Texas (the “City”) on April 2, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Certificate Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the “State”) duly organized and existing under the laws of the State, and the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 1920. The City operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers with terms expiring in staggered four-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, gas, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The estimated 2026 estimated population is 20,324. The City covers approximately 10.14 square miles.

THE CERTIFICATES

GENERAL . . . The Certificates are dated April 23, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the Date of Initial Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 until maturity or prior redemption commencing August 15, 2026. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the book-entry only system described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “THE CERTIFICATES – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the City’s Home Rule Charter and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Certificate Ordinance. The City has also pledged to the payment of the Certificates surplus revenues of the City’s combined utilities system as described in the Certificate Ordinance, such pledge being limited to \$1,000. See “THE CERTIFICATES – Tax Rate Limitation” and “TAX INFORMATION” herein.

TAX RATE LIMITATION . . . Article XI, Section 5 of the State Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 taxable assessed valuation for all City purposes. The Home Rule Charter of the City limits the authorized maximum tax rate to \$1.65 per \$100 taxable assessed valuation. Administratively, the Attorney General of Texas will permit the allocation of \$1.10 of the \$1.65 maximum tax rate for ad valorem tax debt service.

*Preliminary, subject to change.

OPTIONAL REDEMPTION . . . The City reserves the option to redeem Certificates maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof before their respective scheduled maturity dates, on August 15, 2035, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price equal to the principal amount of the Certificates so called for redemption plus accrued interest to the date of redemption.

MANDATORY SINKING FUND REDEMPTION . . . If the Purchaser designates two or more consecutive maturities of the Certificates as a term certificate (each, a “Term Certificate”), such Term Certificates will be subject to mandatory sinking fund redemption.

NOTICE OF REDEMPTION . . . Not less than thirty (30) days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall give a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Certificates to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

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

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE CITY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Certificates, will send any notice of redemption or other notices with respect to the Certificates to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner (each as hereinafter defined), shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

DEFEASANCE . . . The Certificate Ordinance provides that the Certificates may be defeased, discharged or refunded in any manner permitted by applicable law.

AMENDMENTS TO THE CERTIFICATE ORDINANCE . . . In the Certificate Ordinance, the City has reserved the right, without the consent of or notice to the owners, from time to time and at any time to amend the Certificate Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to or rescind any of the provisions of the Certificate Ordinance; provided, that, without the consent of the owners of all related Certificates then outstanding, no such amendment, addition, or rescission shall:

- (a) affect the rights of the owners of less than all of the related Certificates then outstanding;
- (b) make any change in the maturities of the related Certificates;
- (c) reduce the rate of interest borne by any of the related Certificates;
- (d) reduce the amount of the principal payable on the related Certificates;
- (e) modify the terms of payment of principal of or interest on the related Certificates or impose any conditions with respect to such payment; or
- (f) change the minimum percentage of the principal amount of related Certificates necessary for consent to such amendment.

Certificates owned or held by or for the account of or for the benefit of the City shall not be deemed to be outstanding for the purpose of amending the Certificate Ordinance.

CERTIFICATE HOLDERS' REMEDIES . . . The Certificate Ordinance provides that each of the following occurrences or events will be an Event of Default under the Certificate Ordinance: (i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement, or obligation of the City, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Certificate Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the City.

Upon the happening of any Event of Default, any Owner or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Certificate Ordinance by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies. All such proceedings shall be instituted and maintained for the equal benefit of all Owners of Certificates then outstanding.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Certificate 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Owners 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 opinions of Bond Counsel will note that all opinions with respect to the rights of the registered owners of the Certificates are subject to the applicable provisions of federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 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. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates 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, distributions, and dividend payments 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 to the owners thereof.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Purchaser take any 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 Certificate Ordinance will be given only to DTC.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. Interest on and principal of the Certificates will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Pittsburgh, Pennsylvania (the "Designated Payment/Transfer Office"). In the Certificate Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office of the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or its designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiples of \$5,000 for any one maturity and for a like kind and aggregate principal amount as the Certificates surrendered for exchange or transfer. Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate. 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 record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each 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.

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (1) construction and acquisition of, and improvements to, the City's waterworks system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (2) construction and acquisition of, and improvements to, the City's sanitary sewer system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (3) construction and acquisition of, and improvements to, City's drainage utility system and facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (4) construction and acquisition of, and improvements to, the City streets, including traffic control systems, traffic safety improvements, landscaping, and street lighting, bridges, sidewalks and drainage improvement facilities, including in each case the acquisition of land and rights-of-way in connection therewith; (5) construction of a new City fire station, and expansion, renovation and repair of and improvements to existing City fire stations, including in each case the acquisition of land and rights-of-way in connection therewith; (6) acquisition of vehicles and equipment for City fire purposes, including, the acquisition of new fire trucks (collectively, the "Project"); and (7) professional services incurred in connection with items (1) through (6), and to pay the costs incurred in connection with the issuance of the Certificates.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources:	
Principal	\$
Reoffering Premium	
Total Sources	\$
Uses:	
Deposit to Construction Fund	\$
Deposit to Interest and Sinking Fund	
Purchaser's Discount	
Costs of Issuance	
Total Uses	\$

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 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.

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

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

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

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

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity (“Productivity Value”). The same land may not be qualified as both agricultural and open-space land. See “Table 1 – Valuation, Exemptions and General Obligation Debt” for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

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

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

The governing body of a city, county, or school district that adopted an exemption described in (1) above for the 2022 tax year may not reduce the amount of or repeal the exemption through December 31, 2027.

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

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

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, in each case, located in an area declared by the Governor of Texas (the “Governor”) to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to a temporary 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. Section 11.35 of the Property Tax Code provides that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Texas 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. See “TAX INFORMATION – City Application of Tax Code” for descriptions of the City’s tax abatement agreements.

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

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

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

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

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

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

“unused increment rate” means the 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-approval 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 a 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.

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 Texas 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.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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

CITY APPLICATION OF TAX CODE . . . The City grants a local option exemption to the market value of the residence homestead of persons who are disabled and persons 65 years of age or older of \$24,000.

The City has not granted an additional local option exemption of 20% of the assessed taxable value of residence homesteads; minimum exemption of \$5,000.

The City grants a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

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

The City does not tax nonbusiness personal property and the Washington County Appraisal District collects taxes for the City.

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

The City has taken action to tax freeport property. The City has taken action to tax goods-in-transit.

The City does collect an additional three-eighths cent sales tax for economic development.

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

The City has adopted a tax abatement policy. Under the policy, a property owner agrees to construct certain improvements on its property, the City 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. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years totaling \$18,770,652 of property exemptions as of January 31, 2025.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Washington County Appraisal District (excluding totally exempt property and exempt agricultural use value)	\$ 3,258,582,624
Less Exemptions/Reductions	<u>528,460,967</u>
2025/26 Taxable Assessed Valuation	\$ 2,730,121,657
Debt Payable from Ad Valorem Taxes (as of 2/1/2026)	\$ 69,215,000
The Certificates	<u>14,460,000</u> ⁽¹⁾
Debt Payable from Ad Valorem Taxes	\$ 83,675,000
Less: Self-Supporting Debt	<u>(52,821,596)</u> ⁽²⁾
Net Debt Payable from Ad Valorem Taxes	\$ 30,853,404
Interest and Sinking Fund (as of 2/1/2026)	\$ 4,476,488
Ratio Tax Supported Debt to Taxable Assessed Valuation	1.13%

2026 Estimated Population - 20,324
Per Capita Taxable Assessed Valuation - \$134,330
Per Capita Net Debt Payable from Ad Valorem Taxes - \$1,518

- (1) See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions. Preliminary, subject to change.
- (2) A portion of the City’s ad valorem tax debt, including the Certificates, is considered to be self-supporting. The City anticipates paying debt service associated with approximately \$52,821,596 aggregate principal amount of its ad valorem tax debt using utility system revenues. However, any transfer of utility system revenues for the payment of ad valorem tax debt is discretionary, and there is no guarantee that discretionary payments from utility system revenues will be made in the future. Preliminary, subject to change.

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TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2022	18,676	\$ 1,628,067,498	\$ 87,174	\$ 32,505,000	2.00%	\$ 1,740
2023	19,142	2,086,321,984	108,992	38,525,000	1.85%	2,013
2024	19,728	2,346,890,505	118,962	44,825,000	1.91%	2,272
2025	20,024	2,399,959,805	119,854	69,215,000	2.88%	3,457
2026	20,324	2,730,121,657	134,330	78,425,000 ⁽⁴⁾	2.87% ⁽⁴⁾	3,859 ⁽⁴⁾

(1) Source: The Texas Municipal Advisory Council.

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

(3) Includes self-supporting debt. See Table 1 for more information on self-supporting ad valorem tax debt.

(4) Projected; includes the Certificates (see “Table 1 – Valuation, Exemptions and General Obligation Debt”). Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 0.4940	\$ 0.3500	\$ 0.1440	\$ 7,973,384	98.01%	98.98%
2023	0.4737	0.3297	0.1440	9,483,044	98.69%	99.25%
2024	0.4584	0.3102	0.1482	10,461,618	99.33%	100.43%
2025	0.4584	0.3164	0.1420	11,385,928	99.46%	100.74%
2026	0.4676	0.3256	0.1420	12,220,710	86.38% ⁽¹⁾	86.60% ⁽¹⁾

(1) Partial collections as of January 31, 2026.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Blue Bell Creameries	\$ 87,698,386	3.21%
Blue Bell Creameries Bldgs	39,273,230	1.44%
Valmont/ALS	25,352,124	0.93%
Valmont/ALS Buildings	23,507,040	0.86%
Grocery Supply Company	22,646,860	0.83%
Germania Farm Mutual Aid Assoc	18,763,430	0.69%
Sabra Texas Holdings	18,495,284	0.68%
Agree Limited Partnership	18,300,100	0.67%
Precision Polymer Engineering	17,029,420	0.62%
Wal-Mart Real Estate Business Trust	15,075,760	0.55%
	<u>\$ 286,141,634</u>	<u>10.48%</u>

TABLE 5 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt as of 2/28/2026
City of Brenham	\$ 30,853,404	100.00%	\$ 30,853,404 ⁽¹⁾
Brenham ISD	64,030,423	56.91%	36,439,714
Washington County	-	34.99%	-
Total Direct and Overlapping Net Funded Debt			\$ 67,293,118 ⁽¹⁾
Ratio of Direct and Overlapping Net Funded Debt to Taxable Assessed Valuation			2.46% ⁽¹⁾
Per Capita Direct and Overlapping Net Funded Debt			\$ 3,311 ⁽¹⁾

(1) Excludes self-supporting ad valorem tax debt and includes the Certificates. See Table 1 for more information on self-supporting ad valorem tax debt. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt			The Certificates ⁽¹⁾			Less:	Total Tax-
	Principal	Interest	Total	Principal	Interest	Total	Self-Supported	Supported
							Debt Service ⁽²⁾	Debt Service
2026	\$ 4,865,000	\$ 2,792,537	\$ 7,657,537	\$ 385,000	\$ 224,933	\$ 609,933	\$ 4,640,120	\$ 3,627,351
2027	3,480,000	2,579,749	6,059,749	370,000	703,750	1,073,750	4,646,962	2,486,537
2028	3,930,000	2,437,486	6,367,486	385,000	685,250	1,070,250	4,651,834	2,785,902
2029	3,415,000	2,279,036	5,694,036	405,000	666,000	1,071,000	3,986,781	2,778,255
2030	3,565,000	2,140,636	5,705,636	420,000	645,750	1,065,750	3,985,302	2,786,084
2031	3,705,000	1,995,861	5,700,861	445,000	624,750	1,069,750	3,982,887	2,787,724
2032	3,845,000	1,843,636	5,688,636	470,000	602,500	1,072,500	3,978,031	2,783,105
2033	3,890,000	1,689,911	5,579,911	490,000	579,000	1,069,000	3,984,538	2,664,373
2034	4,035,000	1,530,886	5,565,886	515,000	554,500	1,069,500	3,975,506	2,659,880
2035	3,915,000	1,370,211	5,285,211	540,000	528,750	1,068,750	3,987,538	2,366,423
2036	3,625,000	1,212,511	4,837,511	570,000	501,750	1,071,750	3,976,079	1,933,182
2037	3,560,000	1,069,549	4,629,549	595,000	473,250	1,068,250	3,844,453	1,853,346
2038	3,430,000	927,974	4,357,974	625,000	443,500	1,068,500	3,753,956	1,672,517
2039	3,585,000	787,329	4,372,329	660,000	412,250	1,072,250	3,769,954	1,674,625
2040	3,530,000	639,504	4,169,504	690,000	379,250	1,069,250	3,659,289	1,579,465
2041	3,330,000	506,731	3,836,731	725,000	344,750	1,069,750	3,531,241	1,375,240
2042	2,870,000	382,731	3,252,731	760,000	308,500	1,068,500	3,212,681	1,108,550
2043	2,980,000	267,931	3,247,931	795,000	270,500	1,065,500	3,207,131	1,106,300
2044	1,795,000	148,731	1,943,731	840,000	230,750	1,070,750	2,447,231	567,250
2045	1,865,000	76,931	1,941,931	880,000	188,750	1,068,750	2,442,931	567,750
2046	-	-	-	925,000	144,750	1,069,750	502,750	567,000
2047	-	-	-	290,000	98,500	388,500	388,500	-
2048	-	-	-	305,000	84,000	389,000	389,000	-
2049	-	-	-	320,000	68,750	388,750	388,750	-
2050	-	-	-	335,000	52,750	387,750	387,750	-
2051	-	-	-	350,000	36,000	386,000	386,000	-
2052	-	-	-	370,000	18,500	388,500	388,500	-
	\$ 69,215,000	\$ 26,679,873	\$ 95,894,873	\$ 14,460,000	\$ 9,871,683	\$ 24,331,683	\$ 78,495,696	\$ 41,730,861

- (1) Interest on the Certificates has been calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.
- (2) A portion of the City’s ad valorem tax debt, including the Certificates, is considered to be self-supporting. The City anticipates paying debt service associated with approximately \$52,821,596 aggregate principal amount of its ad valorem tax debt using utility system revenues. However, any transfer of utility system revenues for the payment of ad valorem tax debt is discretionary, and there is no guarantee that discretionary payments from utility system revenues will be made in the future. Preliminary, subject to change.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT . . . None.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing any tax supported debt within the next six months.

OTHER OBLIGATIONS . . . As of December 31, 2025, the City has entered into new leases totaling \$70,270,266 for various city equipment. See Note III in “APPENDIX B – Excerpts from the City’s Annual Financial Report.”

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see “APPENDIX B – Excerpts from the City’s Annual Financial Report.”

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to providing pension benefits through the TMRS, the City has opted to provide eligible retired employees with post-employment benefits similar to the coverage offered to existing employees. City TMRS retirees are eligible for health, dental, and vision medical coverage.

The Governmental Accounting Standards Board (“GASB”) released the Statement of General Accounting Standards No. 45 (“GASB 45”), Accounting by Employers for Other Post-Employment Benefits (“OPEB”), in June 2004. The City was required to implement GASB 45, for the fiscal year beginning October 1, 2008. GASB 45 sets forth standards for the measurement, recognition, and display of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. Those subject to this pronouncement are required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer’s future cash flows.

The employer’s contributions to OPEB costs that are less than an actuarially determined annual require contribution will result in a net OPEB cost, which under GASB 45 will be required to be recorded as a liability in the employer’s financial statements.

The City implemented GASB 45 in its financial statements for the fiscal year that began October 1, 2008. See Note IV.E. “Other Information, Other Post-Employment Benefits” in the excerpts from the City of Brenham, Texas Annual Financial Report for the Year Ended September 30, 2025, attached hereto as APPENDIX B.

FINANCIAL INFORMATION

TABLE 7 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 18,860,679	\$ 17,446,580	\$ 16,594,292	\$ 15,279,708	\$ 13,419,953
Licenses and Permits	607,879	457,312	373,365	400,342	371,717
Intergovernmental	736,401	703,075	669,439	611,488	731,677
Charges for Services	1,758,957	1,614,415	1,160,383	1,042,301	763,517
Fines and Forfeitures	410,809	629,258	548,645	575,776	679,067
Investment Earnings	523,274	483,284	331,562	82,599	43,887
Payment from Component Unit	465,690	416,000	94,784	108,169	233,725
Contributions and Donations	275,643	142,764	170,276	219,896	121,026
Miscellaneous	183,896	194,352	222,918	345,669	240,628
Total Revenues	\$ 23,823,228	\$ 22,087,040	\$ 20,165,664	\$ 18,665,948	\$ 16,605,197
Expenditures:					
Culture and Recreation	\$ 4,976,681	\$ 4,892,461	\$ 4,788,297	\$ 4,624,176	\$ 4,231,014
General Government	7,852,385	7,599,005	7,161,592	7,302,871	5,955,570
Health and Welfare	776,976	848,222	633,845	597,603	567,664
Highways and Streets	1,969,532	1,954,592	1,379,000	1,400,034	1,180,988
Public Safety	8,740,774	8,295,036	7,653,365	7,801,890	7,329,144
Debt Service	380,747	483,276	329,950	42,588	-
Capital Outlay	2,188,426	875,464	1,357,846	311,897	119,894
Total Expenses	\$ 26,885,521	\$ 24,948,056	\$ 23,303,895	\$ 22,081,059	\$ 19,384,274
Excess (Deficiency) of Revenues over Expenditures	\$ (3,062,293)	\$ (2,861,016)	\$ (3,138,231)	\$ (3,415,111)	\$ (2,779,077)
Operating Transfers In ⁽¹⁾	\$ 3,597,243	\$ 3,869,678	\$ 3,642,919	\$ 3,808,274	\$ 3,463,869
Insurance Proceeds	25,160	90,893	-	31,444	181,773
Other Sources (Uses)	1,004,317	63,009	687,600	417,822	-
Operating Transfers Out	(87,841)	-	(86,667)	(557,206)	(162,040)
Net Increase (Decrease)	\$ 1,476,586	\$ 1,162,564	\$ 1,105,621	\$ 285,223	\$ 704,525
Fund Equity at Beginning of Year	9,401,092	8,238,528	7,132,907	6,847,684	6,143,159
Adjustments to Fund Balance	-	-	-	-	-
Fund Equity at End of Year⁽²⁾	\$ 10,877,678	\$ 9,401,092	\$ 8,238,528	\$ 7,132,907	\$ 6,847,684

Source: City’s audited financial statements.

(1) Transfers are from the City’s Utility System revenues for fiscal years 2021 through 2025.

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TABLE 8 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax after deduction of a 2% service fee to the City monthly.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 6,867,658	86.13%	\$ 0.4218	\$ 638
2023	7,307,423	77.06%	0.3503	382
2024	7,541,403	72.09%	0.3213	382
2025	8,001,495	70.28%	0.3334	400
2026 ⁽²⁾	2,078,363	17.01%	0.0761	102

(1) Excludes 3/8% sales and use tax collected for economic development. Includes 1/8% sales and use tax collected for reduction of ad valorem taxes.

(2) Partial collections as of December 31, 2025.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, the City collects an additional one-eighth percent (1/8%) sales and use tax for reduction of ad valorem taxes and an additional three-eighths percent (3/8%) sales and use tax for economic development. Levy of the additional sales and use tax began on October 1, 1995.

FINANCIAL POLICIES

BASIS OF ACCOUNTING . . . The City’s accounting system is conducted on the modified accrual basis of accounting for all governmental fund types, expendable trust funds and agency funds. Under this basis, expenditures are recorded when liabilities are incurred; and revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for the proprietary and non-expendable trust funds. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

GASB 34 ADOPTION BY THE CITY . . . In June 1999, the Governmental Accounting Standards Board issued GASB 34. The objective of GASB 34 is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The City implemented GASB 34 for its fiscal year ending September 30, 2003. While the adoption of GASB 34 has altered the presentation of some financial information, and the City has devoted additional resources to implementing GASB 34, the City believes that there has been no material adverse impact to its financial position, results of operation, or cash flows as a result of the implementation of GASB 34.

DEBT SERVICE FUND BALANCE . . . A reasonable debt service fund balance is maintained in order to compensate for unforeseen events.

BUDGETARY PROCEDURES . . . The City’s Home Rule Charter requires that on or before August 1 the City Manager submit to the City Council a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers’ comments. No later than the third Thursday of September, the budget is required to be adopted and legally enacted through passage of an ordinance and, if not, the budget submitted by the City Manager shall be deemed adopted by the City Council.

INVESTMENTS

The City may invest its investable funds (including certificate proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

AUTHORIZED INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, certificate proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including

letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of certificate proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA_m" or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of certificate proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding certificate proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

The City's current investment policy is in compliance with the State law requirements described above.

TABLE 9 – CURRENT INVESTMENTS

As of January 31, 2026, the City’s investable funds were invested in the following categories:

<u>Description</u>	<u>Purchase Price</u>	<u>Percent</u>
TexPool	\$ 21,815,282	23.87%
TexSTAR	62,473,628	68.36%
Brenham Bank Operating Account	130,091	0.14%
Brenham Bank Employees Trust Account	568,013	0.62%
Brenham Bank Trust & Agency Account	6,310,336	6.91%
Cadence Bank	<u>95,268</u>	<u>0.10%</u>
Total	\$ 91,392,618	100.00%

As of such date, 100% of the City’s investment portfolio will mature within twelve months. The market value of the investment portfolio was approximately 100% of its purchase price.

TAX MATTERS

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

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

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

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore,

prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

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

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

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

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

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . If the issue price of a maturity of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the “OID Certificates”), the difference between (i) the amount payable at the maturity of each OID Certificate, and (ii) the initial offering price to the public of such OID Certificate constitutes original issue discount with respect to such OID Certificate in the hands of any owner who has purchased such OID Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Certificate equal to that portion of the amount of such original issue discount allocable to the period that such OID Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “– Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Purchaser has purchased the Certificates for contemporaneous sale to the public and (ii) all of the OID Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on page 2. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of

compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Certificate.

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Certificate 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 events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available free of charge from the MSRB via its EMMA at www.emma.msrb.org.

As used in this section, the term “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule (as defined herein)) has been provided to the MSRB consistent with the Rule.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 4 and 6 through 9 and in APPENDIX B. The City will update and provide this information within 6 months after the end of each fiscal year ending in or after 2026.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

NOTICE OF CERTAIN EVENTS . . . The City shall provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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; (vii) modifications to the rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution or sale of property securing repayment of the Certificates, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (xiii) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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; (xiv) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (xv) 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 (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (A) any event described in the immediately preceding clause (xii) 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 of governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (B) the City has expressed its intent in the Certificate Ordinance that the words used in the immediately preceding clauses (xv) and (xvi) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the foregoing provisions by the time required therein.

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria VA 22314, and its telephone number is (703) 797-6600.

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, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

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

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 . . . In previous continuing disclosure undertakings, the City has agreed to supply financial information and operating data with respect to the City of the general type of information contained in specified tables of the applicable Official Statement. The annual financial information filings made by the City as a result of these undertakings for each of the last five years have consisted of the related City’s Annual Comprehensive Financial Report (“ACFR”), which the City believes contains the information of the general type of information contained in the specified tables. Please note that certain information in the specified tables is not presented explicitly in the ACFRs but can be calculated from information in the ACFRs.

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LEGAL MATTERS

LEGAL OPINIONS . . . The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law and the Certificates are not “private activity bonds.” See “TAX MATTERS” for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Certificates and the Certificate Ordinance under the captions “THE CERTIFICATES” (except for the information under the subcaptions “DTC Redemption Provisions,” “Certificate Holders’ Remedies,” “Use of Certain Terms in Other Sections of this Official Statement,” “Book-Entry-Only System” and “Sources and Uses of Proceeds”), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except the information under the subcaptions “Availability of Information from MSRB” and “Compliance with Prior Undertakings”), “LEGAL MATTERS – Legal Opinions” (except for the second paragraph thereunder) and the subcaptions “Registration and Qualification of Certificates for Sale” and “Legal Investments and Eligibility to Secure Public Funds in Texas” under the caption “OTHER INFORMATION” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions fairly and accurately describe the provisions thereof. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it 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. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FEMA FUNDING ACTIONS

On March 25, 2022, the City filed a voluntary disclosure notice to disclose: (i) a funding eligibility determination made by the Department of Homeland Security’s Federal Emergency Management Agency (“FEMA”) in connection with a request for public assistance submitted by the City; (ii) the Report of Investigation conducted by the Department of Homeland Security, Office of Inspector General (the “OIG Report”); and (iii) FEMA’s consideration of administrative action against the City.

ELIGIBILITY DETERMINATION . . . In May 2016, the City experienced severe storms and flooding (the “Weather Event”) which resulted in a major disaster declaration. As a result of the Weather Event, the City submitted a request for funding under FEMA’s public assistance program. The City requested reimbursement for certain damages caused by the Weather Event to the City’s raw water intake facility at Lake Somerville. The City’s initial request was for a total project costs of approximately \$479,000. FEMA awarded the City approximately \$327,000 in funding. On March 28, 2019, the City requested a cost modification due to additional damage found and applied for an increase in the total project costs to approximately \$1,174,000. FEMA awarded the City approximately \$555,800 in additional funding. On July 22, 2020, the City requested a second cost modification due to costs overruns and applied for an increase in the total project costs to approximately \$4,999,000. By letter, dated March 17, 2022, the City was notified by FEMA that the City had not adequately shown that the work to repair claimed damage was a direct result of the Weather Event and the City’s request for public assistance for the total project costs of approximately \$4,999,000 was denied in its entirety.

The City appealed and pursued arbitration before the United States Civilian Board of Contract Appeals over FEMA’s denial of public assistance. During the pendency of the appeal, the City returned to FEMA approximately \$883,575 previously received from FEMA in connection with the request for public assistance. On April 14, 2023, the United States Civilian Board of Contract Appeals issued an arbitration decision denying the City’s appeal. The denial of funding has not materially impacted the operation of the City’s water system, the City’s operating budget, overall financial condition, or its ability to pay debt service on its outstanding municipal securities.

OIG REPORT . . . By letter, dated March 17, 2022, the City was also notified by FEMA that the Department of Homeland Security, Office of Inspector General (“OIG”) received an allegation from FEMA that the City failed to disclose certain pre-existing damage to the Lake Somerville Raw Water Intake Structure (the “Pre-Existing Damage”). As a result of the FEMA allegation, OIG conducted an investigation and issued the OIG Report. The OIG Report concluded that the City failed to disclose the Pre-Existing Damage in its documentation requesting funding and determined that FEMA’s allegation was substantiated. As a result, OIG determined the project costs to be ineligible for public assistance funding. According to the OIG Report, the case was presented to

the United States Attorney's Office, Southern District of Texas, who declined to prosecute, and referred the matter back to the agency to consider administrative action by FEMA.

ADMINISTRATIVE ACTION . . . On March 18, 2022, the City also received a Letter of Concern from FEMA, dated March 14, 2022 (the "Letter of Concern"), indicating that FEMA was considering pursuing administrative action against the City and considering suspension and/or debarment of the City from future procurement and non-procurement federal assistance with agencies of the executive branch of the federal government. Pursuant to the Letter of Concern, FEMA provided the City with an opportunity to provide any information or evidence which it believes is relevant, and that may demonstrate that the City is presently responsible. The City responded to the Letter of Concern on April 28, 2022. On May 8, 2023, the City received a letter (the "May 23 Letter") from FEMA requesting additional information and the City provided the requested information and offered to meet with FEMA to discuss their concerns. The May 23 Letter represents the last communication received by the City from FEMA on this matter and FEMA has not provided any information to the City concerning whether its consideration of any administrative action by FEMA continues to be ongoing. The City cannot make any representation regarding the status or outcome of any future action by FEMA, including whether FEMA will propose and initiate a formal suspension and/or debarment process. The ultimate outcome and fiscal impact, if any, on the City are not currently predictable.

OTHER INFORMATION

RATING . . . The Certificates and the outstanding debt of the City have been rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are rated based on insurance provided by various commercial insurance companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

FINANCIAL ADVISOR . . . Specialized Public Finance 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City

and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

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

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Purchaser") to purchase the Certificates at the interest rates shown on page 2 at a price of approximately _____% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

USE OF OFFICIAL STATEMENT . . . The Certificate Ordinance authorizing the issuance of the Certificates will also approve the form and content for this Official Statement and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

Mayor
City of Brenham, Texas

ATTEST:

City Secretary
City of Brenham, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Brenham is located in Washington County (the “County”) approximately 70 miles northwest of downtown Houston, 80 miles east of Austin, and 30 miles from Bryan/College Station. The City encompasses some 10.14 square miles, and is strategically located along U.S. Highway 290, which links Houston and Austin, and State Highway 36. The City serves as the County Seat and principal commercial center of the County.

ECONOMY

The City is home to the Blue Bell Creameries, an ice cream and related products manufacturer which employs approximately 786 people. The Texas Almanac designates cattle, horses, hogs, goats, nursery stock, sorghum, hay, corn and pecans as the principal sources of agricultural income. Minerals produced in the County include oil, gas and stone.

LABOR MARKET PROFILE

Washington County		
	<u>December 2025</u>	<u>December 2024</u>
Total Civilian Labor Force	18,174	17,593
Total Employment	17,565	17,009
Total Unemployment	609	584
Percent Unemployed	3.4%	3.3%

State of Texas		
	<u>December 2025</u>	<u>December 2024</u>
Total Civilian Labor Force	15,931,415	15,737,596
Total Employment	15,307,152	15,153,794
Total Unemployment	624,263	583,802
Percent Unemployed	3.9%	3.7%

APPENDIX B

EXCERPTS FROM THE
CITY OF BRENHAM, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2025

The information contained in this APPENDIX consists of excerpts from the City of Brenham, Texas Annual Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Brenham, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brenham, Texas, (the "City"), as of and for the year ended September 30, 2025, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal

control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAS 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 GAS, 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 on pages 5 through 17 and the schedule of changes in total OPEB liability and related ratios, schedule of changes in net pension liability and related ratios-Texas Municipal Retirement System, schedule of contributions-Texas Municipal Retirement System, schedule of the city's proportionate share of the net pension liability-Texas Emergency Services Retirement System, and schedule of contributions-Texas Emergency Services Retirement System on pages 79 through 84, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brenham, Texas' basic financial statements. The combining fund statements and schedules, and schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2026 on our consideration of the City of Brenham, Texas' internal control over

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

Brenham, Texas
March 13, 2026

Seidel S. Smith

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

The Management Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Brenham for the fiscal year ended September 30, 2025. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The assets and deferred outflows of the City of Brenham exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$151,180 (net position). Of this amount, \$23,211 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$14,419.
- As of the close of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$25,183 an increase of \$2,487 in comparison with the prior year. Approximately \$10,426 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,426 or 43% of total general fund expenditures.
- The City of Brenham's total bonded debt increased by \$26,212 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements. The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to the Basic Financial Statements (Notes).

Government-Wide Financial Statements. The GWFS, shown on pages 19-21, contain the Statement of Net Position and the Statement of Activities, which are described below, and are designed to provide readers with a broad overview of the City of Brenham's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Brenham's assets and liabilities, with the difference between the two 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 of Brenham is improving or deteriorating.

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

Both of the GWFS distinguish functions of the City of Brenham that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Brenham include general government, public safety, highways and streets, debt service, health and welfare, and culture and recreation. The business-type activities of the City of Brenham include drainage, water, wastewater, sanitation, gas and electric distribution operations.

Component Unit and Blended Component Unit. The GWFS include not only the City of Brenham itself (known as the *primary government*), but also a legally separate community development corporation (Brenham Community Development Corporation - BCDC) for which the City of Brenham is financially accountable. Financial information for this *Component Unit* is reported separately from the financial information presented for the primary government itself. The *Blended Component Unit* (City of Brenham Community Projects Fund, Inc.) is shown in the Special Revenue Funds section.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued)

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

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

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

The City of Brenham maintains 13 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 General Government Capital Projects Fund which are major funds. Individual fund balance sheets and statements of revenues, expenditures, and changes in fund balance for the other 10 governmental funds are presented in the supplementary information section. The governmental FFS can be found on pages 22-26 of this report.

The City of Brenham adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary FFS. The City of Brenham maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. The City of Brenham uses enterprise funds to account for its drainage, water, wastewater, sanitation, gas, and electric distribution operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Brenham's various functions. The City of Brenham uses internal service funds to account for its worker's compensation, employee benefits, central fleet and vehicle and equipment replacements. The central fleet fund was closed during the current fiscal year and will not be utilized going forward. At the government-wide level, the financial statements of the worker's compensation, employee benefits, and vehicle and equipment replacement internal service funds are included in the governmental activities in the government-wide financial statements, while the fleet management internal service fund is presented in the business-type column.

Proprietary funds provide the same type of information as the GWFS, only in more detail. The proprietary FFS provide separate information for the drainage, water, wastewater, sanitation, gas, and electric distribution operations, which are considered major funds of the City of Brenham. The internal service funds are reported in a separate column in the proprietary fund financial statements. The proprietary FFS can be found on pages 27-31 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 33-77 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and additional supplementary information concerning the City of Brenham's operations. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in these sections. Combining and individual fund statements can be found on pages 85-114 of this report. Information relating to federal and state grant awards begins on page 115 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$151,180 (net position) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$136,761 (net position) at the end of the prior fiscal year. The City's total net position increased by \$14,419 during the period.

City of Brenham, Texas						
Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 29,749	\$ 26,151	\$ 66,751	\$ 42,441	\$ 96,500	\$ 68,592
Capital assets	81,693	77,563	80,570	70,747	162,263	148,310
Total assets	111,442	103,714	147,321	113,188	258,763	216,902
Deferred Outflows of Resources						
Deferred amount from refundings	-	-	93	125	93	125
Deferred outflows - TMRS Pension	1,920	3,372	680	1,151	2,600	4,523
Deferred outflows - TESRS Pension	302	100	-	-	302	100
Deferred outflows - Post Employment Benefits	21	56	7	20	28	76
Total Deferred Outflows of Resources	2,243	3,528	780	1,296	3,023	4,824
Liabilities						
Long-term debt outstanding	34,806	35,800	50,776	26,841	85,582	62,641
Other liabilities	6,139	4,543	10,876	10,262	17,015	14,805
Total liabilities	40,945	40,343	61,652	37,103	102,597	77,446
Deferred Inflows of Resources						
Deferred inflows - TMRS Pension	661	374	260	131	921	505
Deferred inflows - Post Employment Benefits	890	518	302	169	1,192	687
Deferred inflows - Leases	420	466	110	193	530	659
Deferred inflows - Over Recovered Fuel Costs	-	-	5,366	5,668	5,366	5,668
Total Deferred Inflows of Resources	1,971	1,358	6,038	6,161	8,009	7,519
Net Position						
Net invested in capital assets	62,680	60,559	63,921	55,948	126,601	116,507
Restricted	1,368	1,202	-	-	1,368	1,202
Unrestricted (deficit)	6,721	3,780	16,490	15,272	23,211	19,052
Total net position	\$ 70,769	\$ 65,541	\$ 80,411	\$ 71,220	\$ 151,180	\$ 136,761

The largest portion of the City of Brenham's net position, \$126,601 or 83.74%, reflects its net investment in capital assets e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets. 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, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Brenham's net position of \$1,368, less than 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$23,211 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Brenham is able to report positive balances in all three categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

City of Brenham, Texas						
Changes in Net Position						
(Amounts in Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 2,867	\$ 2,798	\$ 43,510	\$ 40,627	\$ 46,377	\$ 43,425
Operating grants and contributions	1,611	1,441	-	-	1,611	1,441
Capital grants and contributions	2,911	3,523	7,049	1,361	9,960	4,884
General revenues:						
Property taxes	11,475	10,533	-	-	11,475	10,533
Sales taxes	8,001	7,541	-	-	8,001	7,541
Franchise taxes	3,217	3,143	-	-	3,217	3,143
Hotel Occupancy taxes	967	932	-	-	967	932
Alcoholic Beverage taxes	90	86	-	-	90	86
Other	1,332	1,618	2,256	1,448	3,588	3,066
Total revenues	32,471	31,615	52,815	43,436	85,286	75,051
Expenses:						
General government	8,533	8,323	-	-	8,533	8,323
Public safety	9,679	8,782	-	-	9,679	8,782
Highway/streets	3,764	3,703	-	-	3,764	3,703
Interest, Fiscal & Other Charges	941	1,131	-	-	941	1,131
Culture and recreation	5,967	5,819	-	-	5,967	5,819
Health and welfare	873	922	-	-	873	922
Water	-	-	6,388	5,565	6,388	5,565
Wastewater	-	-	4,512	4,368	4,512	4,368
Electric	-	-	24,443	23,153	24,443	23,153
Gas	-	-	2,605	2,285	2,605	2,285
Sanitation	-	-	2,538	2,512	2,538	2,512
Drainage	-	-	624	709	624	709
Total Expenses	29,757	28,680	41,110	38,592	70,867	67,272
Increase (decrease) in net position before transfers	2,714	2,935	11,705	4,844	14,419	7,779
Transfers	2,514	2,556	(2,514)	(2,556)	-	-
Increase (decrease) in net position	5,228	5,491	9,191	2,288	14,419	7,779
Net position - beginning	65,541	60,050	71,220	68,932	136,761	128,982
Net position - ending	\$ 70,769	\$ 65,541	\$ 80,411	\$ 71,220	\$ 151,180	\$ 136,761

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Governmental activities. Governmental activities increased the City of Brenham's net position by \$5,228 compared to an increase of \$5,491 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$32,472 from \$31,615 during the year, which can be attributed primarily to an increase in property tax revenue and sales tax revenue, offset in part by a decrease in capital grants and other income. Specific categories are discussed below.

Program Revenues

- The decrease in *Capital Grants and Contributions* is due to acceptance of \$2,911 of new subdivision infrastructure improvements and grants for capital items in the current year compared to \$3,523 of infrastructure improvements and capital accepted in the prior year.

General Revenues

- The increase in *Property Taxes* is attributable to property valuation growth of \$243 million, or 10.4%. New property valuation added to the tax roll accounted for \$79 million, or 3.5%, growth. The property tax rate remained unchanged from the previous year. Homestead properties with a total valuation of \$410 million, which are owned by persons over 65 years of age or disabled persons, have their tax bill frozen by Ordinance. The appraised value of these properties continues to increase or decrease. However, the amount due for property taxes cannot increase but can decrease. This represents 33% of the total homestead eligible properties.
- *Sales Taxes* increased 6.1% over the prior year due to strong retail sales and a one-time audit collection of \$207. When adjusting for the one-time audit collection, sales tax revenue increased 3.4% over the prior year.
- The decrease in *Other Revenues* is attributable to lower investment income due to the decrease in interest rates and lower insurance proceeds.

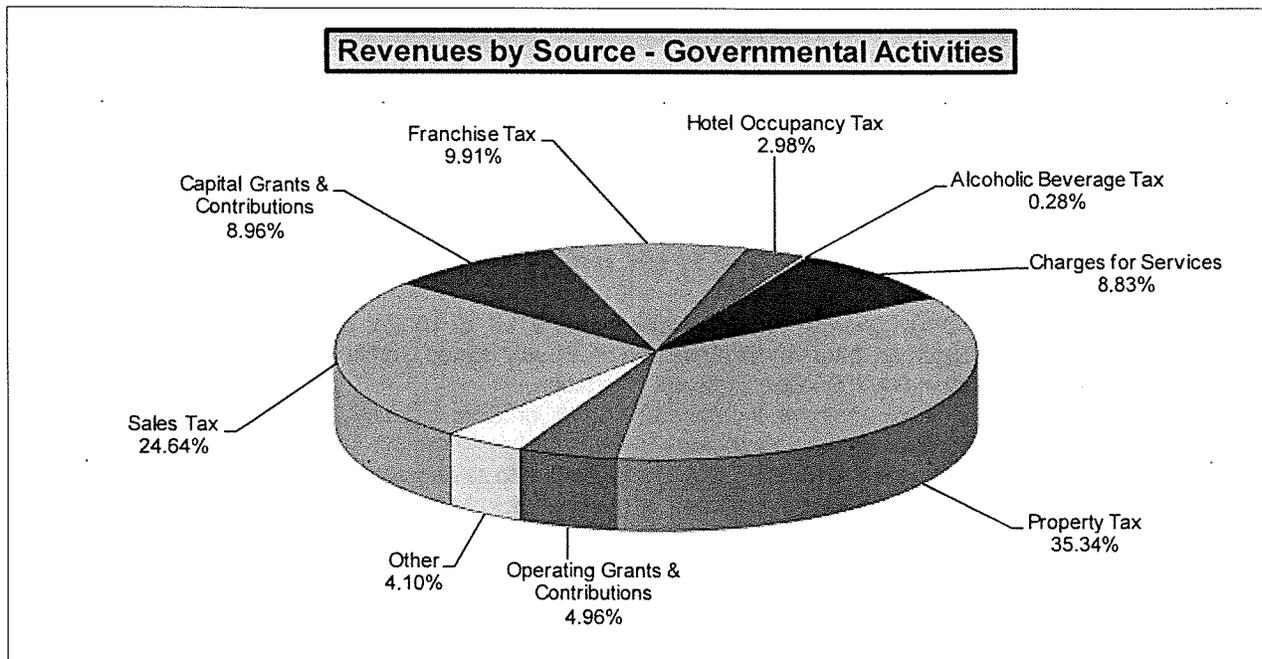
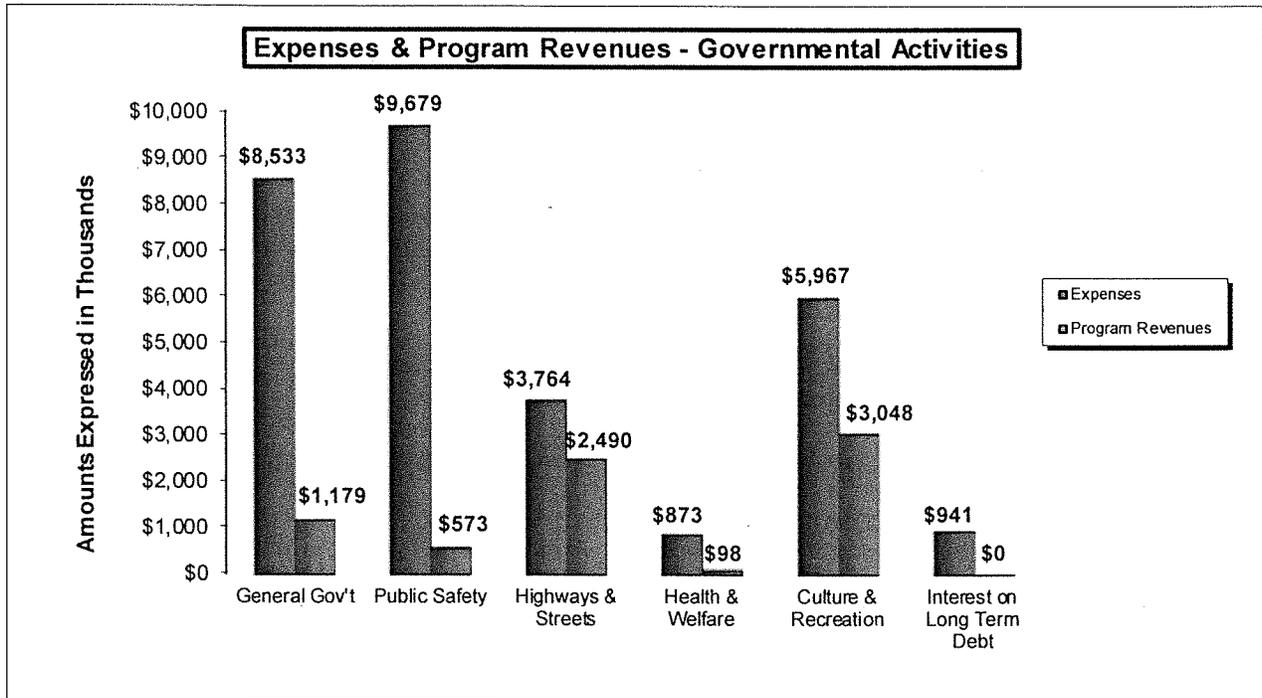
Expenses increased to \$29,757 from \$28,680 during the year. This increase is attributable to several factors:

- *Public Safety* expenditures made up approximately 32% of the total expenditures and increased by 10.2% over the prior year. Personnel costs increased due to the hiring of three (3) additional firefighters and normal step increases for existing public safety personnel. Pension expense also increased.
- *General Government* expenditures made up approximately 29% of the total expenditures and increased by 2.5% over the prior year. Increases in personnel costs, liability and casualty insurance premiums, software license costs, the timing of computer replacements, bond issuance costs, and higher shared costs related to the appraisal district contributed to the higher expenditures in the current year. These increases were offset in part by a decrease in maintenance costs.
- *Highways and Streets* expenses increased by \$61, or 1.6%, due to increases in depreciation and the cost of sales related to airport fuel sales.
- *Interest, Fiscal and Other Charges* expenses decreased \$190, or 16.8%, primarily due to a decrease in rebatable arbitrage liabilities. Interest decreases on previously issued Certificates of Obligation were offset in part by the interest on the 2025 Certificates of Obligation.
- *Culture and Recreation* expenditures increased by \$148, or 2.5%, primarily due to increased personnel costs and the cost of water for the splash pad.
- *Health and Welfare* expenses were \$49, or 5.3%, lower due to savings on veterinarian services facilitated by hiring a part time vet to care for the animals at the shelter.

Transfers decreased during the year by \$42 which is directly proportional to the overall decrease in actual expenses in the governmental indirect departments (Administration, Maintenance, Finance, Purchasing/Central Warehouse, HR/Risk Management, and Information Technology) which are allocated to the business-type activities.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

Business-type activities. Business-type activities increased the City of Brenham's net position by \$9,190 compared to an increase of \$2,289 in the prior fiscal year. Key elements are noted below.

Revenues increased to \$52,815 from \$43,436 during the year. This increase is mainly attributable to charges for services in the Electric and Water funds and capital grants and contributions in the Wastewater and Drainage funds. A more detailed explanation follows.

- The *Charges for Services* in the Electric Fund increased \$1,389 to \$25,416. Actual kWh consumption in FY25 was 278.8 million compared to 273.2 million in FY24.
- Gas Fund *Charges for Services* experienced a \$262 increase to \$3,179. The majority of the increase can be attributed to higher commodity pass-through revenues due to an increase in natural gas prices versus the prior year costs. Actual mcf consumption of 384,714 decreased by 5.0% from FY24 mcf consumption of 404,845. This decrease is attributable to the closure of one industrial customer and a reduction in usage of another industrial user.
- Water Fund *Charges for Services* increased \$1,098 during the year to \$7,447. The second of three (3) planned water rate increases was implemented in May 2025. Water consumption increased a modest 0.7% from 801 million gallons to 806 million gallons, primarily due to an increase in the number of customer accounts. Water usage per account decreased slightly due to a wetter and cooler than normal summer.
- *Charges for Services* in the Wastewater Fund were higher by \$70 mainly due to increased gallons from commercial customers in the current year and an increase in the number of residential customers. These increases were offset in part by a decrease in revenue from waste haulers.
- The Sanitation Fund *Charges for Services* were higher by \$59. Increases in the number of accounts were seen in both the residential and commercial collection categories during FY25.
- *Capital Grants and Contributions* of \$7,049 were received in FY25, up from \$1,361 in FY24. Developers contribution revenue totaled \$426 for the Electric Fund and \$18 for the Gas Fund, compared to \$176 for the Electric Fund and \$18 for the Gas Fund in the prior year. Included in the current year Wastewater Fund *Capital Grants and Contributions* was \$1,618 related to the wastewater plant project funded by the American Rescue Plan Act (ARPA), \$602 related to wastewater projects funded by Brenham Community Development Corporation (BCDC), and \$106 of wastewater infrastructure improvements accepted from developers. In comparison, previous year Wastewater Fund *Capital Grants and Contributions* included \$244 of ARPA funded projects and \$300 of BCDC funded capital. The Water Fund accepted \$185 of water infrastructure improvements from developers and had developers contribution revenue of \$4 for the current year. In the previous year, Water Fund *Capital Grants and Contributions* of \$136 were related to ARPA funded water capital projects. The Drainage Fund reported \$4,090 of *Capital Grants and Contributions* related to drainage projects funded by the Texas Community Development Block Grant Program during FY24, up from \$487 the prior year.
- The significant increase in *Other Revenues* is attributable to a \$777K increase in investment income due to the temporary investment of water and wastewater bond proceeds.

Expenses increased to \$41,111 from \$38,591 or 6.5% during the year with specific changes noted below.

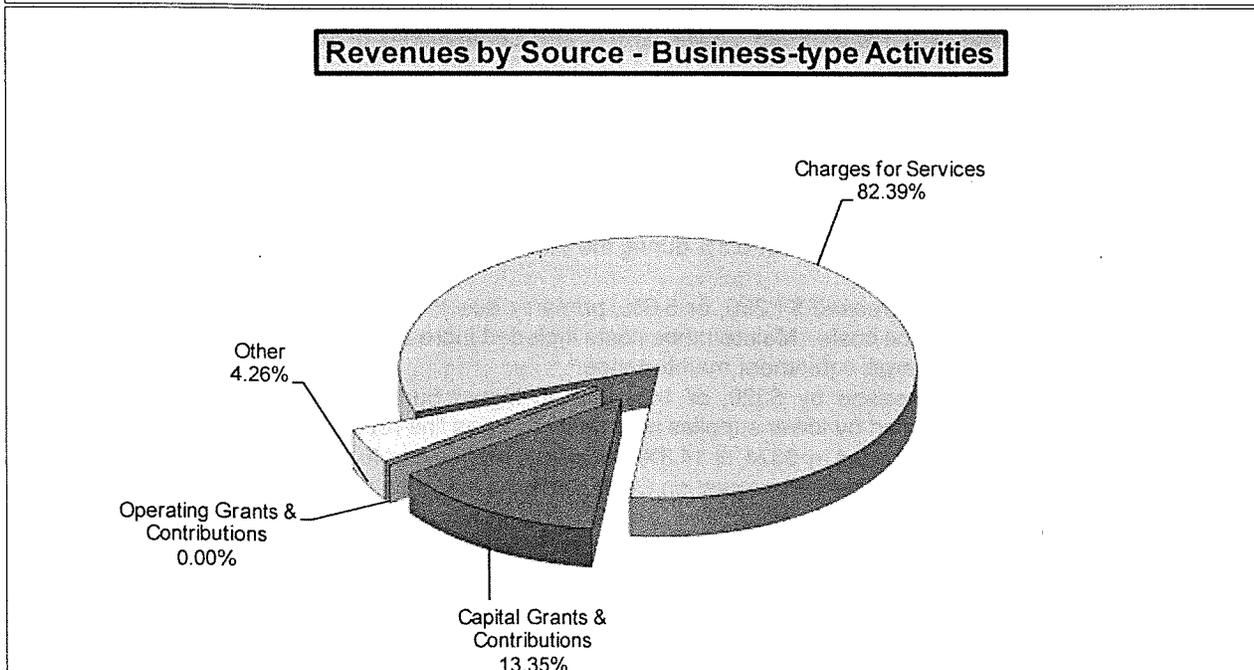
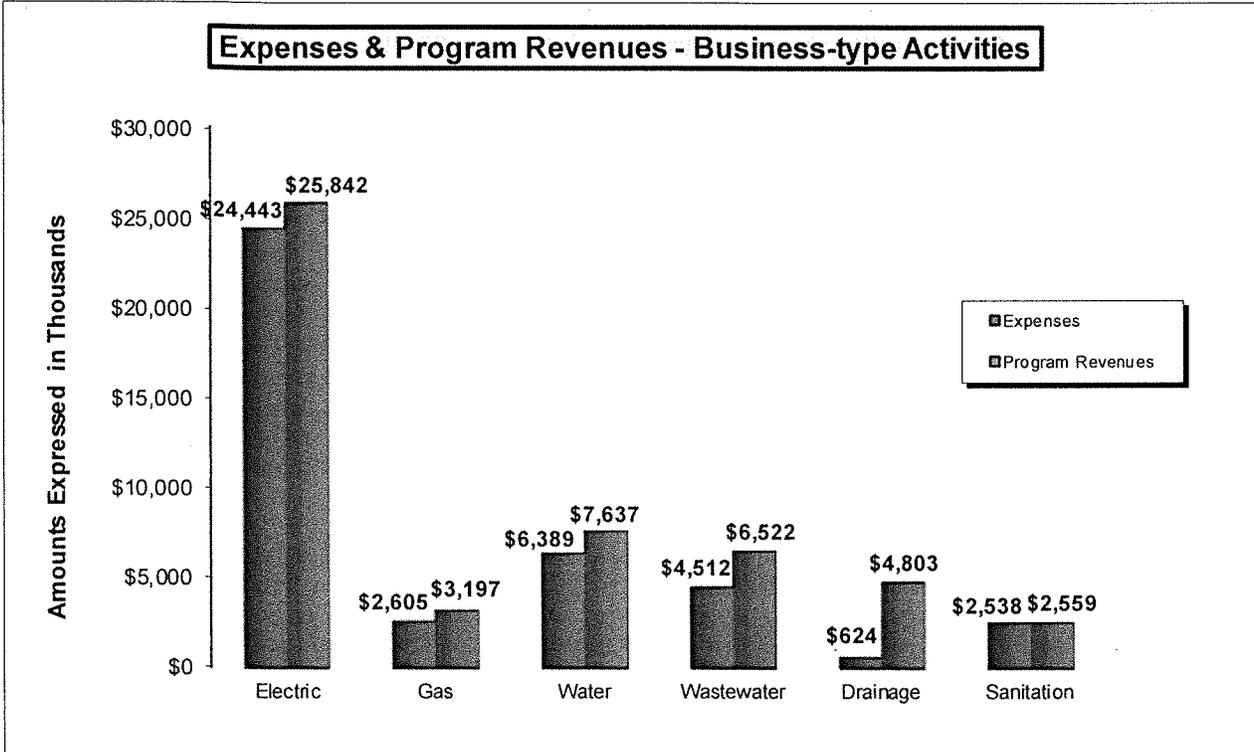
- Electric Fund expenses increased \$1,290, or 5.6%, primarily due to higher costs for wholesale power and increased maintenance costs. Maintenance costs included increases of \$42 for pole reinforcement and \$54 for vehicle and large equipment maintenance.
- Gas Fund expenses increased by \$320, or 14%, due to higher purchase costs per mcf and higher personnel costs, offset in part by lower supplies cost related to gas line replacement.
- Water Fund expenses increased by \$824, or 14.8%. Interest expense and fiscal charges increased by \$820 due to bond issuance costs and interest on Certificates of Obligation issued in 2025.
- Wastewater Fund expenses increased by \$144, or 3.3%, mainly due to an increase in the cost of chemicals used in the treatment plant, higher interest expense and fiscal charges, and increased depreciation.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)

- Drainage Fund expenses decreased \$85 primarily due to costs associated with a discontinued project that were included in the previous year. Those savings were offset in part by an increase in grant administration fees and an increase in street drainage maintenance work.

Transfers-out decreased by \$42, as previously explained in the governmental activities section.



CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City of Brenham'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 of Brenham's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Brenham's governmental funds reported combined ending fund balances of \$25,183 an increase of \$2,487 in comparison with the prior year. The General Fund highlights are discussed in the following section.

The fund balance of the *General Government Capital Projects Fund* increased by \$925 in FY25 due to the issuance of 2025 Certificates of Obligation, offset in part by expenditures of 2023 and 2025 bond proceeds. During FY25, \$1,902 was paid towards engineering and construction of Fire Station No. 2 and \$619 of expenditures were for capital purchases for General Fund departments. Capital purchases included vehicles and equipment for the street department, a truck and mower for the parks department, a portable generator, and a new generator for the emergency dispatch building. The fund balance of the combined *Other Governmental Funds* decreased by \$86 primarily due to the use of prior year BCDC contributions related to the Jackson Street Park improvement project and the use of 2023 bond proceeds for street reconstruction projects. These fund balance decreases were offset in part by an increase in the TIRZ No. 1 fund balance.

Proprietary funds. The City of Brenham's *proprietary funds* provide the same type of information found in the GWFS, but in more detail.

Unrestricted net position of the Electric Fund at the end of the year totaled to \$9,266; those of the Gas Fund were \$769; the Water Fund \$3,941; the Wastewater Fund \$146; Sanitation Fund \$526; and the Drainage Fund \$1,314. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Brenham's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the chief operating fund of the City of Brenham. With the implementation of *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*, six (6) other governmental funds were combined with the General Fund. One of the six (6) other governmental funds is the Airport Fund which is used to track revenues and expenditures for the City's municipal airport operations. We also include the Tourism and Marketing Fund in this combined General Fund Statement. The Tourism and Marketing Fund was established for operation of the Destination Marketing Organization (DMO) which promotes Brenham and Washington County and for cultural arts programming at the Barnhill Center. Other significant funds which are combined are the Donations Fund and the Equipment Fund. The Donations Fund is used to track donations to the City for downtown improvements, parks amenities, public safety support, animal shelter supplies, and library programming. The Equipment Fund was established to track capital purchases for general government vehicles and equipment. The remaining two (2) funds, the PD Equipment Fund and the Public Safety Training Fund are used for specific public safety purposes.

Adjustments to Budget Basis column: Adjustments of \$258 for intergovernmental revenue are related to grant revenue for tourism event, public safety and airport operations; adjustments of \$1,078 in charges for services are related to activity in the Tourism and Marketing Fund and the Airport Fund; contributions and donations adjustments of \$276 are mainly from downtown events and donations for the library, parks, animal shelter and public safety; and miscellaneous adjustment of \$16 is for opioid settlement proceeds. Adjustments in culture and recreation, general government, public safety, highway and streets, health and welfare, and capital outlay are related to activity in the Donations Fund, Tourism and Marketing Fund, Airport Fund, Equipment Fund, PD Equipment Fund, and Public Safety Training Fund, as well as adjustments for GASB required entries related to subscription agreements and leases.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

GENERAL BUDGETARY HIGHLIGHTS - (continued)

Revenues Budgeted Amounts and Actual – the original revenue budget was \$21,804, the final amended budget was \$22,202, and actual budget basis revenue was \$22,195. The increase of \$397 to the revenue budget was for additional ad valorem tax collections due to final valuations and collection of delinquent amounts.

Variance with Final Budget – the unfavorable budget to actual variance of \$7 is primarily due to the following factors:

- Taxes were lower by \$197 due to lower than budgeted sales tax collections. Sales tax revenue was up 6.1% over the previous year, however.
- Fines and Forfeitures were lower by \$239, which can be attributed to lower than budgeted traffic fines and court fines.
- Licenses and Permits were higher by \$203 due to additional building permit fees. Higher than normal building permits were pulled during the year due to the July 1 expiration of the impact fee grandfather period. Building permit fees are expected to return to a normal level next year.
- Investment Income was \$195 higher than budgeted. This category was budgeted conservatively due to the uncertainty of interest rate cuts by the Federal Reserve.

Expenditures Budgeted Amounts and Actual – the original expenditure budget was \$23,858 compared to the final amended budget of \$22,807. Actual expenditures on a budget basis were \$22,330.

Variance with Final Budget – the General Fund's actual expenditures were favorable to budget by \$477 primarily from lower personnel costs, lower maintenance costs, and lower fuel costs in Public Safety. Lower personnel costs were due to vacancies throughout the year. These savings were offset in part by overages in General Government from personnel costs related to medical insurance funding.

Other Financing Sources Budgeted Amounts and Actual

- Transfers-In – the original budget for transfers-in was \$2,750 and final budget for transfers-in was \$2,821. Actual transfers-in of \$2,654 were lower than budget because of an overall decrease in the indirect departments' expenses included in the shared service allocations.
- Transfers-Out – the original budget for transfers-out was \$159 and final budget for transfers-out was \$1,659. The transfers-out budget was increased for a \$1,500 transfer to the Equipment Fund to be used for future capital purchases. Actual transfers-out of \$1,535 were below budget due to a lower transfer to the Airport Fund.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Brenham's investment in capital assets for its governmental and business- type activities as of September 30, 2025 totals \$162,263 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Brenham's investment in capital assets for the current fiscal year was \$13,953.

City of Brenham, Texas						
Capital Assets						
(Amounts in Thousands)						
(net of depreciation)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land and Improvements	\$ 5,053	\$ 5,053	\$ 584	\$ 584	\$ 5,637	\$ 5,637
Buildings	16,970	17,754	305	265	17,275	18,019
Improvements other than buildings	6,959	7,110	23,834	23,448	30,793	30,558
Furniture, fixtures, and equipment	1,259	965	469	636	1,728	1,601
Machinery	438	340	-	-	438	340
Vehicles	3,686	3,510	2,187	1,862	5,873	5,372
Intangibles	161	169	71	64	232	233
Infrastructure	41,819	41,212	41,280	39,820	83,099	81,032
Lease right to use assets	171	47	88	73	259	120
Subscription right to use assets	829	233	133	151	962	384
Construction in progress	4,348	1,170	11,619	3,844	15,967	5,014
Total	<u>\$ 81,693</u>	<u>\$ 77,563</u>	<u>\$ 80,570</u>	<u>\$ 70,747</u>	<u>\$ 162,263</u>	<u>\$ 148,310</u>

Changes in major capital asset expenditures during the current fiscal year included the following.

- Governmental Activities capital assets showed a net increase of \$4,130 with major changes in the following categories: Buildings decreased \$784, primarily due to current year depreciation. Furniture, Fixtures, and Equipment increased \$294, primarily due to the purchase of Axon body worn cameras and dash cameras for the police department and the purchase of a virtual server. Subscription Right to Use Assets increased \$596, primarily due to the software license related to the Axon body cameras and dashboard cameras and the renewal of the Accela software license for development services, in addition to various other software license renewals. Construction in Progress increased \$3,178, mainly due to Fire Station No. 2 construction and the improvement project at Jackson Street Park. The Jackson Street Park project was completed in the fall of 2025 and Fire Station No. 2 is slated for opening in the spring of 2026. Infrastructure showed an increase of \$607, primarily due to acceptance of streets and storm drainage in the Brenham Market Square area and the annexation of Dixie Road and Old Masonic.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

- Business-type capital assets showed an overall increase of \$9,823 with major changes in the following categories: Improvements Other Than Buildings increased \$386 primarily due to completion of the Industrial Blvd. lift station project and other wastewater improvements, offset in part by annual depreciation. Infrastructure increased \$1,460 mainly due to the completion of projects which included new utility lines, lift stations, meters, and transformers. Vehicles increased by \$325 due to the purchase of a new bucket truck for the electric department. Construction in Progress increased \$7,775 due to water, wastewater, and drainage projects which were in progress at year end. Water projects included the treatment plant expansion, groundwater wells project and main replacements, which are bond funded. Wastewater projects included blower and treatment plant rehab projects, which are mainly grant funded, and main replacement and lift station projects, which are bond funded.

Additional information on the City of Brenham's capital assets can be found in note III.E on pages 43-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Brenham had total bonded debt outstanding, net of unamortized charges, of \$73,650. Of this amount, \$25,027 is tax-supported debt backed by the full faith and credit of the government. The remaining \$48,623 is self-supported debt that is to be repaid from system revenues.

City of Brenham, Texas
Outstanding Debt
General Obligation Bonds and Certificates of Obligation
(Amounts in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ -	\$ -	\$ 1,855	\$ 2,420	\$ 1,855	\$ 2,420
Certificates of Obligation	23,784	23,391	43,577	19,015	67,361	42,406
Unamortized Credits/Charges	1,243	976	3,191	1,636	4,434	2,612
Total	\$ 25,027	\$ 24,367	\$ 48,623	\$ 23,071	\$ 73,650	\$ 47,438

The City of Brenham's total bonded debt increased by \$26,212 or 55.26% during the current fiscal year, with an increase of \$660 in governmental activities and an increase of \$25,552 in business-type activities. The increase in debt for business-type activities was primarily to fund the surface water treatment plant expansion. City Council awarded the bid for this project to Dudley Construction LLC on October 16, 2025.

The City of Brenham maintained its strong bond rating of AA- from the Standard and Poor's rating agency. The ratings reflect the City's strong financial position, bolstered by the maintenance of healthy financial reserves.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2.5% of its total assessed valuation. Additionally, the City's charter allows a tax rate not exceeding \$1.65 per \$100 valuation for any one year. The tax rate of \$0.4584 per \$100 valuation for the year ended September 30, 2025 is significantly below the \$1.65 allowed by the City's charter.

Additional information about the City's long-term debt can be found in note III.H through I on pages 48-53 of this report.

CITY OF BRENHAM, TEXAS
Management's Discussion and Analysis
September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic backdrop for Brenham's FY25-26 Budget is overall favorable, with the City continuing to experience moderate growth. The following factors were considered in preparing the City of Brenham's Budget for the 2026 fiscal year:

- Sales tax revenue is budgeted as essentially flat due to the one-time audit collection in FY24-25. When adjusting for the one-time audit collection, sales tax revenue is projected to increase by 3.1%.
- Property tax revenue is budgeted to increase by 4.0% due to the increase in property valuations and the continued residential and commercial development. For FY25-26, over 17% of the City's taxable value has their property tax bill frozen by Ordinance, as those are homestead properties owned by persons over 65 years of age or disabled persons. This limits the growth in property tax revenue, even as property values increase.
- General Fund expenditure budget shows a modest 1.9% increase when comparing the FY24-25 adopted budget to the FY25-26 adopted budget. Personnel costs are budgeted to increase due to normal step increases in pay and the addition of four (4) personnel in the fire department. Spending in other areas is carefully monitored to stay within the conservative budget.
- The third of three (3) planned water rate increases will be implemented in FY25-26. The water rate increases are needed to fund infrastructure projects, including the expansion of the surface water treatment plant and the addition of a second water source. A 14% wastewater rate increase was implemented on October 16, 2025 in order to fund infrastructure projects and cover rising costs of operation. It had been eleven (11) years since the wastewater rates had been adjusted. The City has also included a gas rate study in the FY25-26 budget.

The City experienced a 6.4% increase in certified taxable property values for the 2026 fiscal year and set the tax rate at \$0.4676, which was slightly below the no-new-revenue rate of \$0.4691. Components are shown below:

- Overall tax rate increased from \$0.4584 to \$0.4676
- M&O tax rate increased from \$0.3164 to \$0.3256
- I&S tax rate remained unchanged at \$0.1420

The City's FY25-26 Budget is balanced as required by law. It reflects economic strength with a watchful eye on uncertainty in several factors, such as interest rates and inflation, that could affect the economy. The budget addresses the demand placed on City services to keep pace with the continued growth of the city.

Requests for Information

This financial report is designed to present users with a general overview of the City of Brenham's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, P.O. Box 1059, Brenham, Texas, 77834.

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**BASIC FINANCIAL
STATEMENTS**

**City of Brenham
Statement of Net Position
September 30, 2025**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 13,044,599	\$ 18,561,030	\$ 31,605,629	\$ 3,642,176
Receivables - Property Tax (net)	393,183	-	393,183	-
Receivables - Sales Tax	1,359,391	-	1,359,391	453,130
Receivables - Occupancy Taxes	95,732	-	95,732	-
Receivables - Account (net)	349,132	5,873,473	6,222,605	-
Receivables - Interest	5,854	81,254	87,108	-
Lease Receivable, Current	27,238	15,109	42,347	-
Internal Balances	(2,023,789)	2,023,789	-	-
Due from Other Governments	142,007	751,043	893,050	-
Inventory at Cost	218,651	2,627,808	2,846,459	-
Notes Receivable, Current	-	141,469	141,469	-
Prepaid Water Agreement	-	483,307	483,307	-
Prepays - Other	219,366	-	219,366	-
Restricted Cash	15,515,201	35,566,938	51,082,139	-
Notes Receivable, Long Term	-	160,981	160,981	-
Lease Receivable, Noncurrent	402,334	104,282	506,616	-
Accrued Interest, Noncurrent	-	160,514	160,514	-
Other Assets, Long Term	-	200,000	200,000	-
Capital Assets, Not Being Depreciated	9,411,985	12,247,412	21,659,397	4,186,210
Other Capital and Right to Use Assets, Net	72,281,245	68,322,972	140,604,217	21,030
Total assets	<u>111,442,129</u>	<u>147,321,381</u>	<u>258,763,510</u>	<u>8,302,546</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount from Refundings	-	92,700	92,700	-
Deferred Outflows - TMRS Pension	1,920,242	680,220	2,600,462	-
Deferred Outflows - TERS Pension	302,249	-	302,249	-
Deferred Outflows - Post Employment Benefits	20,509	7,268	27,777	-
Total deferred outflows	<u>2,243,000</u>	<u>780,188</u>	<u>3,023,188</u>	<u>-</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	2,502,997	4,453,670	6,956,667	117,090
Other Liabilities	-	4,303	4,303	-
Accrued Interest	125,212	248,263	373,475	241,444
Unearned Revenue	118,986	1,970,661	2,089,647	-
Consumer Deposits	-	1,638,255	1,638,255	-
Noncurrent Liabilities, due within one year				
Compensated Absences, Current	292,426	115,842	408,268	2,346
Other Long Term Payable, Current	21,533	-	21,533	-
Bonds Payable, Current	2,653,973	-	2,653,973	-
Subscription Liability, Current	233,193	46,945	280,138	3,700
Lease Liability, Current	46,502	27,086	73,588	-
Revenue Bonds Payable, Current	-	2,211,027	2,211,027	-
Notes Payable, Current	144,592	159,965	304,557	141,469
Noncurrent Liabilities, due in more than one year				
Compensated Absences, Long Term	346,042	89,995	436,037	469
Rebatable Arbitrage, Long Term	396,810	359,662	756,472	-
Post Employment Benefits	885,295	376,133	1,261,428	-
Net Pension Liability - TMRS	9,324,264	3,053,229	12,377,493	-
Net Pension Liability - TERS	615,258	-	615,258	-
Subscription Liability, Long Term	482,822	81,755	564,577	7,694
Lease Liability, Long Term	126,053	61,687	187,740	-
Long Term Debt, Net	22,629,496	46,753,713	69,383,209	160,981
Total liabilities	<u>40,945,454</u>	<u>61,652,191</u>	<u>102,597,645</u>	<u>675,193</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	661,123	260,338	921,461	-
Deferred Inflows - Post Employment Benefits	890,055	301,709	1,191,764	-
Deferred Inflows - Leases	419,609	109,726	529,335	-
Deferred Inflows - Over Recovered Fuel Costs	-	5,366,213	5,366,213	-
Total deferred inflows	<u>1,970,787</u>	<u>6,037,986</u>	<u>8,008,773</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	62,680,130	63,920,884	126,601,014	3,893,396
Restricted for Debt Service	1,367,798	-	1,367,798	-
Restricted for Economic Development	-	-	-	1,928,343
Restricted for Recreation	-	-	-	1,805,614
Unrestricted (deficit)	6,720,960	16,490,508	23,211,468	-
Total net position	<u>\$ 70,768,888</u>	<u>\$ 80,411,392</u>	<u>\$ 151,180,280</u>	<u>\$ 7,627,353</u>

The notes to the financial statements are an integral part of this statement.

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City of Brenham
Statement of Activities
For the Year Ended September 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General Government	\$ 8,533,250	\$ 1,112,952	\$ 11,152	\$ 55,079	\$ (7,354,067)	\$ -	\$ (7,354,067)	\$ -
Public Safety	9,678,915	2,588	513,806	57,058	(9,105,463)	-	(9,105,463)	-
Highways and Streets	3,763,572	623,547	182,000	1,684,619	(1,273,406)	-	(1,273,406)	-
Health and Welfare	872,364	50,927	47,177	-	(774,260)	-	(774,260)	-
Culture and Recreation	5,967,262	1,077,092	856,526	1,114,174	(2,919,470)	-	(2,919,470)	-
Interest, Fiscal & Other Charges	941,361	-	-	-	(941,361)	-	(941,361)	-
Total governmental activities	29,756,724	2,867,106	1,610,661	2,910,930	(22,368,027)	-	(22,368,027)	-
Business-type activities:								
Electric	24,443,274	25,416,225	-	425,917	-	1,398,868	1,398,868	-
Gas	2,604,943	3,179,110	-	17,791	-	591,958	591,958	-
Water	6,388,450	7,447,033	-	189,640	-	1,248,223	1,248,223	-
Wastewater	4,512,175	4,195,793	-	2,325,801	-	2,009,419	2,009,419	-
Sanitation	2,538,180	2,559,112	-	-	-	20,932	20,932	-
Drainage	623,896	712,806	-	4,089,969	-	4,178,879	4,178,879	-
Total business-type activities	41,110,918	43,510,079	-	7,049,118	-	9,448,279	9,448,279	-
Total primary government	\$ 70,867,642	\$ 46,377,185	\$ 1,610,661	\$ 9,960,048	\$ (22,368,027)	\$ 9,448,279	\$ (12,919,748)	\$ -
Component unit:								
Brenham Community Devel Corp	\$ 2,345,141	\$ -	\$ 100,000	\$ 79,373				\$ (2,165,768)
Total component unit	\$ 2,345,141	\$ -	\$ 100,000	\$ 79,373				\$ (2,165,768)
General Revenues:								
Property Taxes					11,474,987	-	11,474,987	-
Sales Taxes					8,001,495	-	8,001,495	2,667,165
Franchise Taxes					3,216,856	-	3,216,856	-
Hotel Occupancy Taxes					966,853	-	966,853	-
Alcoholic Beverage Taxes					89,635	-	89,635	-
Investment Income not Restricted					1,198,559	2,037,452	3,236,011	157,221
Miscellaneous					84,383	186,382	270,765	5,361
Gain on Sale of Capital Assets					49,535	32,604	82,139	-
Transfers					2,513,714	(2,513,714)	-	-
Total general revenues, payments to/from component unit and transfers					27,596,017	(257,276)	27,338,741	2,829,747
Change in net position					5,227,990	9,191,003	14,418,993	663,979
Net position - beginning					65,540,898	71,220,389	136,761,287	6,963,374
Net position - ending					\$ 70,768,888	\$ 80,411,392	\$ 151,180,280	\$ 7,627,353

City of Brenham
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Equivalents	\$ 11,992,747	\$ -	\$ -	\$ 682,115	\$ 12,674,862
Receivables (Net)					
Property Taxes	263,811	129,372	-	-	393,183
Sales Tax	1,359,391	-	-	-	1,359,391
Occupancy Tax	-	-	-	95,732	95,732
Accounts	337,421	-	-	-	337,421
Lease Receivable	429,572	-	-	-	429,572
Due from Other Governments	140,630	1,377	-	-	142,007
Due from Other Funds	226,421	-	-	2,531	228,952
Inventory at Cost	218,651	-	-	-	218,651
Other Current Assets	34,300	-	-	20,000	54,300
Restricted Cash	-	1,241,098	9,626,992	3,964,447	14,832,537
Total Assets	\$ 15,002,944	\$ 1,371,847	\$ 9,626,992	\$ 4,764,825	\$ 30,766,608
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable & Other Current Liabilities	\$ 1,568,140	\$ 4,049	\$ 724,973	\$ 205,832	\$ 2,502,994
Due to Other Funds	1,496,718	-	2,531	-	1,499,249
Unearned Revenues	118,986	-	-	-	118,986
Rebatable Arbitrage, Long Term	-	-	315,018	81,792	396,810
Total Liabilities	3,183,844	4,049	1,042,522	287,624	4,518,039
Deferred Inflows of Resources:					
Deferred Inflows Related to Leases	419,609	-	-	-	419,609
Unavailable Revenues	521,813	124,429	-	-	646,242
Total Deferred Inflows of Resources	941,422	124,429	-	-	1,065,851
Total Liabilities and Deferred Inflows of Resources	4,125,266	128,478	1,042,522	287,624	5,583,890
Fund Balances:					
Nonspendable	252,951	-	-	-	252,951
Restricted	198,768	1,243,369	8,584,470	3,979,112	14,005,719
Committed	-	-	-	453,366	453,366
Assigned	-	-	-	44,723	44,723
Unassigned	10,425,959	-	-	-	10,425,959
Total Fund Balances	10,877,678	1,243,369	8,584,470	4,477,201	25,182,718
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,002,944	\$ 1,371,847	\$ 9,626,992	\$ 4,764,825	

The notes to the financial statements are an integral part of this statement.

City of Brenham
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2025

Total fund balances - total governmental funds \$ 25,182,718

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 balance sheet. 81,049,917

Gross capital assets	153,761,159
Accumulated depreciation & amortization	(72,711,242)
	81,049,917

Certain deferred inflows and outflows of resources are not reported in the governmental funds: 691,822

Deferred outflows - TMRS Pension	(1,920,242)
Deferred outflows - TESRS Pension	(302,249)
Deferred outflows - Post Employment Benefits	(20,509)
Deferred inflows - TMRS Pension	661,123
Deferred inflows - Post Employment Benefits	890,055
	(691,822)

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. (37,672,749)

Bonds payable	23,783,405
Add: Issuance premium	1,243,200
Note payable	151,602
Subscription liability	716,015
Lease liability	172,555
Other long term payable	21,533
Compensated absences	638,468
Post employment benefits	885,295
Net pension liability - TMRS	9,324,264
Net pension liability - TESRS	615,258
	37,672,749

Internal service funds are used by management to charge the costs of risk management services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 865,083

Other long term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. 646,243

Other long term assets are not available to pay for current period expenditures and therefore are not reported in the funds. 5,854

Net position of governmental activities \$ 70,768,888

The notes to the financial statements are an integral part of this statement.

City of Brenham
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 18,860,679	\$ 3,314,157	\$ -	\$ 1,585,121	\$ 23,759,957
Licenses and Permits	607,879	-	-	-	607,879
Intergovernmental	736,401	-	-	-	736,401
Charges for Services	1,758,957	-	-	26,044	1,785,001
Impact Fee Revenue	-	-	-	37,898	37,898
Fines and Forfeitures	410,809	-	-	-	410,809
Investment Income	523,274	142,231	408,530	115,767	1,189,802
Payment from Component Unit	465,690	-	32,058	1,104,161	1,601,909
Contributions and Donations	275,643	-	-	83,762	359,405
Miscellaneous	183,896	-	-	25,040	208,936
Total revenues	23,823,228	3,456,388	440,588	2,977,793	30,697,997
Expenditures					
Current:					
Culture and Recreation	4,976,681	-	-	213,404	5,190,085
General Government	7,852,385	-	-	63,723	7,916,108
Health and Welfare	776,976	-	-	-	776,976
Highways and Streets	1,969,532	-	-	-	1,969,532
Public Safety	8,740,774	-	3,862	17,713	8,762,349
Debt service:					
Interest, Fiscal & Other Charges	13,983	887,954	91,468	13,994	1,007,399
Principal Retirement	366,764	2,397,112	-	-	2,763,876
Issuance Costs	-	-	36,287	-	36,287
Capital Outlay	2,188,426	-	2,520,477	1,786,041	6,494,944
Total expenditures	26,885,521	3,285,066	2,652,094	2,094,875	34,917,556
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,062,293)	171,322	(2,211,506)	882,918	(4,219,559)
Other Financing Sources (Uses)					
Transfers In	3,597,243	-	-	87,841	3,685,084
Transfers Out	(87,841)	-	-	(1,056,825)	(1,144,666)
Issuance of Bonds	-	-	2,790,000	-	2,790,000
Premium on Bonds Issued	-	-	346,287	-	346,287
Proceeds from Subscription Arrangements	847,695	-	-	-	847,695
Proceeds from Leases	156,622	-	-	-	156,622
Insurance Proceeds	25,160	-	-	-	25,160
Total other financing sources and (uses)	4,538,879	-	3,136,287	(968,984)	6,706,182
Net change in Fund Balances	1,476,586	171,322	924,781	(86,066)	2,486,623
Fund balances - beginning	9,401,092	1,072,047	7,659,689	4,563,267	22,696,095
Fund balances - ending	\$ 10,877,678	\$ 1,243,369	\$ 8,584,470	\$ 4,477,201	\$ 25,182,718

The notes to the financial statements are an integral part of this statement.

City of Brenham
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds \$ 2,486,623

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 depreciated over their estimated useful lives. 4,358,179

Capital outlay	6,494,944
Depreciation expense	(3,656,124)
Amortization expense	(284,439)
Donation of capital assets	1,814,050
Proceeds from sale	(49,535)
Loss on disposal	(10,252)
Gain on disposal	49,535
	4,358,179

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (75,259)

Bond and note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Bond and note payable principal payments are expenditures in the governmental funds, but they reduce long term liabilities in the statement of net position. (1,297,712)

Debt issued:	
2025 Certificates of Obligation	(2,790,000)
Bond premium on new debt	(346,287)
Leases	(156,622)
Subscriptions	(847,695)
Repayments:	
To bond, certificate, and note holders	2,431,890
Principal payments on leases	31,119
Principal payments on subscriptions	279,334
Payments on other liabilities	21,533
Amortization:	
Bond premiums, discounts, & charges	79,016
	(1,297,712)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (155,246)

Compensated absences	(12,038)
Accrued interest payable	(12,979)
Post retirement benefits	33,316
Pension Costs - TMRS, Net	33,953
Pension Costs - TESRS, Net	(197,498)
	(155,246)

An internal service fund is used by management to charge the costs of risk management services to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. (88,595)

Change in net position of governmental activities \$ 5,227,990

City of Brenham
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 18,659,841	\$ 19,057,184	\$ 18,860,679	\$ -	\$ 18,860,679	\$ (196,505)
Licenses and Permits	405,275	405,275	607,879	-	607,879	202,604
Intergovernmental	527,843	527,843	736,401	(258,065)	478,336	(49,507)
Charges for Services	586,256	586,256	1,758,957	(1,078,221)	680,736	94,480
Fines and Forfeitures	649,325	649,325	410,809	-	410,809	(238,516)
Investment Income	328,500	328,500	523,274	-	523,274	194,774
Payment from Component Unit	472,690	472,690	465,690	-	465,690	(7,000)
Contributions and Donations	-	-	275,643	(275,643)	-	-
Miscellaneous	174,717	174,717	183,896	(16,312)	167,584	(7,133)
Total revenues	21,804,447	22,201,790	23,823,228	(1,628,241)	22,194,987	(6,803)
Expenditures						
Current:						
Culture and Recreation	3,640,748	3,640,748	4,976,681	(1,457,986)	3,518,695	122,053
General Government	8,651,815	7,603,503	7,852,385	(112,235)	7,740,150	(136,647)
Health and Welfare	775,823	735,823	776,976	(52,027)	724,949	10,874
Highways and Streets	1,412,379	1,379,979	1,969,532	(708,212)	1,261,320	118,659
Public Safety	9,335,857	9,405,791	8,740,774	(28,390)	8,712,384	693,407
Debt Service:						
Interest, Fiscal & Other Charges	6,519	6,519	13,983	(315)	13,668	(7,149)
Principal Retirement	34,778	34,778	366,764	(7,992)	358,772	(323,994)
	<u>23,857,919</u>	<u>22,807,141</u>	<u>24,697,095</u>	<u>(2,367,157)</u>	<u>22,329,938</u>	<u>477,203</u>
Capital Outlay	557,838	543,868	2,188,426	(1,644,593)	543,833	35
Total Expenditures	24,415,757	23,351,009	26,885,521	(4,011,750)	22,873,771	477,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,611,310)	(1,149,219)	(3,062,293)	2,383,509	(678,784)	470,435
Other Financing Sources (Uses)						
Transfers In	2,750,364	2,821,357	3,597,243	(943,270)	2,653,973	(167,384)
Transfers Out	(158,683)	(1,658,683)	(87,841)	(1,447,546)	(1,535,387)	123,296
Proceeds from Subscription Arrangements	-	-	847,695	(847,695)	-	-
Proceeds from Leases	-	-	156,622	(156,622)	-	-
Insurance Proceeds	19,629	19,629	25,160	-	25,160	5,531
Total other financing sources and (uses)	2,611,310	1,182,303	4,538,879	(3,395,133)	1,143,746	(38,557)
Net change in fund balance	-	33,084	1,476,586	(1,011,624)	464,962	431,878
Fund balance - beginning	7,918,722	7,918,722	9,401,092	(1,482,370)	7,918,722	-
Fund balance - ending	\$ 7,918,722	\$ 7,951,806	\$ 10,877,678	\$ (2,493,994)	\$ 8,383,684	\$ 431,878

The notes to the financial statements are an integral part of this statement.

City of Brenham, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Assets								
Current assets:								
Cash and Equivalents	\$ 11,285,577	\$ 684,573	\$ 1,519,127	\$ 4,433,820	\$ 403,735	\$ 234,198	\$ 18,561,030	\$ 369,735
Interest Receivable, Current	81,254	-	-	-	-	-	81,254	-
Receivables - Accounts, Net	3,391,334	245,589	1,227,938	573,834	348,519	86,249	5,873,473	11,712
Receivables - Interfund	1,496,718	-	-	-	-	736,154	2,234,872	-
Lease Receivable, Current	15,109	-	-	-	-	-	15,109	-
Due from Other Governments	25,489	-	-	-	-	725,574	751,043	-
Inventory at Cost	1,747,282	215,318	568,858	95,370	-	-	2,927,868	-
Prepaid Water Agreement	-	-	483,307	-	-	-	483,307	-
Prepays - Other	-	-	-	-	-	-	-	185,064
Notes Receivable, Net	141,469	-	-	-	-	-	141,469	-
Restricted Cash	1,971,292	-	25,795,241	7,800,405	-	-	35,566,938	682,664
Total current assets	20,155,485	1,145,490	29,595,471	12,903,429	752,254	1,784,175	66,336,304	1,229,175
Noncurrent assets:								
Interest Receivable, Noncurrent	180,514	-	-	-	-	-	180,514	-
Lease Receivable, Noncurrent	104,282	-	-	-	-	-	104,282	-
Other Assets, Long Term	-	200,000	-	-	-	-	200,000	-
Capital Assets, Net	16,827,955	2,780,716	29,227,511	25,935,120	215,950	5,603,132	80,570,384	643,312
Notes Receivable, Long Term	160,981	-	-	-	-	-	160,981	-
Total noncurrent assets	17,253,732	2,980,716	29,227,511	25,935,120	215,950	5,603,132	81,196,161	643,312
Total assets	37,409,217	4,106,206	58,822,982	38,838,549	968,204	7,387,307	147,532,465	1,872,487
Deferred Outflows of Resources								
Deferred Amount from Refundings	-	-	92,700	-	-	-	92,700	-
Deferred Outflows - TMRs Pension	347,224	73,749	134,752	108,973	-	15,522	680,220	-
Deferred Outflows - OPEB	3,860	906	1,406	1,068	-	28	7,268	-
Total deferred outflows	351,084	74,655	228,858	110,041	-	15,550	780,188	-
Liabilities								
Current liabilities:								
Accounts Payable & Other Current Liabilities	\$ 2,172,599	\$ 100,335	\$ 406,226	\$ 1,092,527	\$ 226,073	\$ 455,910	\$ 4,453,670	\$ -
Other Liabilities	900	-	2,353	1,050	-	-	4,303	-
Accrued Interest	8,612	6	179,759	58,631	-	55	248,263	4,058
Unearned Revenue	156,204	27,883	21,987	1,762,587	-	-	1,970,661	-
Interfund Payable	-	-	-	738,154	-	-	738,154	-
Compensated Absences, Current	73,533	15,517	15,439	8,789	-	2,564	115,842	-
Subscription Liability, Current	46,945	-	-	-	-	-	46,945	-
Lease Liability, Current	25,322	575	1,189	445,000	-	-	27,086	-
Revenue Bonds Payable, Current	91,027	-	1,875,000	445,000	-	-	2,211,027	-
Note Payable, Current	24,827	-	-	113,291	-	21,847	159,965	108,598
Consumer Deposits	1,638,255	-	-	-	-	-	1,638,255	-
Total current liabilities	4,240,524	145,216	2,301,953	4,220,029	226,073	480,376	11,614,171	339,076
Noncurrent liabilities:								
Compensated Absences	28,467	20,849	23,161	17,229	-	289	89,995	-
Post Employment Benefits	215,138	40,219	71,067	47,802	-	1,907	376,133	-
Net Pension Liability - TMRs	1,680,785	319,849	591,449	455,781	-	5,355	3,053,229	-
Subscription Liability, Long Term	81,755	-	-	-	-	-	81,755	-
Lease Liability, Long Term	49,478	2,150	10,059	-	-	-	61,687	-
Rebatable Arbitrage, Long Term	-	-	173,384	186,278	-	-	359,662	-
Long Term Debt, Net	1,292,502	-	33,711,424	11,721,605	-	22,182	46,753,713	141,258
Total noncurrent liabilities	3,348,135	383,067	34,586,544	12,428,695	-	29,733	50,776,174	141,258
Total liabilities	7,588,659	528,283	36,888,497	16,648,724	226,073	510,109	62,390,345	480,334
Deferred Inflows of Resources								
Deferred Inflows - Leases	109,726	-	-	-	-	-	109,726	-
Deferred Inflows - TMRs Pension	130,663	27,258	47,638	47,196	-	7,583	260,338	-
Deferred Inflows - OPEB	144,306	36,707	63,715	44,989	-	11,992	301,709	-
Deferred Inflows - Over Recovered Fuel Costs	5,304,429	61,784	-	-	-	-	5,366,213	-
Total deferred inflows	5,689,124	125,749	111,353	92,185	-	19,575	6,037,986	-
Net Position								
Net Investment in Capital Assets	15,216,089	2,757,991	18,110,558	22,091,183	215,950	5,559,103	63,920,884	383,456
Unrestricted	9,265,419	768,838	3,941,432	146,698	526,181	1,314,070	15,963,438	988,697
Total net position	24,482,518	3,526,829	22,051,990	22,237,881	742,131	6,873,173	79,884,322	1,392,153

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue(expense) of certain internal service funds are reported with business-type activities.

Net Position of business-type activities

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City of Brenham, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year ended September 30, 2025

Business-type Activities - Enterprise Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Operating revenues:								
Charges for Services	25,416,225	3,179,110	7,447,033	4,195,793	2,559,112	712,806	43,510,079	2,860,523
Total Operating Revenues	<u>25,416,225</u>	<u>3,179,110</u>	<u>7,447,033</u>	<u>4,195,793</u>	<u>2,559,112</u>	<u>712,806</u>	<u>43,510,079</u>	<u>2,860,523</u>
Operating expenses:								
Cost of Sales and Services	18,013,280	1,561,239	497,607	-	-	-	20,072,126	-
Salaries	2,535,736	533,597	986,812	856,045	-	128,299	5,040,489	-
Supplies	204,705	55,627	1,075,207	405,151	-	19,311	1,760,001	2
Maintenance	178,077	5,961	341,830	295,765	-	252,253	1,073,886	23,196
Contractual Services	379,198	31,102	376,476	1,075,305	2,520,257	159,101	4,541,439	2,653,130
Amortization	71,261	301	1,443	-	-	-	73,005	-
Depreciation	928,465	189,899	1,295,731	1,043,455	13,658	60,783	3,511,991	233,853
Gross Revenue Tax	1,708,662	218,812	496,020	265,733	-	-	2,667,227	-
Miscellaneous	308,479	25,731	34,727	73,614	931	3,354	446,836	11,581
Total operating expenses	<u>24,325,863</u>	<u>2,602,269</u>	<u>5,105,853</u>	<u>4,015,068</u>	<u>2,534,846</u>	<u>623,101</u>	<u>39,207,000</u>	<u>2,921,762</u>
Operating Income (loss)	1,090,362	576,841	2,341,180	180,725	24,266	89,705	4,303,079	(61,239)
Nonoperating revenues (expenses):								
Investment Income	710,903	38,905	736,521	523,669	21,210	2,433	2,033,641	12,863
Interest, Fiscal & Other Charges	(86,608)	(41)	(1,255,646)	(489,344)	-	(1,497)	(1,833,136)	(5,754)
Gain on Sale of Capital Assets	-	-	13,466	12,488	6,650	-	32,604	8,120
Miscellaneous, Net	20,942	-	15,064	2,034	148,343	-	186,383	(181,319)
Total non operating revenue (expenses)	<u>645,237</u>	<u>38,864</u>	<u>(480,595)</u>	<u>48,847</u>	<u>178,203</u>	<u>396</u>	<u>419,492</u>	<u>(166,090)</u>
Income (loss) before contributions and transfers	1,735,599	615,705	1,850,585	229,572	200,469	90,641	4,722,571	(227,329)
Capital Contributions	429,802	17,791	284,221	2,325,801	-	4,089,969	7,147,584	-
Transfers In	694,029	8,438	50,565	18,390	5,157	441	777,040	-
Transfers Out	(1,522,702)	(524,548)	(563,884)	(398,850)	(138,000)	-	(3,147,984)	(169,474)
Total Transfers In/(Out)	<u>(828,673)</u>	<u>(516,110)</u>	<u>(513,299)</u>	<u>(380,460)</u>	<u>(132,843)</u>	<u>441</u>	<u>(2,370,944)</u>	<u>(169,474)</u>
Change in net position	1,336,728	117,366	1,621,507	2,174,913	67,626	4,181,051	9,499,211	(396,803)
Total net position - beginning	23,145,790	3,409,443	20,430,483	20,032,768	674,505	2,692,122	9,499,211	1,788,956
Total net position - ending	<u>24,482,518</u>	<u>3,526,829</u>	<u>22,051,990</u>	<u>22,207,681</u>	<u>742,131</u>	<u>6,873,173</u>	<u>9,499,211</u>	<u>1,392,153</u>

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities

Change in net position of business-type activities
\$ (306,208)
\$ 9,191,003

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total Proprietary	Internal Service Funds
Cash Flows from Operating Activities								
Receipts from customers and users	\$ 23,971,811	\$ 3,192,965	\$ 7,332,085	\$ 4,654,550	\$ 2,544,636	\$ 544,346	\$ 42,240,393	\$ 2,882,429
Receipts from interfund services provided	(1,706,662)	(218,812)	(496,020)	(265,733)	-	-	(2,687,227)	-
Gross revenue tax paid to General Fund	(18,991,793)	(2,019,536)	(3,142,929)	(495,643)	(2,648,515)	(442,150)	(27,740,566)	(2,646,131)
Payments to suppliers	(2,563,051)	(535,866)	(1,001,165)	(669,931)	-	(132,167)	(5,102,180)	-
Payments to employees	710,305	418,751	2,691,971	3,023,243	(103,879)	(29,971)	6,710,420	236,298
Net cash provided (used) by operating activities								
Cash Flows from Non Capital Financing Activities								
Transfers in	694,030	8,438	50,585	18,390	5,157	441	777,041	-
Transfers out	(1,522,702)	(524,548)	(563,884)	(398,850)	(138,000)	-	(3,147,984)	(169,475)
Interest paid on consumer deposits	(38,902)	-	-	-	-	-	(38,902)	-
Net cash provided (used) by noncapital financing activities	(867,574)	(516,110)	(513,299)	(380,460)	(132,843)	441	(2,409,845)	(169,475)
Cash Flows from Capital and Related Financing Activities								
Acquisition and construction of capital assets	(1,744,735)	(165,591)	(2,926,271)	(4,294,137)	-	(3,758,583)	(12,889,317)	(6,274)
Capital Contributions	233,124	26,094	3,998	-	-	4,089,969	4,353,185	-
Proceeds from issuance of bonds	-	-	23,671,000	3,089,000	-	-	26,760,000	-
Repayment of subscription liability	(50,874)	-	-	-	-	-	(50,874)	-
Repayment of lease liability	(21,401)	(289)	(1,060)	-	-	-	(22,750)	-
Principal paid on bonds and notes payable	(111,525)	-	(955,000)	(441,730)	-	(70,513)	(1,578,768)	(106,357)
Insurance proceeds	15,909	-	2,287	500	-	-	18,696	13,804
Payment from Component Unit	-	-	-	602,360	-	-	602,360	-
Proceeds from sales of capital assets	-	-	26,188	12,488	6,650	-	45,326	8,120
Interest and fees paid on bonds, finance leases and notes payable	(62,194)	(35)	(817,342)	(407,981)	-	(2,065)	(1,289,617)	(7,335)
Net cash provided (used) by capital and related financing activities	(1,741,696)	(139,821)	19,003,800	(1,439,500)	6,650	298,808	15,948,241	(98,042)
Cash Flows from Investing Activities								
Principal received on notes receivable	139,904	-	-	-	-	-	139,904	-
Proceeds from lease receivable	15,030	-	-	-	143,428	-	158,458	-
Investment income received	760,178	38,905	736,519	523,668	21,265	2,433	2,082,968	12,863
Net cash provided (used) by investing activities	915,112	38,905	736,519	523,668	164,693	2,433	2,381,330	12,863
Net increase (decrease) in cash and cash equivalents	(983,853)	(198,275)	21,918,991	1,726,951	(65,379)	231,711	22,630,146	(18,356)
Cash and cash equivalents, beginning of year	14,240,722	882,848	5,395,377	10,507,274	469,114	2,487	31,497,822	1,070,755
Cash and cash equivalents, end of year	\$ 13,256,869	\$ 684,573	\$ 27,314,368	\$ 12,234,225	\$ 403,735	\$ 234,198	\$ 54,127,968	\$ 1,052,399
Reconciliation of cash and cash equivalents to statement of net position								
Cash and equivalents	\$ 11,285,577	\$ 684,573	\$ 1,519,127	\$ 4,433,820	\$ 403,735	\$ 234,198	\$ 18,561,030	\$ 369,735
Restricted cash and equivalents	1,971,292	-	25,795,241	7,800,405	-	-	35,566,938	682,664
Cash and cash equivalents, end of year	\$ 13,256,869	\$ 684,573	\$ 27,314,368	\$ 12,234,225	\$ 403,735	\$ 234,198	\$ 54,127,968	\$ 1,052,399

	\$	1,090,362	\$	576,841	\$	2,341,180	\$	180,725	\$	24,266	\$	89,705	\$	4,303,079	\$	(61,239)
Reconciliation of operating income to net cash provided (used) by operating activities																
Operating income (loss)																
Adjustments to reconcile net cash provided (used) by operating activities																
Depreciation and amortization		999,726		170,200		1,297,174		1,043,455		13,658		60,783		3,584,956		233,853
Provision for uncollectible accounts		26,074		948		7,701		1,552		2,539		539		39,353		-
Other income (expense)		36,543		-		34,763		26,533		3,400		-		101,239		-
Changes in assets and liabilities affecting cash provided by operations:																
(Increase) decrease in accounts receivable		(3,616)		12,907		(157,413)		(46,407)		(20,414)		(2,442)		(217,385)		2,500
(Increase) decrease in other receivables		-		-		-		-		-		-		-		-
(Increase) decrease in inventory		(16,031)		(34,514)		(65,384)		15,855		-		-		(100,074)		1,319
(Increase) decrease in interfund receivables		(1,496,718)		-		-		477,078		-		194,197		(825,443)		19,406
(Increase) decrease in intergovernmental receivables		-		-		-		-		-		(360,757)		(360,757)		-
Increase (decrease) in interfund payables		(21,509)		(314,277)		(840,979)		738,154		(129,356)		-		(567,967)		207,014
(Increase) decrease in other assets		-		-		(29,637)		-		-		-		(29,637)		(165,014)
Increase (decrease) in accounts payable and other current liabilities		429,768		10,015		118,919		600,183		2,028		(8,129)		1,152,784		(1,541)
Increase (decrease) in over-recovered fuel costs		(300,282)		(1,101)		-		-		-		-		(301,383)		-
Increase (decrease) in salaries & benefits payable		(2,487)		2,918		(2,976)		1,502		-		369		(674)		-
Increase (decrease) in compensated absences		(6,518)		(552)		(8,571)		(5,779)		-		(1,538)		(22,958)		-
Increase (decrease) in postemployment benefits		(2,628)		(1,647)		(1,705)		(453)		-		(731)		(7,164)		-
Increase (decrease) in pension benefits		(15,662)		(2,887)		(1,101)		(9,155)		-		(1,967)		(30,892)		-
Increase (decrease) in consumer deposits		(6,697)		-		-		-		-		-		(6,697)		-
Net cash provided (used) by operating activities		\$ 710,305		\$ 418,751		\$ 2,691,971		\$ 3,023,243		\$ (103,879)		\$ (29,971)		\$ 6,710,420		\$ 236,298

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL
STATEMENTS

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Reporting Entity

The City of Brenham is a home-rule municipality governed by an elected mayor and six-member council. The City operates under a Council-Manager form of government, established by City charter. The accompanying financial statements present the financial operations of the City as the primary government and those component units for which the primary government is considered to be financially accountable. The following discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

1. Discretely presented component unit

The City has included the Brenham Community Development Corporation (BCDC) in its financial statements as a discretely presented component unit since the City is financially accountable for the entity and a financial benefit or burden relationship exists between the City and the BCDC. The BCDC is a legally separate entity from the City and is governed by a board appointed by City Council. The BCDC was formed to oversee revenues and expenditures of a special three-eighth cent sales tax for economic development and community recreational development. The City's council approves the BCDC budget and the City Manager serves as its Chief Executive Officer. For financial reporting purposes, the BCDC is reported as a governmental fund. The component unit has a single general fund which is discretely presented in the financial statements. Complete financial statements can be obtained from the City Secretary's Office, 200 West Vulcan Street, Brenham, Texas 77833.

2. Blended component unit

In 2016, the City of Brenham Community Projects Fund, Inc. (BCPF) a non-profit organization was formed. The Corporation is a 501(c)(3) organization that supports the City of Brenham in implementing and conducting its charitable and educational projects designed to expand areas of service to citizens and visitors. The corporation is governed by a Board of Directors appointed by the City Council. Since the elected officials of the City are financially accountable for BCPF, and the primary purpose of the entity is to provide a service to the City, BCPF is considered a blended component unit. For financial reporting purposes, the City of Brenham Community Projects Fund is reported in the governmental funds.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate BCDC *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns with composite columns for non-major funds in the fund financial statements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, investment earnings and charges for services are recognized as revenue when earned. Licenses and permits, intergovernmental revenues, fines and miscellaneous items are recorded as revenue when cash is received because they are generally not measurable until actually received.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt obligations of governmental funds.
- The *General Government Capital Projects Fund* is used for proceeds and expenditures for approved general government bond projects.

The government reports the following major proprietary funds:

- The *Electric Fund* accounts for the activities of the City's electric distribution operations.
- The *Gas Fund* accounts for the activities of the City's gas distribution operations.
- The *Water Fund* accounts for the activities of the City's water distribution and water treatment facilities.
- The *Wastewater Fund* accounts for the activities of the City's wastewater treatment plant and wastewater collection systems.
- The *Sanitation Fund* accounts for the activities of the billings and collections of the City's sanitation collection, recycling and transfer station operations.
- The *Drainage Fund* accounts for the activities of the City's storm water drainage improvement operations.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Additionally, the government reports the following fund types:

Internal Service Funds provide a zero-deductible plan for workers' compensation, a vehicle and equipment and fleet replacement financing program, a fleet management services program, and an employee benefits administration program all used to service other funds of the City on a cost reimbursement basis. These funds are presented in detail in the Supplementary Information Section and in summary form as part of the proprietary fund financial statements. At the government-wide level, the financial statements of the workers' compensation Internal Service Fund, the Vehicle Equipment Replacement Fund (VERF), and the Employee Benefits Fund are included in the governmental activities column while the fleet management Internal Service Fund is presented in the business-type column. In FY25, the use of the fleet management Internal Service Fund was discontinued and the fund was closed.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are franchise tax payments and other charges between the City's proprietary fund functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

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

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

D. Assets, Liabilities, and Net Position

1. Deposits and investments

The City's cash and equivalents are considered to be cash on hand, demand deposits, and amounts held in a state money pool and another public investment pool. Investments in government pools are recorded at amortized cost or net asset value.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, collateralized mortgage obligations, repurchase agreements, certificates of deposit and investment pools.

The City invests in no form of joint venture with other entities. Investments are recorded at fair value based on quoted market prices. Certificates of deposit are recorded at cost.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of inter-fund loans) or "advances to / from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Trade accounts and property taxes receivable are shown net of an allowance for uncollectibles.

Property taxes are levied on October 1 on property values assessed as of January 1 of each year, in conformity with Subtitle E of the Texas Property Tax Code. Taxes are due upon receipt of the bill; however, are not considered delinquent until February 1 of the following year. Delinquent uncollected taxes are included in the general fund assets and debt service fund assets with offsetting amounts which will not be collected within sixty days after the end of the fiscal year shown as unavailable revenues in the deferred inflows of resources section of the balance sheet.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recognized as expenditures of governmental funds and as expenses in proprietary funds when used, in accordance with the consumption method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain resources are set aside for the repayment of outstanding bond debt. Unexpended resources from proceeds of bond issuances have also been set aside. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure is defined by the government as long-lived and stationary in nature and includes streets, curbs, gutters, drainage systems, airport runways and taxiways, utility lines and utility plants. Infrastructure assets include all new construction with an estimated useful life of 20 - 50 years. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings (New structure)	40
Buildings (Used structure)	20
Building improvements	7-20
Improvements Other than Buildings	10-20
Machinery and Equipment	5-10
Vehicles	5-20
Infrastructure	20-50

6. Compensated absences

A liability is recorded for leave that is earned, accumulates, and is more likely than not to be used or otherwise paid or settled. Vacation leave meets these criteria and is accrued at employees' current pay rates at year-end. While sick leave accumulates, the City presumes that current year leave is used before amounts accumulated in the prior year and the City's historical usage patterns show that employees use current-year sick leave. Because accumulated sick leave is not more likely than not to be used or paid/settled in future periods, no sick leave liability is recognized.

7. Long-term obligations

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

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

8. Fund equity

Fund balance for governmental funds is reported in classifications (non-spendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

9. Over/Under-Recovered Fuel Costs

Supply costs for electric and gas commodities (including transmission costs) are paid monthly by the City. The City collects (reimburses itself) for supply costs by charging customers on their monthly bills. Market fluctuations, unplanned refunds or charges, and cycle billing timing create over/(under) collection balances. The City tries to maintain an excess reserve balance to mitigate risks associated by market pricing anomalies as it is easier to absorb such infrequent anomalies using available balances. Because it is the City's practice to use over collections to mitigate market fluctuations and stabilize customers' rates, over-recovered fuel cost balances are reported as deferred inflows of resources on the proprietary fund level and government-wide statement so that revenues are deferred until related costs are incurred. When an excess reserve balance does not exist, under-recovered fuel cost balances are reported as deferred outflows of resources on the proprietary fund level and government-wide statement.

10. Asset Retirement Obligations

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the site for five years after closure. The City stopped accepting waste at its landfill in November 1990. In 2009, TCEQ inspected the facility and determined that all post-closure care maintenance requirements had been satisfied, and the site has completed the post-closure care maintenance period.

The City operates a waste transfer station for which it has demonstrated financial assurance of \$88,238 by meeting the financial assurance test. Estimated closure cost is \$25,000.

The City operates water and wastewater treatment plants for which Governmental Accounting Standards Board (GASB) Statement No. 83, "Certain Asset Retirement Obligations", applies. This statement addresses obligations that represent legally enforceable liabilities associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The City has no intention of closing or replacing the water and wastewater plants themselves or any of their significant components in the foreseeable future. The cost of asset retirement obligations relating to these facilities cannot be reasonably estimated.

11. Post-employment benefits

The City provides the availability of post-retirement health care for certain retirees. Retirees whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health until they and their covered spouses reach Medicare eligibility. As of September 30, 2025, 4 retirees/covered spouses meet those eligibility requirements and have elected to receive this benefit. The retiree/covered spouse pay the entire premium for group health coverage and claims are paid through the City's third-party provider.

Employees who terminate employment because of a disability may qualify for life insurance and long-term disability benefits until reaching age 65 or the end of the disability eligibility, whichever comes first. Premiums for those qualifying are waived and there is no further cost to the City or the former employee. Currently, the city does not have any persons who qualify for the long-term disability benefit.

12. 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 the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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

13. Change in Accounting Principle

Effective October 1, 2024, the City implemented GASB Statement No. 101, Compensated Absences, which required the recognition of liabilities for compensated absences that have not been used and leave that has been used, but not paid or settled. The adoption of GASB No. 101 had no impact on the City's net position and no restatement of net position was made.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The budget process of the City complies with the Texas Uniform Budget Law. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance. The City Manager, as chief executive officer, has ultimate responsibility for the budget. The City Manager formulates the budget goals for the City under the direction of the City Council.

The departmental budget is the basic unit of measurement for the City's budget. Seven director positions report to the City Manager: Assistant City Manager, Chief of Police, Fire Chief, Chief Financial Officer, General Manager of Public Utilities and City Secretary. Directors of Public Works, Development Services, Tourism and Marketing report to the Assistant City Manager, while the directors of Finance, Human Resources and Economic Development report to the Chief Financial Officer. All directors oversee the individual department budgets within their area of responsibility.

1. Basis of accounting

With the exception of General Fund, all budgets are prepared and adopted on a basis consistent with generally accepted accounting principles which is the same basis of accounting used for financial reporting in these financial statements. The General Fund budget, as shown in the financial statements, is prepared and adopted on a different basis. In accordance with GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, six other governmental funds are contained with the General Fund for financial reporting purposes. The revenue and expense of these funds are shown in the adjustments to budget basis column.

2. Budgeted funds

Annual appropriated budgets are adopted for all governmental fund types.

For the year ended September 30, 2025, annual appropriated budgets were adopted by passage of a budget ordinance for the General Fund, Electric Fund, Gas Fund, Water Fund, Wastewater Fund, Sanitation Fund, Drainage Fund, General Government Capital Projects Fund, and Debt Service Fund. Non major governmental funds for which budgets were adopted include the Hotel/Motel Tax, PD Criminal Law Enforcement Fund, Courts Technology/Security, Airport Capital Improvements Fund, TIRZ #1 Fund, Streets and Drainage Improvements Fund, Parks Capital Improvements Fund, and Water and Wastewater Impact Fee Funds. Internal Service funds with budgets adopted include the Workers' Compensation Fund, Vehicle Equipment Replacement Fund, Central Fleet Fund and the Employee Benefits Fund. All annual budget appropriations lapse at the end of the fiscal year.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

The by-laws of the Brenham Community Development Corporation require that an annual budget be prepared by the corporation's board and approved by City Council.

3. Legal level of control

The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

4. Budget amendments

The budget is originally enacted by ordinance; therefore, any amendments to the budget must also be made by ordinance. The initial step in amending the budget is to present the proposed amendments and the justification thereof during a City Council meeting. The proposed ordinance amending the budget is presented for approval during this meeting and during the formal session at a subsequent meeting of the Council.

5. Encumbrances

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

B. Compliance with Finance Related Legal and Contractual Provisions

The City had no material violations of finance related legal and contractual provisions.

C. Excess of Expenditures Over Appropriations

For fiscal year end September 30, 2025, all expenditures of the General Fund were within appropriations at the legal level of budgetary control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the City had funds in a State Money Pool (TexPool) which had a balance of \$20,017,159 which was included in cash and cash equivalents and restricted cash at September 30, 2025. "TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The City has elected the practical expedient to record these funds at net asset value. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value at fiscal year-end was \$1.00018 per share. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment is limited to 397 calendar days. TexPool was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The City also had funds in TexSTAR, another public funds investment pool, which had a balance of \$61,669,206 and was included in cash and cash equivalents and restricted cash at September 30, 2025. "TexSTAR" is a local government investment pool created and jointly managed by Hilltop Securities, Inc. and JP Morgan Investment Management, Inc. with the purpose of investing funds on behalf of Texas political subdivisions. The City has elected the practical expedient to record these funds at net asset value. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value approximates carrying value and was \$1.000246 per share at fiscal year-end. The stated objective of TexSTAR is to maintain a stable \$1.00 net asset value per unit, and immediate action must be taken if the net asset value of the units of any fund falls below \$0.997 or rises above \$1.004. The fund maintains a weighted average maturity of 60 days or less and was rated AAAM by Standard and Poor's. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by concentrating its investment portfolio in shorter term securities.

Credit risk. The City minimizes credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by limiting investments to the highest credit quality investments, pre-qualifying the financial institutions and broker/dealers with which the City of Brenham transacts business and perfecting the City ownership by delivery versus payment settlement.

Concentration of credit risk. The government's investment policy limits investments to avoid over concentration in investments from a specific insurer or business sector.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It's the policy of the City to require full collateralization of all City funds on deposit with a depository bank.

At year end, the government's carrying amount of deposits (including certificates of deposit) for the primary government and BCDC component unit was \$4,636,103 and the bank balances totaled \$6,044,993. Of the bank and certificates of deposit balances, \$500,000 was covered by federal depository insurance and \$5,544,993 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables - Account

Accounts receivable as of year-end for the government's individual major funds and non-major, and proprietary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

	General Fund
Accounts	\$ 220,639
Assessments	126,782
	<u>347,421</u>
Less Allowance for Uncollectibles	<u>(10,000)</u>
Accounts Receivable, Net	<u>\$ 337,421</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Wastewater Fund	Sanitation Fund	Drainage Fund	Total
Accounts	\$ 3,441,334	\$ 250,599	\$ 1,242,938	\$ 583,834	\$ 353,519	\$ 88,249	\$ 5,960,473
Less Allowance for Uncollectibles	<u>(50,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>	<u>(10,000)</u>	<u>(5,000)</u>	<u>(2,000)</u>	<u>(87,000)</u>
Accounts Receivable, Net	<u>\$ 3,391,334</u>	<u>\$ 245,599</u>	<u>\$ 1,227,938</u>	<u>\$ 573,834</u>	<u>\$ 348,519</u>	<u>\$ 86,249</u>	<u>\$ 5,873,473</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

<u>Components</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 253,326	\$ -	\$ 253,326
Delinquent property taxes receivable (Debt Service Fund)	124,429	-	124,429
Franchise fees receivable	147,180	-	147,180
Lien assessments and pending seizures	121,307	-	121,307
Charges for Services not yet earned	-	118,986	118,986
Total deferred/unearned revenue for governmental funds	<u>\$ 646,242</u>	<u>\$ 118,986</u>	<u>\$ 765,228</u>
Balances not expected to be collected within one year	\$ 121,307	\$ -	\$ 121,307

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables – Property Taxes

The following information relates to property taxes receivable for the year ended September 30, 2025:

Original Certified Tax Roll	\$ 2,583,794,938
Approved Rate (Per \$100 Valuation)	0.4584
Original Levy	11,844,116
Supplements	(448,765)
Adjusted Levy	<u>\$ 11,395,351</u>
Collections on Current Tax Roll	11,258,051
Total Collections	11,469,690
Property Taxes Receivable	\$ 393,183

D. Notes Receivable

Notes receivable at September 30, 2025 consisted of the following:

Business-type Activities - Electric Fund

Note receivable from component unit Brenham Community Development Corporation, principal amount \$1,000,000; Interest payable at 4.750% with the first payment due September 30, 2017; maturing September 2029, unsecured	\$ 232,450
Note receivable from component unit Brenham Community Development Corporation, principal amount \$500,000; Interest payable at 3.250%; maturing September 2026, unsecured	<u>70,000</u>
	<u>\$ 302,450</u>
Less Current Portion	<u>(141,469)</u>
	<u>\$ 160,981</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Reclass/CIP to Complete	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,892,346	\$ -	\$ -	\$ -	\$ 4,892,346
Land Improvements	160,718	-	-	-	160,718
Intangibles-Easements	10,593	-	-	-	10,593
Construction in Progress	1,169,761	3,510,004	(331,437)	-	4,348,328
Total Not Being Depreciated	6,233,418	3,510,004	(331,437)	-	9,411,985
Capital Assets, Being Depreciated:					
Buildings	32,669,241	35,170	-	(15,984)	32,688,427
Improvements Other Than Buildings	19,148,705	405,381	-	(57,156)	19,496,930
Furniture, Fixtures and Equipment	2,507,404	436,134	-	(116,419)	2,827,119
Machinery	1,152,776	284,556	-	-	1,437,332
Vehicles	10,517,407	876,730	331,437	(308,947)	11,416,627
Radios	702,316	-	-	-	702,316
Intangibles-Software	271,368	-	-	-	271,368
Infrastructure	74,097,584	2,072,079	-	(214,467)	75,955,196
Total Being Depreciated	141,066,801	4,110,050	331,437	(712,973)	144,795,315
Less Accumulated Depreciation for:					
Buildings	(14,914,904)	(812,244)	-	8,924	(15,718,224)
Improvements Other Than Bldgs.	(12,039,040)	(556,113)	-	57,156	(12,537,997)
Furniture, Fixtures and Equipment	(1,787,335)	(84,614)	-	116,419	(1,755,530)
Machinery	(812,265)	(187,054)	-	-	(999,319)
Vehicles	(7,007,781)	(1,032,282)	-	308,947	(7,731,116)
Radios	(457,725)	(57,312)	-	-	(515,037)
Intangibles-Software	(112,619)	(7,900)	-	-	(120,519)
Infrastructure	(32,885,896)	(1,461,560)	-	211,272	(34,136,184)
Total Accumulated Depreciation	(70,017,565)	(4,199,079)	-	702,718	(73,513,926)
Total Being Depreciated, Net	71,049,236	(89,029)	331,437	(10,255)	71,281,389
Lease Right to Use Assets:					
Equipment	70,675	156,622	-	-	227,298
Total Lease Right to Use Assets	70,675	156,622	-	-	227,298
Less Accumulated Amortization for:					
Equipment	(24,064)	(31,935)	-	-	(55,998)
Total Accumulated Amortization	(24,064)	(31,935)	-	-	(55,998)
Lease Right to Use Assets, Net	46,611	124,687	-	-	171,300
Subscription Right to Use Assets:					
Software	635,229	847,695	-	(380,546)	1,102,378
Total Subscription Right to Use Assets	635,229	847,695	-	(380,546)	1,102,378
Less Accumulated Amortization for:					
Software	(401,864)	(252,504)	-	380,546	(273,822)
Total Accumulated Amortization	(401,864)	(252,504)	-	380,546	(273,822)
Subscription Right to Use Assets, Net	233,365	595,191	-	-	828,556
Capital Assets, Net	\$ 77,562,630	\$ 4,140,853	\$ -	\$ (10,255)	\$ 81,693,230

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

II. DETAILED NOTES ON ALL FUNDS (Continued)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/CIP to Complete</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 584,385	\$ -	\$ -	\$ -	\$ 584,385
Intangibles-Easements	36,845	7,562	-	-	44,407
Construction in Progress	3,843,693	9,170,512	(1,395,585)	-	11,618,620
Total Not Being Depreciated	<u>4,464,923</u>	<u>9,178,074</u>	<u>(1,395,585)</u>	<u>-</u>	<u>12,247,412</u>
Capital Assets, Being Depreciated:					
Buildings	864,476	64,324	5,550	(80,450)	853,900
Improvements Other Than Buildings	44,064,733	1,215,935	200,476	(15,657)	45,465,487
Furniture, Fixtures and Equipment	2,655,514	60,595	-	(230,964)	2,485,145
Vehicles	5,660,942	1,165,976	-	(990,159)	5,836,759
Intangibles-Software	219,926	-	-	-	219,926
Infrastructure	83,103,902	2,247,204	1,189,559	(106,843)	86,433,822
Total Being Depreciated	<u>136,569,493</u>	<u>4,754,034</u>	<u>1,395,585</u>	<u>(1,424,073)</u>	<u>141,295,039</u>
Less Accumulated Depreciation for:					
Buildings	(599,819)	(19,246)	-	70,085	(548,980)
Improvements Other Than Bldgs.	(20,616,872)	(1,030,041)	-	15,657	(21,631,256)
Furniture, Fixtures and Equipment	(2,019,375)	(210,042)	-	212,853	(2,016,564)
Vehicles	(3,798,909)	(651,247)	-	800,421	(3,649,735)
Intangibles-Software	(193,029)	-	-	-	(193,029)
Infrastructure	(43,283,404)	(1,924,558)	-	54,012	(45,153,950)
Total Accumulated Depreciation	<u>(70,511,408)</u>	<u>(3,835,134)</u>	<u>-</u>	<u>1,153,028</u>	<u>(73,193,514)</u>
Total Being Depreciated, Net	<u>66,058,085</u>	<u>918,900</u>	<u>1,395,585</u>	<u>(271,045)</u>	<u>68,101,525</u>
Lease Right to Use Assets:					
Equipment	105,404	39,107	-	-	144,511
Total Lease Right to Use Assets	<u>105,404</u>	<u>39,107</u>	<u>-</u>	<u>-</u>	<u>144,511</u>
Less Accumulated Amortization for:					
Equipment	(32,859)	(23,620)	-	-	(56,478)
Total Accumulated Amortization	<u>(32,859)</u>	<u>(23,620)</u>	<u>-</u>	<u>-</u>	<u>(56,478)</u>
Lease Right to Use Assets, Net	<u>72,545</u>	<u>15,487</u>	<u>-</u>	<u>-</u>	<u>88,033</u>
Subscription Right to Use Assets:					
Software	225,347	31,389	-	-	256,737
Total Subscription Right to Use Assets	<u>225,347</u>	<u>31,389</u>	<u>-</u>	<u>-</u>	<u>256,737</u>
Less Accumulated Amortization for:					
Software	(73,939)	(49,385)	-	-	(123,323)
Total Accumulated Amortization	<u>(73,939)</u>	<u>(49,385)</u>	<u>-</u>	<u>-</u>	<u>(123,323)</u>
Subscription Right to Use Assets, Net	<u>151,408</u>	<u>(17,996)</u>	<u>-</u>	<u>-</u>	<u>133,414</u>
Capital Assets, Net	<u>\$ 70,746,961</u>	<u>\$ 10,094,465</u>	<u>\$ -</u>	<u>\$ (271,045)</u>	<u>\$ 80,570,384</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation and amortization expense was charged to function/programs of the primary government as follows:

	<u>Depreciation Expense</u>	<u>Amortization Expense</u>
<u>Governmental Activities</u>		
Culture and Recreation	\$ 731,929	\$ 19,986
General Government	349,486	217,441
Health and Welfare	90,737	2,674
Highways and Streets	1,787,400	-
Public Safety	696,572	44,338
Total Governmental Activities	<u>\$ 3,656,124</u>	<u>\$ 284,439</u>
<u>Business-type Activities</u>		
Electric	\$ 928,465	\$ 71,261
Gas	169,899	301
Water	1,295,731	1,443
Sewer	1,043,455	-
Sanitation	13,658	-
Drainage	60,783	-
Total Business-type Activities	<u>\$ 3,511,991</u>	<u>\$ 73,005</u>
<u>Internal Service Funds</u>		
Vehicle Equipment Replacement (VERF)	233,853	-
Total Internal Service Funds	<u>\$ 233,853</u>	<u>\$ -</u>

As of September 30, 2025, capital assets of the component unit consist of land (not being depreciated) with a balance of \$3,299,682, land improvements (not being depreciated) with a balance of \$886,527 and other improvements and subscription assets (being depreciated and amortized) with a balance of \$21,030.

F. Contractual Commitments

The City has entered into the following long-term contracts with major suppliers to ensure availability in future years:

In November 2022, the City entered into gas supply and transport contract with a term of five years, expiring October 31, 2027, with Houston Ship Channel daily midpoint pricing. For the year ending September 30, 2025, \$1,561,239 was paid under this contract.

A contract with a supplier to provide 4,200 acre-feet of raw water for the City's current and future water supply. The contract will expire in 2047. In FY20, a second contract with the same supplier was approved to provide an additional 774 acre-feet for long-term future growth. This contract will expire in 2045. The amount expensed under these contracts for the year ending September 30, 2025 was \$497,607.

A contract with a third party to purchase the City's excess water (up to 774 acre-feet mentioned above) on a year-to-year basis. For the fiscal year ending September 30, 2025 \$38,507 was received under this contract.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

A contract with a supplier to provide electric power and energy, expiring June 25, 2041, renewable for successive twenty-five-year periods. Contract rates are established by the supplier's wholesale power rate tariff. The amount expensed under this contract for the year ending September 30, 2025 was \$18,013,280.

In March 2020, the City entered into an agreement with a contractor for solid waste services including residential collection, commercial collection, recycling services, and collection station operations for City of Brenham residents and businesses. During FY25, the initial 5-year term of this agreement expired, and the City exercised the first of five one-year renewal periods. For the year ending September 30, 2025, the City paid \$2,520,257 under this contract.

The City has the following active construction projects as of September 30, 2025:

	Contract Amount	Spent-to-Date	Remaining Commitment
Streets & Drainage	\$ 6,607,014	\$ 4,766,364	\$ 1,840,650
Electric	246,500	-	246,500
Water	6,177,528	4,066,479	2,111,049
Wastewater	5,741,673	2,717,862	3,023,811
Parks	1,367,523	1,002,457	365,066
Public Safety	6,856,945	2,376,394	4,480,551
Total	\$ 26,997,183	\$ 14,929,555	\$ 12,067,628

As of September 30, 2025, the City had commitments to purchase approximately \$5,082,412 of vehicles and equipment including: 2 fire trucks, street department heavy equipment, maintenance department truck and portable generator, and vehicles for the gas, water and wastewater departments.

G. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables represent money that is transferred among the various funds for cash flow purposes throughout the year. At September 30, 2025 the balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Employee Benefits Trust Fund	\$ 226,421
		\$ 226,421
Other Governmental Funds	General Govt. Capital Projects Fund	\$ 2,531
		\$ 2,531
Electric Fund	General Fund	\$ 1,496,718
		\$ 1,496,718
Drainage Fund	Wastewater Fund	\$ 738,154
		\$ 738,154

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement as internal balances. Amounts transferred on the fund basis include shared services provided by the General Fund and Electric Fund to other utility funds; transfers of donations made to the Brenham Community Projects Fund for general government projects, and transfers of hotel occupancy tax collections for tourism and promotion activities.

During the fiscal year, the City transferred capital assets with a net book value of \$96,657 from the Fleet Management Internal Service Fund to governmental funds and capital assets with a net book value of \$98,465 to the proprietary funds. The transfers reflect the current use of these assets in governmental activities and business-type activities. In the internal service fund, the transaction is reported as an other operating expense. In the government-wide financial statements, the transfer decreases capital assets and net position in business-type activities (where internal service funds are reported) and increases capital assets and net position in governmental activities, and is reflected as a transfer on the Statement of Activities. Because governmental funds do not report capital assets, the transfer is not recorded in the governmental funds and results in a reconciling item between transfers reported in the fund level financial statements and the government-wide statement of activities and the resulting governmental fund balance and governmental statement of net position, where the internal service fund was reported.

The following schedule shows fund level transfers and payments within the reporting entity as of September 30, 2025:

Transfers From:	Transfers To:								Net Transfers From
	Governmental Activities				Business Type Activities				
	General	Other Gov'l	Electric	Gas	Water	Wastewater	Sanitation	Drainage	
Governmental Activities									
Major Funds									
General Fund	\$ -	\$ 87,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,841
Other Gov't Funds	1,056,825	-	-	-	-	-	-	-	1,056,825
Internal Service	26,704	-	59,759	8,438	50,585	18,390	5,157	441	169,474
Business-type Activities									
Major Funds									
Electric	1,522,702	-	-	-	-	-	-	-	1,522,702
Gas	304,057	-	220,491	-	-	-	-	-	524,548
Water	295,420	-	268,464	-	-	-	-	-	563,884
Wastewater	253,535	-	145,315	-	-	-	-	-	398,850
Sanitation	138,000	-	-	-	-	-	-	-	138,000
Total Transfers To	\$ 3,597,243	\$ 87,841	\$ 694,029	\$ 8,438	\$ 50,585	\$ 18,390	\$ 5,157	\$ 441	\$ 4,462,124

Contributions from the Brenham Community Development (BCDC) component unit to the primary government totaled \$1,601,909 in FY25. \$575,973 in payments were reported as operating grants and contributions while \$1,025,936 was reported as capital grants and contributions.

H. Long-Term Debt

During the fiscal year, the City issued \$28.165 million of new certificates of obligation of which \$2.790 million was recognized in the governmental funds and \$25.375 was recognized in the enterprise funds. The debt was issued for the purpose of the acquisition of vehicles and heavy equipment for general government departments and water and wastewater utility system improvements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025:

	Balance <u>9/30/2024</u>	<u>Additions</u>	FY25 <u>Retirements</u>	Balance <u>9/30/2025</u>	Due Within <u>One Year</u>	<u>Long Term</u>
Governmental Activities						
Long Term Debt						
2006 COB - Gen	\$ 1,440,000	\$ -	\$ (700,000)	\$ 740,000	\$ 740,000	\$ -
2012 COB -Gen	880,000	-	(100,000)	780,000	100,000	680,000
2014 COB-Gen	2,410,000	-	(200,000)	2,210,000	205,000	2,005,000
2016 COB-Gen	770,517	-	(52,112)	718,405	53,973	664,432
2017 COB-Gen	1,930,000	-	(120,000)	1,810,000	125,000	1,685,000
2019 COB-Gen	1,170,000	-	(65,000)	1,105,000	65,000	1,040,000
2020 COB-Gen	2,720,000	-	(135,000)	2,585,000	140,000	2,445,000
2022 COB-Gen	3,660,000	-	(170,000)	3,490,000	180,000	3,310,000
2023 COB-Gen	8,410,000	-	(855,000)	7,555,000	1,035,000	6,520,000
2025 COB-Gen	-	2,790,000	-	2,790,000	10,000	2,780,000
	<u>23,390,517</u>	<u>2,790,000</u>	<u>(2,397,112)</u>	<u>23,783,405</u>	<u>2,653,973</u>	<u>21,129,432</u>
Unamort Bond Premium	975,929	346,287	(79,016)	1,243,200	NA	1,243,200
	<u>24,366,446</u>	<u>3,136,287</u>	<u>(2,476,128)</u>	<u>25,026,605</u>	<u>2,653,973</u>	<u>22,372,632</u>
Brenham National Bank 7 Year Note Payable - VERF	57,410	-	(28,368)	29,042	29,042	-
Citizens State Bank Excavator Note Payable - VERF	65,548	-	(21,522)	44,026	21,847	22,179
Brenham National Bank SCBA Note Payable - VERF	233,256	-	(56,470)	176,786	57,709	119,077
Brenham National Bank PD HVAC Note Payable	186,380	-	(34,778)	151,602	35,994	115,608
Subtotal-Long Term Debt	<u>24,909,040</u>	<u>3,136,287</u>	<u>(2,617,266)</u>	<u>25,428,061</u>	<u>2,798,565</u>	<u>22,629,496</u>
Other Long-Term Liabilities						
Lease Liability	47,053	156,622	(31,120)	172,555	46,502	126,053
Subscription Liability	147,653	847,695	(279,333)	716,015	233,193	482,822
Other Long Term Payable	43,066	-	(21,533)	21,533	21,533	-
Compensated Absences	626,430	584,852	(572,814)	638,468	292,426	346,042
Subtotal-Other Long-Term Liabilities	<u>864,202</u>	<u>1,589,169</u>	<u>(904,800)</u>	<u>1,548,571</u>	<u>593,654</u>	<u>954,917</u>
Total Governmental	<u>\$ 25,773,242</u>	<u>\$ 4,725,456</u>	<u>\$ (3,522,066)</u>	<u>\$ 26,976,632</u>	<u>\$ 3,392,219</u>	<u>\$ 23,584,413</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

	Balance 9/30/2024	Additions	FY25 Retirements	Balance 9/30/2025	Due Within One Year	Long Term
Business Type Activities						
Long Term Debt						
2016 COB- Electric	1,299,483	-	(87,888)	1,211,595	91,027	1,120,568
2016 GOB Ref-Water	2,420,000	-	(565,000)	1,855,000	590,000	1,265,000
2017 COB-Water	470,000	-	(30,000)	440,000	30,000	410,000
2017 COB-Wastew ater	385,000	-	(25,000)	360,000	25,000	335,000
2019 COB-Water	1,165,000	-	(65,000)	1,100,000	65,000	1,035,000
2020 COB-Water	595,000	-	(30,000)	565,000	30,000	535,000
2020 COB-Wastew ater	1,100,000	-	(55,000)	1,045,000	60,000	985,000
2022 COB-Water	2,575,000	-	(120,000)	2,455,000	125,000	2,330,000
2022 COB-Wastew ater	1,925,000	-	(90,000)	1,835,000	95,000	1,740,000
2024 COB-Water	4,405,000	-	(145,000)	4,260,000	150,000	4,110,000
2024 COB-Wastew ater	5,095,000	-	(165,000)	4,930,000	175,000	4,755,000
2025 COB-Water	-	22,445,000	-	22,445,000	685,000	21,760,000
2025 COB-Wastew ater	-	2,930,000	-	2,930,000	90,000	2,840,000
	<u>21,434,483</u>	<u>25,375,000</u>	<u>(1,377,888)</u>	<u>45,431,595</u>	<u>2,211,027</u>	<u>43,220,568</u>
Unamort Bond Premium-Electric	159,275	-	(13,413)	145,862	NA	145,862
Unamort Bond Premium-Water	890,090	1,514,419	(132,086)	2,272,423	NA	2,272,423
Unamort Bond Premium-Wastew ater	711,772	198,027	(44,039)	865,760	NA	865,760
16 Ref Deferred Chrg-Water	(124,943)	-	32,243	(92,700)	NA	(92,700)
	<u>23,070,677</u>	<u>27,087,446</u>	<u>(1,535,183)</u>	<u>48,622,940</u>	<u>2,211,027</u>	<u>46,411,913</u>
Bank of Brenham Street Sw eeper Note-Drainage	48,994	-	(48,994)	-	-	-
Citizens State Bank Excavator Note Payable-Drainage	65,548	-	(21,519)	44,029	21,847	22,182
Bank of Brenham Camera Trailer Note-Wastew ater	128,284	-	(40,680)	87,604	42,728	44,876
Bank of Brenham Chipper Truck Note-Electric	74,540	-	(23,637)	50,903	24,827	26,076
Bank of Brenham Dump Truck-Wastew ater	85,453	-	(19,288)	66,165	20,609	45,556
Bank of Brenham Slinger Truck-Wastew ater	207,131	-	(46,762)	160,369	49,954	110,415
Subtotal-Long Term Debt	<u>23,680,627</u>	<u>27,087,446</u>	<u>(1,736,063)</u>	<u>49,032,010</u>	<u>2,370,992</u>	<u>46,661,018</u>
Other Long-Term Liabilities						
Lease Liability	72,418	39,107	(22,752)	88,773	27,086	61,687
Subscription Liability	148,185	31,389	(50,874)	128,700	46,945	81,755
Compensated Absences	228,795	236,812	(259,770)	205,837	115,842	89,995
Subtotal-Other Long-Term Liabilities	<u>449,398</u>	<u>307,308</u>	<u>(333,396)</u>	<u>423,310</u>	<u>189,873</u>	<u>233,437</u>
Total Proprietary	<u>\$ 24,130,025</u>	<u>\$ 27,394,754</u>	<u>\$ (2,069,459)</u>	<u>\$ 49,455,320</u>	<u>\$ 2,560,865</u>	<u>\$ 46,894,455</u>
Component Unit Governmental Activities						
Long Term Debt						
Note Payable-BCDC to City Elec Fund-FY10	\$ 307,354	\$ -	\$ (74,904)	\$ 232,450	\$ 71,469	\$ 160,981
Note Payable-BCDC to City Elec Fund-FY17	135,000	-	(65,000)	70,000	70,000	-
Subtotal-Long Term Debt	<u>442,354</u>	<u>-</u>	<u>(139,904)</u>	<u>302,450</u>	<u>141,469</u>	<u>160,981</u>
Other Long-Term Liabilities						
Subscription Liability	14,999	-	(3,605)	11,394	3,700	7,694
Compensated Absences	4,313	9,383	(10,881)	2,815	2,346	469
Subtotal-Other Long-Term Liabilities	<u>19,312</u>	<u>9,383</u>	<u>(14,486)</u>	<u>14,209</u>	<u>6,046</u>	<u>8,163</u>
Total Governmental - BCDC	<u>\$ 461,666</u>	<u>\$ 9,383</u>	<u>\$ (154,390)</u>	<u>\$ 316,659</u>	<u>\$ 147,515</u>	<u>\$ 169,144</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirement to maturity for all bonded outstanding debt as of September 30, 2025 follows:

FISCAL YEAR ENDING 9/30	PRIMARY GOVERNMENT					
	GENERAL OBLIGATION		CERTIFICATES OF OBLIGATION		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2026	\$ 590,000	\$ 69,200	\$ 4,275,000	\$ 2,723,337	\$ 4,865,000	\$ 2,792,537
2027	620,000	45,600	2,860,000	2,534,151	3,480,000	2,579,751
2028	645,000	20,800	3,285,000	2,416,688	3,930,000	2,437,488
2029	-	-	3,415,000	2,279,038	3,415,000	2,279,038
2030	-	-	3,565,000	2,140,638	3,565,000	2,140,638
2031-2035	-	-	19,390,000	8,430,513	19,390,000	8,430,513
2036-2040	-	-	17,730,000	4,636,877	17,730,000	4,636,877
2041-2043	-	-	12,840,000	1,383,048	12,840,000	1,383,048
	<u>\$ 1,855,000</u>	<u>\$ 135,600</u>	<u>\$67,360,000</u>	<u>\$ 26,544,287</u>	<u>\$ 69,215,000</u>	<u>\$ 26,679,887</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2025 follows:

FISCAL YEAR ENDING 9/30	NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2026	\$ 304,557
2027	286,918	21,484
2028	179,241	9,588
2029	39,813	1,396
	<u>\$ 810,529</u>	<u>\$ 65,967</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding at September 30, 2025 for the primary government is comprised of the following:

\$9,000,000; 2006 Combination Tax and Revenue Certificates of Obligation due in annual installments of \$155,000 to \$740,000 through August 15, 2026; interest rate 3.940%-4.7886%	\$ 740,000
\$1,850,000; 2012 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$65,000 to \$120,000 through August 15, 2032; interest rate 1.0-2.5%	780,000
\$4,075,000; 2014 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$90,000 to \$285,000 through August 15, 2034; interest rate 2.0-3.5%	2,210,000
\$3,035,000; 2016 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$110,000 to \$210,000 through August 15, 2036; interest rate 2.0-4.0%	1,930,000
\$4,695,000; 2016 General Obligation Refunding Bonds due in annual installments of \$50,000 to \$645,000 through August 15, 2028; interest rate 2.0-4.0%	1,855,000
\$3,840,000; 2017 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$135,000 to \$255,000 through August 15, 2037; interest rate 3.0-4.0%	2,610,000
\$3,025,000; 2019 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$110,000 to \$190,000 through August 15, 2039; interest rate 3.0-3.25%	2,205,000
\$5,465,000; 2020 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$185,000 to \$325,000 through August 15, 2040; interest rate 2.0-5.0%	4,195,000
\$9,375,000; 2022 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$360,000 to \$575,000 through August 15, 2041; interest rate 2.0-3.0%	7,780,000
\$9,530,000; 2023 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$260,000 to \$1,035,000 through August 15, 2043; interest rate 4.0-5.0%	7,555,000
\$10,080,000; 2024 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$310,000 to \$735,000 through August 15, 2043; interest rate 4.0-5.0%	9,190,000
\$28,165,000; 2025 Combination Tax & Revenue Certificates of Obligation due in annual installments of \$785,00 to \$1,865,000 through August 15, 2045; interest rate 4.0-5.0%	28,165,000
\$193,500 note payable dated December 23, 2019 due in annual installments of \$29,710 including interest, through February 23, 2026; collateralized by financed vehicles & equipment. (7 Yr. VERF)	29,042
\$298,200 note payable dated December 9, 2020 due in annual installments of \$45,015 including interest, through September 1, 2027; collateralized by financed equipment. (Excavator)	88,058
\$402,129 note payable dated July 14, 2021 due in annual installments of \$61,474 including interest, through October 15, 2027; uncollateralized (SCBA)	176,786
\$252,502 note payable dated May 20, 2022 due in annual installments of \$41,296 including interest, through May 20, 2029; uncollateralized (PD HVAC)	151,602
\$80,928 other long term payable dated October 21, 2021, due in 5 annual installments of \$26,738, through November 2025 for police department equipment.	21,533
\$209,682 note payable dated April 12, 2023 due in annual installments of \$47,063 including interest, through September 15, 2027; uncollateralized (Camera Trailer)	87,604
\$121,305 note payable dated February 24, 2023 due in annual installments of \$27,346 including interest, through September 1, 2027; uncollateralized (Chipper Truck)	50,903
\$109,641 note payable dated April 26, 2024 due in annual installments of \$25,172 including interest, through June 15, 2028; uncollateralized (Dump Truck)	66,165
\$262,767 note payable dated May 30, 2024 due in annual installments of \$60,981 including interest, through September 15, 2028; uncollateralized (Slinger Truck)	160,369
Compensated Absences for accrued vacation	<u>844,305</u>
	\$70,891,367
Unamortized Bond Premium	4,527,245
Deferred Charges on Bonds	<u>(92,700)</u>
	<u>\$75,325,912</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt outstanding for Brenham Community Development Corporation Component Unit at September 30, 2025 and annual debt service payments to maturity for the outstanding debt follows:

\$1,000,000 note payable to primary government dated August 6, 2010, interest payable at 4.75%, unsecured, annual payments 2017 through 2029	\$ 232,450
\$500,000 note payable to primary government dated May 5, 2017, interest payable at 3.25%, unsecured, annual payments 2017 through 2026	70,000
	\$ 302,450

FISCAL YEAR ENDING 9/30	COMPONENT UNIT NOTES PAYABLE	
	PRINCIPAL	INTEREST
	2026	\$ 141,469
2027	68,191	83,774
2028	65,064	86,901
2029	27,726	40,143
	\$ 302,450	\$ 293,589

I. Leases

GASB Statement No. 87, *Leases*, requires the recognition of certain lease assets and liabilities for leases and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

Lessee -

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide funds 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.

The City monitors changes in circumstances that would require a re-measurement 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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

Leased assets are reported as capital assets on the government-wide Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

Lessor –

The City recognizes a lease receivable and deferred inflow of resources in the government-wide and fund financial statements.

The City 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 an estimated borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease and options to extend the lease if they are reasonably certain to be exercised. 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 re-measurement 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.

1. Lease receivable

During the year, the City leased land and building space. The leases have varying terms between two years and thirty years. The City recognized \$137,337 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was \$548,963. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$529,335.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The future amounts to be received under the lease agreements as of September 30, 2025 were as follows:

Governmental Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 27,237	\$ 10,956	\$ 38,193
2027	20,231	10,462	30,693
2028	18,252	9,989	28,241
2029	18,681	9,560	28,241
2030	18,709	9,121	27,830
2031-2035	82,121	39,184	121,305
2036-2040	87,008	28,509	115,517
2041-2045	84,724	17,084	101,808
2046-2050	66,122	5,963	72,085
2051-2054	6,487	427	6,914
	<u>\$ 429,572</u>	<u>\$ 141,255</u>	<u>\$ 570,827</u>

Business-Type Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 15,109	\$ 632	\$ 15,741
2027	15,189	552	15,741
2028	17,631	471	18,102
2029	17,724	378	18,102
2030	17,818	284	18,102
2031-2035	35,920	285	36,205
	<u>\$ 119,391</u>	<u>\$ 2,602</u>	<u>\$ 121,993</u>
	<u>\$ 548,963</u>	<u>\$ 143,857</u>	<u>\$ 692,820</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

2. Lease liability

The City has entered into lease agreements as lessee for the acquisition and use of office equipment and land space. The leases had varying terms between four years and 10 years. As of September 30, 2025, the value of the lease liability was \$261,328.

The future principal and interest lease payments as of September 30, 2025, were as follows:

Governmental Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 46,502	\$ 4,405	\$ 50,907
2027	39,253	3,120	42,373
2028	37,111	2,019	39,130
2029	33,042	984	34,026
2030	16,647	139	16,786
	<u>\$ 172,555</u>	<u>\$ 10,667</u>	<u>\$ 183,222</u>

Business-Type Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 27,086	\$ 2,171	\$ 29,257
2027	27,936	1,422	29,358
2028	14,179	748	14,927
2029	9,737	446	10,183
2030	5,900	191	
2031-2033	3,935	165	4,100
	<u>\$ 88,773</u>	<u>\$ 5,143</u>	<u>\$ 87,825</u>
	<u>\$ 261,328</u>	<u>\$ 15,810</u>	<u>\$ 271,047</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, requires the recognition of certain subscription assets and liabilities for subscriptions and recognizes inflows of resources or outflows of resources based on the payment provisions of the contract.

1. Subscription Liabilities

The City entered into subscription agreements for the use of various information technology platforms. The various subscription-based information technology arrangements (SBITAs) have terms of which expire in various years through 2029.

The future principal and interest subscription payments as of September 30, 2025, were as follows:

Governmental Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 233,193	\$ 19,580	\$ 252,773
2027	235,558	13,215	248,773
2028	141,335	6,803	148,138
2029	105,929	2,889	108,818
	<u>\$ 716,015</u>	<u>\$ 42,487</u>	<u>\$ 758,502</u>

Business-Type Activities			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 46,945	\$ 3,893	\$ 50,838
2027	45,554	2,499	48,053
2028	36,201	1,143	37,344
	<u>\$ 128,700</u>	<u>\$ 7,535</u>	<u>\$ 136,235</u>
	<u>\$ 844,715</u>	<u>\$ 50,022</u>	<u>\$ 894,737</u>

Component Unit			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 3,700	\$ 300	\$ 4,000
2027	3,797	203	4,000
2028	3,897	103	4,000
	<u>\$ 11,394</u>	<u>\$ 606</u>	<u>\$ 12,000</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

K. Rebatable Arbitrage

As defined in the federal tax code, governments are not permitted to reinvest the proceeds of tax-exempt debt in higher yielding securities. The liability to the federal government for any excess earnings is known as "rebtable arbitrage". Arbitrage rebate payments must be made to the federal government every five years and within 60 days of final maturity. A rebtable arbitrage liability is recognized in all funds and in the government-wide and proprietary fund financial statements when incurred and measurable.

At September 30, 2025 the primary government reported a liability for rebtable arbitrage in the following funds. These amounts were reported as interest, fiscal and other charges.

Streets & Drainage Improvements Fund	\$	81,792
General Government Capital Projects Fund		315,018
Water Fund		173,384
Wastewater Fund		186,278
		\$ 756,472

L. Restricted Cash and Investments:

The balances of the restricted cash and investment accounts in the governmental and business type activities were as follows:

	Governmental Activities	Business-type Activities
Capital Projects	\$ 9,626,992	\$ 33,595,646
Customer Deposits	-	1,971,292
Debt Service	1,241,098	-
Hotel/Motel Tax	247,854	-
PD Criminal Law Enforcement	102,224	-
Streets/Drainage Improvements	1,520,734	-
Tax Increment Reinvestment Zone #1	2,092,556	-
Community Projects	1,079	-
Employee Benefits	477,589	-
Worker's Compensation	205,075	-
	\$ 15,515,201	\$ 35,566,938

M. Classification of Net Position

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents capital assets, net of accumulated depreciation and is reduced by outstanding balances for bonds and other debt that is attributed to the acquisition, construction, or improvement of those assets. Restricted net position represents assets that have externally imposed restrictions by creditors, grantors, contributions, or laws or regulations of other governments.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

N. Classification of Fund Balance:

In the fund financial statements, the components of fund balances reflect the City's "Fund Balance Policy for Governmental Funds" adopted by action of the City Council on October 1, 2015.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reason, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance – Amounts that can only be used for a specific purpose because they are constrained by limitations that the government imposes upon itself through formal action by the City Council, the government's highest level of decision-making authority. Formal action consists of either Council resolution or the approval of a council meeting agenda item, each of which are equally binding. These restraints remain binding unless removed by formal action of City Council.

Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, committees, or officials to whom the City Council has delegated authority.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which an amount had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

III. DETAILED NOTES ON ALL FUNDS (Continued)

The following schedule presents details of fund balance components at September 30, 2025:

	General Fund	Debt Service Fund	General Govt. Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventory	\$ 218,651	\$ -	\$ -	\$ -	\$ 218,651
Prepaid Assets	34,300	-	-	-	34,300
Restricted for:					
Debt Service	-	1,243,369	-	-	1,243,369
Grantor and Contributor Purposes	161,925	-	-	1,079	163,004
Public Safety	36,843	-	5,960,046	93,744	6,090,633
Economic Development	-	-	-	2,120,142	2,120,142
Capital Projects	-	-	2,624,424	37,898	2,662,322
Transportation & Aviation Projects	-	-	-	1,363,754	1,363,754
Court Technology and Security	-	-	-	79,591	79,591
Tourism Promotion	-	-	-	282,904	282,904
Committed to:					
Park Capital Improvements	-	-	-	433,366	433,366
Transportation and Aviation Projects	-	-	-	20,000	20,000
Assigned to:					
Culture and Recreation	-	-	-	44,723	44,723
Unassigned:					
	10,425,959	-	-	-	10,425,959
Total Fund Balances:	<u>\$ 10,877,678</u>	<u>\$ 1,243,369</u>	<u>\$ 8,584,470</u>	<u>\$ 4,477,201</u>	<u>\$ 25,182,718</u>

IV. 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 assumes part of the risk and participates in the Texas Municipal League Intergovernmental Risk Pool for the excess over certain deductibles. The City pays an annual premium to the TML Pool in order to receive premium discounts. The Pool is intended to be self-sustaining through member contributions and reinsures through commercial companies for claims over certain deductibles. The Pool returns a portion of contributions to members if claims and needed reserves are less than contributions received.

The City maintains an established risk management program for workers' compensation. Interfund premiums are based upon the insured funds' payroll and workers' compensation code rates and recorded as quasi-external interfund transactions in the Proprietary Fund statements. Net position of the workers' compensation risk management internal service fund as of September 30, 2025 was \$205,125.

B. Contingent Liabilities

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial statements of the City.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Audits for some of these federal programs for the year ended September 30, 2025 and for several prior years have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures for grants which may be disallowed by the grantor agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Deferred Compensation Plans

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. Participation in either plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City's involvement in administering the plan is limited to remitting the amounts collected from employees to the plan administrator. The government is not considered to be holding the assets of the plan nor does it direct the use, exchange or employment of the assets in the plans, therefore the deferred compensation plans are not presented in this report.

D. Retirement

The aggregate amount for all pension plans as of September 30, 2025 are as follows:

	<i>TMRS</i>	<i>TESRS</i>	<i>Total</i>
<i>Net Pension Liability</i>	\$ 12,377,493	\$ 615,258	\$ 12,992,751
<i>Deferred Outflows of Resources</i>	\$ (2,600,462)	\$ (302,249)	\$ (2,902,711)
<i>Deferred Inflows of Resources</i>	\$ 921,461	\$ -	\$ 921,461
<i>Current Year Pension Expense</i>	\$ 2,489,919	\$ 226,938	\$ 2,716,857

1. Texas Municipal Retirement System

Plan Description

The City of Brenham participates as one of 942 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 (Annual Report) that can be obtained at www.tmr.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.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. 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 for the City of Brenham are adopted by the governing body, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<i>Plan Year 2024</i>	<i>Plan Year 2025</i>
<i>Employee Deposit Rate</i>	<i>5%</i>	<i>5%</i>
<i>Matching Ratio (City to Employee)</i>	<i>2 to 1</i>	<i>2 to 1</i>
<i>Years Required for Vesting</i>	<i>5</i>	<i>5</i>
<i>Service Retirement Eligibility (Expressed as Age/Years of Service)</i>	<i>60/5, 0/20</i>	<i>60/5, 0/20</i>
<i>Updated Service Credit</i>	<i>100%, Transfers</i>	<i>100%, Transfers</i>
<i>Annuity Increase (To Retirees)</i>	<i>70% of CPI</i>	<i>70% of CPI</i>

Employees covered by benefit terms.

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

	<u>2024</u>
Membership	
Inactive employees or beneficiaries currently receiving benefits	172
Inactive employees entitled to but not yet receiving benefits	190
Active employees	<u>209</u>
Total	571

Contributions

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

Employees of the City of Brenham were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brenham were 17.73% and 17.29% in 2024 and 2025, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2025 were \$2,554,765 and were equal to the required contribution.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Actuarial assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale 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 as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short- term and long-term funding needs of TMRS.

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 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.1%
Core Fixed Income	6.00%	5.0%
Non-Core Fixed Income	6.00%	6.8%
Hedge Funds	5.00%	6.4%
Private Equity	13.00%	8.5%
Private Debt	13.00%	8.2%
Real Estate	12.00%	6.7%
Infrastructure	6.00%	6.0%
Other Private Markets	4.00%	7.3%
Total	100.00%	

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

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.

Changes in the Net Pension Liability

The following table presents the changes in net pension liability for the current period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	\$ 71,471,537	\$ 56,690,178	\$ 14,781,359
Changes for the year:			
Service Cost	1,736,528	-	1,736,528
Interest	4,775,900	-	4,775,900
Change of benefit terms	-	-	-
Difference between expected and actual experience	149,758	-	149,758
Changes of assumptions	-	-	-
Contributions - employer	-	2,517,462	(2,517,462)
Contributions - employee	-	709,946	(709,946)
Net investment income	-	5,877,304	(5,877,304)
Benefit payments, including refunds of employee contributions	(3,171,459)	(3,171,459)	-
Administrative expense	-	(37,777)	37,777
Other changes	-	(883)	883
Net changes	3,490,727	5,894,593	(2,403,866)
Balance at 12/31/2024	\$ 74,962,264	\$ 62,584,771	\$ 12,377,493

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability (NPL) of the City of Brenham, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount 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%)
City's net pension liability	\$22,388,644	\$12,377,493	\$4,122,076

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City of Brenham recognized pension expense of \$2,489,919 and 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	\$ 651,099	\$ -
Differences in assumption changes	-	287,476
Differences between projected and actual investment earnings	-	633,985
Contributions subsequent to the measurement date	1,949,363	-
Total	\$ 2,600,462	\$ 921,461

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$1,949,363 will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

Amounts reported as deferred outflows and inflows of resources, by year, to be recognized in future pension expense are shown below:

Measurement Year	Pension Expense
2025	\$ 302,470
2026	721,769
2027	(884,460)
2028	(410,141)
Total	<u>\$ (270,362)</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2024, there were 244 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2024, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	4,122
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,806
Active Participants (Vested and Non-vested)	3,394

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Funding Policy

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

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

The Board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the August 31, 2024 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

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

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

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2024, total contributions (dues, prior service, and interest on prior service financing) of \$29,560 were paid by the City. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2024 to the plan as a whole.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Net Pension Liability

The System's net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024.

Total pension liability	\$ 245,843,265
Plan fiduciary net position	138,468,453
System's net pension liability	\$ 107,374,812
Plan fiduciary net position as a percentage of the total pension liability	56.30%

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

Actuarial Assumptions:	
Investment Rate of Return*	7.25%
Projected Salary Increase	N/A
*Includes Inflation At	2.75%
Cost of Living Adjustments	None

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.60%) and by adding expected inflation (2.75%). In addition, the final 7.25% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large Cap Domestic	20.00%	5.71%
Small/Mid Cap Domestic	10.00%	5.98%
Developed International	15.00%	6.19%
Emerging Markets	5.00%	7.38%
Global infrastructure	5.00%	6.63%
Real Estate	10.00%	4.50%
Multi asset income	5.00%	3.75%
Fixed Income	30.00%	1.97%
Cash	0.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 actuarial valuation. Based on those assumptions, the System's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounted at the long-term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

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 5.38%, 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 (4.38%) or 1 percentage point higher (6.38%) than the current rate:

	1% Decrease in Discount Rate (4.38%)	Discount Rate (5.38%)	1% Increase in Discount Rate (6.38%)
City's proportionate share of the net pension liability	\$849,115	\$615,258	\$ 430,646

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

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

At August 31, 2025, the City reported a liability of \$615,258 for its proportionate share of the plan's net pension liability. This liability reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 615,258
State's proportionate share that is associated with the City*	<u>154,091</u>
Total	<u>\$ 769,349</u>

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

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024. GASB Statement No. 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward the net pension liability nor did they provide the necessary information for the participants to roll forward themselves. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report a net pension liability measured as of August 31, 2024. The City used the assumption that any differences in the net pension liability measured as of August 31, 2024 versus September 30, 2024 would be immaterial. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.573%.

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

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

For the year ended September 30, 2025 the City recognized pension expense of \$207,288. The City recognized on-behalf revenues of \$9,825 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

At August 31, 2024, the City reported its proportionate share of the TESRS's deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between projected and actual investment earnings	\$ 33,039
Differences due to changes in actuarial assumptions	219,168
Differences in expected and actual experience	20,602
Contributions paid to TESRS subsequent to the measurement data	29,440
Total	\$ 302,249

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$29,440 will be recognized as a reduction of the net liability for the year ending September 30, 2026.

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

Measurement Year	Pension Expense
2025	\$ 161,995
2026	120,707
2027	(3,679)
2028	(6,214)
Total	\$ 272,809

E. Other Post-Employment Benefits

Plan Description. The City of Brenham provides post-employment medical benefits (OPEB) to eligible City employees and their eligible dependents and retirees and their eligible dependents. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The single-employer defined benefit plan provides medical and prescription benefit coverage.

Benefits Provided. Retirees and covered spouses whose sum of age and years of service was equal to or greater than 75 at the time of retirement may purchase group health insurance until they or their spouse reach Medicare eligibility. Medical coverage levels for retirees are the same coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. The retiree pays the established monthly premium for group health care coverage less the City supplement of \$100. The contribution requirements of plan members are established by the City and may be amended as needed.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Employees covered by benefit terms. At October 1, 2024, the effective date of the most recent OPEB valuation, the following employees were covered by the benefit terms:

Inactive employees or spouses currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	0
Active plan members	196
	200

Total OPEB Liability. The City's total OPEB liability of \$1,261,428 was measured as of September 30, 2025 and was determined by an actuarial valuation as of October 1, 2024.

Actuarial Assumptions. The total OPEB in the October 1, 2024 actuarial valuation was determined using the following actuarial assumptions as of the September 30, 2025 measurement date:

Discount rate	4.90%
Actuarial cost method	Entry Age Normal
Inflation	2.30%
Salary increases including inflation	2.75%
Healthcare cost trend rate	Initial rate of 7.10% decreasing to 6.40% after the first year then decreasing to 4.10% after 11 years then increasing to 4.20% in year 27 then declining to an ultimate rate of 3.70% after 50 years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the Pub 2016 projected forward with MP-2021.

The plan has not had a formal actuarial experience study performed.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 9/30/2024	\$ 1,856,009
Changes for the year:	
Service Cost	55,585
Interest on total OPEB liability	72,486
Effect of plan changes	-
Effect of economic/demographic gains or losses	(540,871)
Effect of assumptions, changes or inputs	(163,451)
Benefit payments	(18,330)
Net changes	(594,581)
Balance at 9/30/2025	\$ 1,261,428

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.90%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) than the current rate.

	1% Decrease in Discount Rate (3.90%)	Discount Rate (4.90%)	1% Increase in Discount Rate (5.90%)
Total OPEB Liability	\$1,417,378	\$1,261,428	\$1,125,850

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$1,091,057	\$1,261,428	\$1,467,616

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

For the year ended September 30, 2025, the City recognized OPEB expense/(benefit) of (\$40,480). At September 30, 2025, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 622,940
Changes of assumptions	27,777	568,824
Total	\$ 27,777	\$ 1,191,764

Amounts reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30:		
2026	\$	(163,185)
2027		(187,224)
2028		(277,364)
2029		(266,334)
2030		(161,664)
Thereafter		(108,216)
Total	\$	<u>(1,163,987)</u>

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

F. Tax Increment Reinvestment Zones

Chapter 311 of the Texas Tax Code allows for the creation of Tax Increment Reinvestment Zones ("TIRZ"). TIRZ are statutory tools available to municipalities in Texas to promote development or redevelopment in an area that would not occur in the foreseeable future solely through private investment.

When a TIRZ is formed, a base value for the property located within the TIRZ is established. At the date of creation, the appraised value is normally accepted as the base value. As the property within the TIRZ develops, property taxes are collected based upon appreciated appraised values at the established rate. The amount of taxes attributable to the increase in the appraised value is remitted to the Tax Increment Financing Fund to be used to fund the approved project plan. Project plans normally include the creation of infrastructure and other public improvements within the respective zone. A TIRZ may be terminated either on the date designated in the ordinance creating the zone, or the date on which all project costs, tax increment debt, and associated interest have been paid.

As of September 30, 2025, the City has created one Tax Increment Financing Zone:

Tax Increment Reinvestment Zone #1: In December 2018, the City approved an ordinance creating a TIRZ known as "Tax Increment Reinvestment Zone Number One, City of Brenham, Texas" ("Zone One"). Zone One encompasses approximately 2,201 acres of land generally located along U.S. Highway 290, South Market Street, and West Main Street corridors within the city limits. In December 2019, the City approved an ordinance amending the boundaries of the zone to include an additional 199 acres bringing total acreage of Zone One to 2,400 acres. In FY25, Zone One funds of \$41,517 were used for the second economic incentive payment to a developer. The City contributes 50% of its incremental tax revenues to Zone One.

In FY24, the appraisal district notified the City that previously reported TIRZ values provided to the City were incorrect and that incremental tax revenue deposits made to the Tax Increment Financing Fund in years 2020 through 2024 had been overstated. In FY25, the amount of the total correction was calculated, approved by the TIRZ Board, and is reflected in the financial statements.

The following schedule is a history of relevant data with regard to this TIRZ and includes the corrections noted above.

Fiscal Year	Net Taxable Value	Base Value*	Captured Value	TIRZ Incremental Tax Revenue
2020	\$298,021,083	\$ 278,498,294	\$ 19,522,789	\$ 50,174
2021	344,246,741	309,569,532	34,677,209	89,120
2022	370,042,202	309,569,532	60,472,670	155,415
2023	500,569,586	309,569,532	191,000,054	452,384
2024	578,982,490	309,569,532	269,412,958	617,494
2025	666,456,065	309,569,532	356,886,533	817,984

* 2021 Base Value adjusted to include additional acres added with December 2019 TIRZ boundary amendment.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

G. Tax Abatements

The City of Brenham negotiates property tax abatement agreements on an individual basis. Each agreement was negotiated under The Texas Property Redevelopment and Tax Abatement Act, Chapter 312, Tax Code, V.A.T.S. as amended, allowing localities to abate property taxes for economic development purposes, which include business relocation, retention and expansion. Property must be located within a reinvestment zone to be eligible for a tax abatement, and agreements are limited to ten (10) years in length.

The City has established guidelines and criteria for tax abatements and has adopted formal incentive schedules for calculating the level of abatement depending on the combination of property value created and job creation/retention. These schedules also include property value created in the downtown district.

The recipients commit to adding new value to the tax rolls of eligible property within established minimums and maximums and commit to new and or retained full-time employees with a minimum salary and benefits level.

Each tax phase-in incentive project is monitored annually for compliance. If a recipient does not fulfill the requirements, the City has an abatement recapture clause and if such default is not cured within thirty (30) days, the agreement shall be terminated. Taxes otherwise abated for the calendar year of default, shall be paid to the City within sixty (60) days from the date of termination.

For fiscal year 2025, the City abated property taxes of \$77,040, or 0.68%, of the \$11,395,351 total levy.

H. Economic Development Agreements

In FY19 the City entered into a Chapter 380 Economic Development Agreement with a developer of a retail shopping center, and at the same time the County entered into a Chapter 381 Economic Development Agreement with the developer. The City's agreement was amended in November 2020 and again in November 2024. In accordance with the terms of the agreement, the City reimbursed the developer for certain infrastructure costs. The City also makes annual payments to the developer for a percentage of the 1 cent sales tax collected from within the development property. The percentage for years 1 through 5 is 90% and may be reduced to 80% and then 70% over the term of the agreement. Payment will continue annually through December 31, 2033, or until the cumulative payments from both the City and the County total \$7,000,000, whichever occurs first. As of September 30, 2025, the City has recognized a total sales tax reimbursement of \$702,910 under this agreement.

In FY23, the City entered into a Chapter 380 Agreement with a developer of a mixed used development. Under the terms of the agreement, the City agrees to utilize TIRZ funds to reimburse actual costs related to qualified public infrastructure constructed by the developer. The reimbursement payments will be paid annually as revenues are received into the TIRZ funds and at no time will reimbursement payments exceed the funds generated by the developer's project. Reimbursement payments will commence in 2024, and in years 1 through 10, 100% of the increment generated by the project will be used to reimburse qualified infrastructure costs. The reimbursement percentage decreases to 75% in years 11 through 20. As of September 30, 2025, the City has recognized \$46,494 of reimbursement payments.

In FY24, The City and BCDC entered into a Chapter 380 Agreement Economic Development Agreement with a retail developer to reimburse 80% of sales tax generated by the project over a period of 10 years at a maximum amount of \$500,000 each for the City and BCDC. The City and BCDC have recognized \$85,754 of sales tax reimbursements each.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

I. Related Party Transactions

In 2025, the City paid for services totaling \$66,809 that were provided by a related party of the City Council.

J. Subsequent Events

On October 2, 2025, the City Council approved the purchase of a digger derrick truck for the Electric department for a cost of \$344,063.

On October 2, 2025, the City Council approved the acceptance of public infrastructure improvements in the following subdivisions:

- Heritage Oaks, Phase 2 at a value of \$392,220
- Vintage Farms, Phase 6 at a value of \$1,544,252
- Ebenezer Development at a value of \$479,985
- Wilkins Valley Phase 1 and 2 at a value of \$2,389,419

On October 16, 2025, the City Council approved the purchase of seven (7) police vehicles through the Interlocal Purchasing System (TIPS) for a total of \$407,892.

On October 16, 2025, the City Council awarded a bid in the amount of \$25,770,000 for rehabilitation and expansion of the City's Surface Water Treatment Plant.

On December 4, 2025, the City Council approved the acceptance of public infrastructure improvements for the Phase 7 of the Vintage Farms subdivision at a value of \$289,910.

On January 22, 2026, the City Council approved a 5-year lease purchase agreement with Cadence Equipment Finance in the amount of \$369,340, with an interest rate of 5.75%, for the purchase of a street sweeper for the Drainage Fund.

At the January 22, 2026 council meeting, a resolution was approved indicating the City's intent to issue up to \$14,460,000 of Combination Tax and Revenue Certificates of Obligation, Series 2026 with an estimated closing date of April 23, 2026. The proceeds from the sale are to be used for water and wastewater system improvements and streets and drainage improvement projects.

On February 5, 2026, the City Council awarded a bid in the amount of \$4,136,965 for phase 1 of the Brenham Family Park.

On February 5, 2026, the City Council approved a professional services agreement for \$1,260,000 related to engineering services for utility line relocations along US Highway 290. At the same meeting, Council approved a reimbursement resolution to declare the City's intent to reimburse itself for these relocation costs through a future bond issuance. In addition, Council approved a resolution for an interfund loan up to \$1,260,000 from the Electric Fund to the Gas, Water and Wastewater Funds to be utilized for cash flow purposes until bond proceeds are available.

On February 5, 2026, the City Council approved a professional services agreement for \$305,000 related to engineering services for wastewater system improvement projects.

On March 5, 2026, the City Council approved a professional services agreement for \$375,000 related to engineering services for water system improvements.

City of Brenham, Texas
Notes to Basic Financial Statements
September 30, 2025

IV. OTHER INFORMATION (Continued)

K. New Pronouncements

The City will implement the following new financial accounting and reporting standards issued by GASB:

- Statement No. 103, "Financial Reporting Model Improvements." The requirements for this statement are effective for FY26.
- Statement No. 104, "Disclosure of Certain Capital Assets." The requirements for this statement are effective for FY26.
- Statement No. 104, "Subsequent Events." The requirements for this statement are effective for FY27.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

BRACEWELL

[Closing Date]

\$ _____
CITY OF BRENHAM, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

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

CITY OF BRENHAM, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated _____, 2026.

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

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

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

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

Bracewell LLP

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bracewell.com

BRACEWELL

[Closing Date]

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Based on such examination, it is our opinion that:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within the City of Brenham, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of the surplus revenues of the Issuer's combined utility system as provided in the Ordinance.
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

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

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

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