

**PRELIMINARY OFFICIAL STATEMENT**

**Dated April 6, 2026**

In the opinion of Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

**The City will designate the Bonds as "Qualified Tax-Exempt Obligations."**  
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

**NEW ISSUE - Book-Entry-Only**

**\$3,000,000\***  
**CITY OF BLANCO, TEXAS**  
**(A political subdivision of the State of Texas located in Blanco County, Texas)**

**GENERAL OBLIGATION BONDS, SERIES 2026**

**Dated Date: May 1, 2026**

**Due: February 15, as shown on page ii**

Interest to accrue from Delivery Date

**PAYMENT TERMS** . . . Interest on the \$3,000,000\* City of Blanco, Texas General Obligation Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date (defined below) and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, thereafter until stated maturity or prior redemption. Interest on the Bonds will be calculated based on a 360-day year consisting of twelve 30-day months. The definitive Bonds 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 Bonds will be made to the owners thereof.** Principal of and interest on the Bonds 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 Bonds (see "THE BONDS - Book-Entry-Only System"). The initial Paying Agent/Registrar is Wilmington Trust, N.A., Buffalo, New York (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and an ordinance to be adopted by the City Council of the City on April 14, 2026 (the "Ordinance") (see "THE BONDS - AUTHORITY FOR ISSUANCE OF THE BONDS" and "THE BONDS - SECURITY AND SOURCE OF PAYMENT").

**PURPOSE** . . . Proceeds from the Bonds will be used for the purpose of providing funds for paying contractual obligations incurred or to be incurred for constructing, improving, designing, acquiring, and equipping the City's water/wastewater system and payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuing the Bonds.

**MUNICIPAL BOND INSURANCE** . . . The City has made applications to municipal bond insurance companies to have the payment of principal and interest on all or a portion of the Certificates insured by a municipal bond insurance policy. The City may use municipal bond insurance to the extent that it is economical, (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein").

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page ii**

**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see Appendix B, "Form of Legal Opinion of Bond Counsel"). Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through DTC on or about May 5, 2026 (the "Delivery Date").

**SAMCO CAPITAL**

\*Preliminary, subject to change.

**MATURITY SCHEDULE**  
**\$3,000,000\***  
**CITY OF BLANCO, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2026**

CUSIP Prefix: 093340 <sup>(A)</sup>

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Yield</b>	<b>CUSIP Suffix<sup>(A)</sup></b>
2/15/2028				
2/15/2029				
2/15/2030				
2/15/2031				
2/15/2032				
2/15/2033				
2/15/2034				
2/15/2035				
2/15/2036				
2/15/2037				
2/15/2038				
2/15/2039				
2/15/2040				
2/15/2041				
2/15/2042				
2/15/2043				
2/15/2044				
2/15/2045				
2/15/2046				
2/15/2047				
2/15/2048				
2/15/2049				
2/15/2050				
2/15/2051				
2/15/2052				
2/15/2053				
2/15/2054				
2/15/2055				
2/15/2056				
2/15/2057				

(Interest to accrue from the Delivery Date)

<sup>(A)</sup> 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 the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Purchaser, or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION . . .** The City reserves the right to redeem the Bonds maturing on and after February 15, 20\_\_, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20\_\_, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption (see “THE BONDS – Optional Redemption” herein). In the event any of the Bonds are structured as “Term Bonds”, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).

\*Preliminary, subject to change.

**CITY OF BLANCO, TEXAS**

**CITY COUNCIL**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Candy Cargill	Mayor	May 2027
Dennis J. Moore, Jr.	Mayor Pro-Tem	May 2026
David Behrens, Jr.	Councilmember	May 2027
Bobby Mack-McClung	Councilmember	May 2026
Ryan Moses	Councilmember	May 2026
Rodney Thrailkill	Councilmember	May 2027

**ADMINISTRATIVE OFFICERS**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Years of Experience</u>
Warren Escovy	City Administrator	4.5 years	9 years
Jose Martinez	Finance Director	1.5 years	1.5 years

**CONSULTANTS AND ADVISORS**

McCall, Parkhurst & Horton L.L.P., Austin, Texas	Bond Counsel
Crowe LLP, Houston, Texas	Independent Certified Public Accountant
D.A. Davidson & Co., Plano, Texas	Financial Advisor

For additional information regarding the City, please contact:

Warren Escovy, City Administrator  
City of Blanco, Texas  
300 Pecan Street  
Blanco, Texas 78606  
Phone: (830)-833-4525

or

Steve Perry, Senior Vice President  
D.A. Davidson & Co.  
5601 Granite Parkway, Suite 560  
Plano, Texas 75024  
Phone: (972) 523-3913

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document, as the same may be supplemented or corrected from time to time, may be treated as an "official statement" with respect to the Bonds described herein 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 provided by Subsection (b)(1) of the Rule.*

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

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

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor.*

*This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the accuracy of such estimates and opinions, or that they will be realized. CUSIP Numbers have been assigned to this issue by the CUSIP Service Bureau for the convenience of the owners of the Bonds.*

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

*In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.*

*None of the City, the Financial Advisor, or the Underwriter makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "THE BONDS - BOOK-ENTRY-ONLY SYSTEM", or the insurer, if any, and its municipal bond insurance policy described herein (or incorporated by reference) under the heading "BOND INSURANCE", as such information has been provided by DTC and the insurer, respectively.*

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

*THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS 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.*

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## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

<b>The Issuer</b>	The City of Blanco, Texas (the “City”) is a general law Type A municipality and political subdivision of the State of Texas located in Blanco County. For information regarding the City and its economy see “Appendix A – Financial Information Regarding the City” attached hereto.
<b>The Bonds</b>	The City of Blanco, Texas \$3,000,000* General Obligation Bonds, Series 2026 (the “Bonds”) are being issued as serial Bonds maturing on February 15 in each of the years 202_ through 20_ , unless the Underwriter (as defined on the cover page hereof) designates two or more consecutive serial Bonds as one or more Term Bonds (see “THE BONDS - Description of the Bonds”).
<b>Payment of Interest</b>	Interest on the Bonds accrues from the Delivery Date, expected to be May 5, 2026, and is payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds”).
<b>Purpose of Bonds</b>	Proceeds from the Bonds will be used for the purpose of providing funds for paying contractual obligations incurred or to be incurred for constructing, improving, designing, acquiring, and equipping the City's water/wastewater system and payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuing the Bonds.
<b>Authorization and Security</b>	<p>The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and the ordinance to be adopted by the City Council of the City on April 14, 2026 authorizing the Bonds (the “Ordinance”) (see “THE BONDS - Authority for Issuance of the Bonds”).</p> <p>The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance (see “THE BONDS - Security and Source of Payment”).</p>
<b>Optional Redemption</b>	The Bonds having stated maturities on and after February 15, 203_ , are subject to optional redemption in whole or in any part thereof, in the principal amounts of \$5,000 or any integral multiple thereof on February 15, 203_ , or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption). In the event any of the Bonds are structured as “Term Bonds”, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement (see “THE BONDS – Mandatory Sinking Fund Redemption”).
<b>Ratings</b>	The presently outstanding tax supported debt of the City is rated “A2” by Moody’s Investors Service (“Moody’s”) without regard to credit enhancement. An application has been submitted to Moody’s for contract rating on the Bonds (see “OTHER INFORMATION - Ratings”).
<b>Tax Exemption</b>	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.
<b>Qualified Tax-Exempt Obligations</b>	The City will designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions”).

\*Preliminary, subject to change.

**Book-Entry-Only System**

The Bonds are initially issued only to Cede & Co., the nominee of the Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds (see “THE BONDS - Book-Entry-Only System”).

**Legal Opinion**

Delivery of the Bonds is subject to the approving opinions of the Attorney General of the State of Texas and the legal opinions of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead P.C., San Antonio, Texas.

**Payment Record**

The City has never defaulted on any of its debt obligations.

**Delivery Date**

When issued, anticipated to be on or about May 5, 2026.

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO**

**CITY OF BLANCO, TEXAS**

**\$3,000,000\*  
GENERAL OBLIGATION BONDS,  
SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$3,000,000\* City of Blanco, Texas General Obligation Bonds, Series 2026 (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the “Ordinance”) to be adopted by the City Council (the “City Council”) of the City of Blanco, Texas (the “City”) on April 14, 2026, which will authorize the issuance of the Bonds.

There follows in this Official Statement descriptions of the Bonds 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, D.A. Davidson & Co., 5601 Granite Parkway, Suite 560, Plano, Texas 75024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for information regarding the EMMA system and 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, duly organized and existing under the laws of the State. The City was incorporated in 1938. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected for staggered two-year terms. The City Administrator is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, drinking water, solid waste, planning and zoning, and general administrative services.

The City’s audited financial statements for the Fiscal Year ended September 30, 2025 (the “Financial Statements”), which are set forth as APPENDIX C, present information on the general financial condition of the City at the dates and for the periods described therein. The Financial Statements and other financial information of this Official Statement are not intended to imply that any other tax receipts, revenues or moneys of the City are pledged to pay the principal of or interest on the Bonds. As used herein, the term “Fiscal Year,” unless otherwise indicated, means the City’s Fiscal Year, which currently is the twelve-month period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year. Each such period may be designated with the number of the calendar year in which such period ends.

**PLAN OF FINANCING**

**Purpose**

Proceeds from the Bonds will be used for the purpose of providing funds for paying contractual obligations incurred or to be incurred for constructing, improving, designing, acquiring, and equipping the City's water/wastewater system, and payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuing the Bonds.

\*Preliminary, subject to change

**Sources and Uses of Proceeds**

Proceeds from the sale of the Bonds are expected to be expended as follows:

<b>Sources of Funds</b>	
Par Amount	\$
Reoffering Premium	
<b>Total Sources of Funds</b>	<u><u>\$</u></u>
<b>Uses of Funds</b>	
Deposit to Project Fund	\$
Costs of Issuance	
Underwriter’s Discount	
<b>Total Uses of Funds</b>	<u><u>\$</u></u>

**THE BONDS**

**Description of the Bonds**

The Bonds are dated May 1, 2026 and mature on February 15 in each of the years and in the amounts shown on page ii. Interest on the Bonds will accrue from the Delivery Date as defined on the cover hereof and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds 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 Bonds (see “THE BONDS - Book-Entry-Only System”).

**Authority for Issuance of the Bonds**

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and the Ordinance, and are direct obligations of the City, payable from a continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance.

**Security and Source of Payment**

The Bonds constitute direct obligations of the City payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City (see “THE BONDS – Tax Rate Limitation”).

**Tax Rate Limitation**

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all ad valorem tax debt. Article XI, Section 4, of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$1.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance of the Bonds and based on a 90% collection rate.

**Optional Redemption**

The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 203\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 203\_, or any date thereafter at a price of par, plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds

for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### **Mandatory Sinking Fund Redemption**

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

### **Notice of Redemption**

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the “Security Register”) at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be Outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds held by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See “BOOK-ENTRY-ONLY SYSTEM” herein.

### **Amendments to the Ordinance**

The City may, without the consent of or notice to any Holders of the Bonds, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of a majority in aggregate principal amount of the applicable Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all Holders of applicable Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the such Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on such Bonds, (2) give any preference to any Bond over any other Bond, as applicable, or (3) reduce the aggregate principal amount of Bonds, required to be held by Holders for consent to any such amendment, addition, or rescission.

### **Defeasance**

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is

provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Bonds, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and, (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption that have been defeased to stated maturity is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Because the Ordinance provides that securities or obligations that may be authorized under future State law may also be used to defease the Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease the Bonds as described in this section will be maintained at any particular rating category.

### **Paying Agent/Registrar**

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

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly

authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “THE BONDS - Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

### **Record Date for Interest Payment**

The record date for determining the person to whom the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month (the “Record 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 must 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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Remedies**

If the City defaults in the payment of principal or interest, or redemption price, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Texas cities are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“*Tooke*”) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”) the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* for a second time and issued an opinion on October 5, 2018, clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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 Bonds. As noted above, the Ordinance provides that bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

### **Bond Insurance**

The City has made applications to municipal bond insurance companies to have the payment of the principal of and interest on all or a portion of the Certificates insured by a municipal bond insurance policy. The City may use bond insurance to the extent that it is economical.

### **BOND INSURANCE GENERAL RISKS**

If the City obtains a commitment from a bond insurance company (the “Insurer”) to provide a municipal bond insurance policy relating to all or a portion of the Certificates (the “Policy”), the final Official Statement shall disclose certain information relating to the Insurer and the Policy. If the City chooses to purchase the Policy, the following risk factors related to municipal bond insurance policies generally apply.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE BONDS –Remedies”). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law, and are further secured by a limited pledge of surplus revenues of the City’s sewer system revenues not to exceed \$1,000. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in “RATING”.)

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer; the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the Financial Advisor has made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein.

Moody’s Investors Services, Inc., S&P Global Ratings (“S&P”), and Fitch Ratings, Inc. (collectively the “Rating Agencies”) have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Bonds, 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 Bonds. 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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds 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 Bonds representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as, redemption, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Bonds 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, physical Obligation Bonds are required to be printed and delivered.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued, printed Bonds will be issued to the DTC Participants or the owner, as the case may be, and such Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but none of the City, the Financial Advisor, or the Underwriter 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 Bonds 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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

#### **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 Blanco 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 challenge the granting of exemptions, exclusion of the property from the tax roll, determination that property qualifies for agriculture, open space or timber valuation and the failure to identify the taxing unit as one in which a property is taxable.

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

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

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

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 at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. 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 presentation 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.

## **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.

Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

## **Freeport and Goods-In-Transit Exemptions**

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

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

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

## **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.

## **Temporary Exemption for Qualified Property Damaged by a Disaster**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

## **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 \$62,683,169 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

## 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.

## Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

**"preceding total value"** means a taxing unit's current total value in the applicable preceding tax year.

**"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 rate calculated as the greater of zero or the cumulative foregone revenue amounts for the prior three tax years divided by the current total taxable value, which may be applied to a district's tax rate in the current tax year without impacting the voter-approval tax rate.

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

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

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

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.

## **City Application of Property Tax Code**

The City does not exempt freeport property from taxation.

The City has adopted a tax abatement policy and has no abatements in place.

The City does grant disabled veterans exemptions as follows:

A \$5,000 to \$12,000 exemption to the market value of residences of veterans rated 10 to 29% disabled.

## **TAX RATE LIMITATIONS**

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City (a Type A municipality with a population less than 5,000), and limits its maximum ad valorem tax rate to \$1.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

## **INVESTMENTS**

The City invests its investable funds 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.

### **Legal Investments**

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized Bonds of deposit and share Bonds; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### **Investment Policies**

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the

policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

### **Current Investments**

As of December 31, 2025 the City had \$2,813,273 invested in bank deposits and local government investment pools.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix B -- Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the

Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued 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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market

discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a “bank,” as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The City expects that the Bonds will be designated, or deemed designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

### **UNDERWRITING**

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering

prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of \$ , and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

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

## **LITIGATION**

In the opinion of certain officials of the City, the City is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal which, if decided adversely to the City, would have a material adverse effect on the financial statements of the City).

At the time of initial delivery of the Bonds, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

## **LEGAL MATTERS**

The City will furnish the Underwriter with a complete transcript of proceedings for the Bonds incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding general obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding general obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds and the Ordinance contained in this Official Statement under the captions "THE BONDS" (except under the subcaption "Remedies"), "BOOK-ENTRY-ONLY SYSTEM," "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), "LEGAL INVESTMENTS IN TEXAS", and "LEGAL MATTERS (except in the last sentence thereof)," and such firm is of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown and is correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds, will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, San Antonio, Texas, whose legal fees are contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds 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.

## **LEGAL INVESTMENTS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, 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 Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are

legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds 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 Bonds are legal investments for various institutions in those states.

The City makes no representation that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

#### **Annual Reports**

The City will file with EMMA annually certain updated financial information and operating data to the MSRB. The information to be updated includes the quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1-5 and 7-9 of Appendix A and in Appendix C. The City will update and provide this information within nine months after the end of each fiscal year ending in and after 2026. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the City Councils 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 C 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 June 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

#### **Notice of Certain Events**

The City will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds,

or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement (though the City has applied for a municipal bond insurance policy), or liquidity enhancement. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34- 83885 dated August 20, 2018.

#### **Availability of Information**

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge via EMMA.

#### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds 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 Bonds 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 of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **Compliance with Prior Undertakings**

The City previously entered into a continuing disclosure undertaking. For fiscal years 2019 through 2022, the City did not timely file its audited financial statements and also failed to file its financial operating data for such period. A notice of late filing and all missing information has been provided to EMMA as of July 17, 2024. Additionally, the City's audited financial statements

for fiscal year 2024 were filed late on July 16, 2025. A notice of late filing for the fiscal year 2024 audit was filed on March 31, 2026. Other than as described, the City has complied in all material respects with its continuing disclosure obligations.

### **CYBERSECURITY RISKS**

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

### **RATINGS**

The presently outstanding tax supported debt of the City is rated "A2" by Moody's Ratings, Inc. ("Moody's") without regard to credit enhancement. An application has been made to Moody's for contract rating on the Bonds. An explanation of the significance of such rating may be obtained from the company furnishing such rating. The rating reflects only the views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **FINANCIAL ADVISOR**

D.A. Davidson & Co. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. D.A. Davidson & Co., 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 Bonds, 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. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

**CONCLUDING STATEMENT**

The information set forth herein has been obtained from the City’s records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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, SEC Rule 15c2-12.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering and sale of the Bonds by the Underwriter in accordance with the provisions of the Rule, as amended.

CITY OF BLANCO, TEXAS

\_\_\_\_\_  
/S/  
Mayor, City of Blanco, Texas

ATTEST:

\_\_\_\_\_  
/S/  
City Secretary, City of Blanco, Texas

**APPENDIX A**  
**FINANCIAL INFORMATION REGARDING THE CITY**

**TABLE 1  
CITY OF BLANCO, TEXAS  
VALUATIONS, EXEMPTIONS AND TAX DEBT**

<b>2025 Market Valuation Established by Blanco County Appraisal District<sup>(1)</sup></b>	<b>\$ 448,755,461</b>
<b><u>Less Adjustments/Exemptions:</u></b>	<b>\$ (72,021,945)</b>
<b>2025 Taxable Assessed Valuation</b>	<b><u>\$ 376,733,516</u></b>
<b>Total Tax Debt</b>	<b>\$ 16,790,000</b>
Plus: The Bonds <sup>(2)</sup>	3,000,000
<b>Less: Self Supporting Debt <sup>(3)</sup></b>	<b>(4,510,000)</b>
<b>Net Tax Debt</b>	<b><u>\$ 15,280,000</u></b>
 Ratio Net Ad Valorem Tax Supported Debt to Taxable Assessed Valuation	 4.06%
 2026 Estimated Population <sup>(4)</sup> -	 2,075
Per Capita Taxable Assessed Valuation -	\$ 181,558
Per Capita Tax Debt -	\$ 8,092
Per Capita Net Tax Debt -	\$ 7,364

<sup>(1)</sup> Source: Blanco County Appraisal District

<sup>(2)</sup> Preliminary, subject to change

<sup>(3)</sup> Source: The City; Self-Supporting Debt in the amounts shown is currently provided from revenues of the City's water and wastewater utility system.

<sup>(4)</sup> Source: Municipal Advisory Council of Texas

**TABLE 2  
CITY OF BLANCO, TEXAS  
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

	Fiscal Year Ended 9/30				
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Real Property:</b>					
Single Family Residence	\$184,547,043	\$186,176,363	\$ 180,528,820	\$146,203,161	\$ 112,466,572
Multifamily Residence	10,043,940	8,769,399	8,648,988	5,288,500	4,395,240
Vacant Lots and Land Tracts	8,979,928	8,559,897	9,444,843	6,448,190	4,894,060
Qualified Open-Space Land	38,103,980	39,056,460	39,650,030	30,738,420	18,569,620
Improvements Qualified OP	381,220	506,040	725,568	446,790	390,990
Rural Land, Non-Qualified OPE	38,052,999	39,841,320	39,577,501	30,596,209	22,149,190
Commercial Real Property	118,804,743	122,050,704	102,642,980	88,091,370	68,557,625
Industrial and Manufacturing	16,436,160	16,386,710	12,065,420	797,420	629,290
Gas Distribution System	2,042,830	3,370	3,930	5,910	7,670
Electric/Telecom Utility	714,164	994,019	980,120	407,661	354,007
Other Utility	200,940	81,795	-	131,461	156,962
Commercial Personal Property	23,333,693	28,194,533	27,014,370	24,814,768	15,866,481
Industrial Personal Property	6,175,561	1,761,753	1,712,450	-	-
Mobile Homes	859,430	791,054	814,513	548,970	608,420
Special Inventory Tax	78,830	118,130	18,720	2,480	3,880
<b>Total Market Value</b>	<b><u>448,755,461</u></b>	<b><u>453,291,547</u></b>	<b><u>423,828,253</u></b>	<b><u>334,521,310</u></b>	<b><u>249,050,007</u></b>
<b>Less Adjustments/Exemptions <sup>(1)</sup></b>					
<b>Total Exemptions</b>	<b><u>(72,021,945)</u></b>	<b><u>(89,144,424)</u></b>	<b><u>(81,343,142)</u></b>	<b><u>(57,771,375)</u></b>	<b><u>(29,651,131)</u></b>
<b>Net Taxable Valuation</b>	<b><u>\$376,733,516</u></b>	<b><u>\$364,147,123</u></b>	<b><u>\$ 342,485,111</u></b>	<b><u>\$276,749,935</u></b>	<b><u>\$ 219,398,876</u></b>

Source: Blanco County Appraisal District

**PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY**

<b>Property Use Category</b>	<b><u>2026</u></b>	<b><u>2025</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Single Family Residence	41.12%	41.07%	42.59%	43.71%	45.16%
Multifamily Residence	2.24%	1.93%	2.04%	1.58%	1.76%
Vacant Lots and Land Tracts	2.00%	1.89%	2.23%	1.93%	1.97%
Qualified Open-Space Land	8.49%	8.62%	9.36%	9.19%	7.46%
Improvements Qualified OP	0.08%	0.11%	0.17%	0.13%	0.16%
Rural Land, Non-Qualified OPE	8.48%	8.79%	9.34%	9.15%	8.89%
Commercial Real Property	26.47%	26.93%	24.22%	26.33%	27.53%
Industrial and Manufacturing	3.66%	3.62%	2.85%	0.24%	0.25%
Gas Distribution System	0.46%	0.00%	0.00%	0.00%	0.00%
Electric/Telecom Utility	0.16%	0.22%	0.23%	0.12%	0.14%
Other Utility	0.04%	0.02%	0.00%	0.04%	0.06%
Commercial Personal Property	5.20%	6.22%	6.37%	7.42%	6.37%
Industrial Personal Property	1.38%	0.39%	0.40%	0.00%	0.00%
Mobile Homes	0.19%	0.17%	0.19%	0.16%	0.24%
Special Inventory Tax	0.02%	0.03%	0.00%	0.00%	0.00%
<b>Total</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

**TABLE 3  
CITY OF BLANCO, TEXAS  
PROPERTY TAX COLLECTIONS**

<b>Tax Year</b>	<b>Taxable Assessed Valuation</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>F/Y Ended</b>
2020	193,985,261	0.3218	679,362	09/30/21
2021	219,398,876	0.3218	767,301	09/30/22
2022	276,749,935	0.3215	972,169	09/30/23
2023	342,485,111	0.3532	1,209,657	09/30/24
2024	364,147,123	0.4094	1,490,818	09/30/25
2025	376,733,516	0.4101	1,544,984	09/30/26

Source: Blanco County Appraisal District

**TABLE 4  
CITY OF BLANCO, TEXAS  
TAX RATES**

	<b>Fiscal Year Ended 9/30</b>				
	<b><u>2026</u></b>	<b><u>2025</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Maintenance & Operations	\$0.1834	\$0.1700	\$0.2026	\$0.1917	\$0.1430
Interest & Sinking Fund	<u>0.2267</u>	<u>0.2394</u>	<u>0.1589</u>	<u>0.1660</u>	<u>0.2073</u>
Total	<b><u>\$0.4101</u></b>	<b><u>\$0.4094</u></b>	<b><u>\$0.3532</u></b>	<b><u>\$0.3577</u></b>	<b><u>\$0.3503</u></b>

Source: Blanco County Appraisal District

**TABLE 5  
CITY OF BLANCO, TEXAS  
TOP TEN PROPERTY TAX PAYERS**

Name of Taxpayer	Type of Business	2025	
		Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Humulus Lupulus Ent. Inc.	Alcohol Distribution	\$ 14,072,810	3.74%
Uptown Blanco Ltd.	Strip Mall/Plaza	5,780,142	1.53%
Cox Paving of Texas Inc.	Equipment	5,148,900	1.37%
Behrends David Family Trust	Commercial Building	4,523,893	1.20%
Maria Investments Ltd.	Strip Mall/Plaza	4,199,570	1.11%
HNC Enterprises LLC	Wholesale Supplier/Distributi	3,468,183	0.92%
The Fringe Group Blanco LLC	Hotel/Motel	3,233,370	0.86%
Texas Regional Bank	Financial/Banking	3,073,350	0.82%
7-Eleven Inc.	Gas Station/Convenience Stor	3,000,000	0.80%
Thomson Real Estate Investments LI	Commercial Building	2,905,170	0.77%
<b>Total</b>		<b>\$ 49,405,388</b>	<b>13.12%</b>

Name of Taxpayer	Type of Business	2024	
		Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Humulus Lupulus Ent. Inc.	Alcohol Distribution	\$ 15,112,180	4.14%
Uptown Blanco Ltd.	Strip Mall/Plaza	\$4,985,711	1.37%
Cox Paving of Texas Inc.	Equipment	4,447,560	1.22%
The Fringe Group Blanco LLC	Hotel/Motel	4,367,824	1.20%
Maria Investments Ltd.	Strip Mall/Plaza	4,195,063	1.15%
David Behrends Family Trust	Storage Units/Warehouses	\$3,948,747	1.08%
Thomson Real Estate Investments LI	Commercial Building	3,545,368	0.97%
7-Eleven Inc.	Gas Station/Convenience Stor	\$3,460,424	0.95%
Texas Regional Bank	Financial/Banking	\$3,417,848	0.94%
Blanco Oaks Apartments LLC	Apartments	\$3,123,864	0.86%
<b>Total</b>		<b>\$ 50,604,589</b>	<b>13.88%</b>

Name of Taxpayer	Type of Business	2023	
		Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Humulus Lupulus Ent. Inc.	Alcohol Distribution	\$ 15,115,090	4.01%
The Fringe Group Blanco LLC	Hotel/Motel	6,890,060	1.83%
Uptown Blanco Ltd.	Commercial Bldg.	4,885,169	1.30%
Cox Paving of Texas	Asphalt Paving	4,806,280	1.28%
JW Blanco I Ltd	Commercial Bldg.	3,577,190	0.95%
Maria Investments	Real Estate	3,495,886	0.93%
Texas Regional Bank	Financial/Banking	3,495,308	0.93%
Behrends David Family Trust	Medical Clinic	3,471,480	0.92%
Thomson Real Estate Investments LI	Real Estate	3,394,570	0.90%
Six Wheeler Investments	Real Estate	3,194,230	0.85%
<b>Total</b>		<b>\$ 52,325,263</b>	<b>13.89%</b>

Source: Blanco County Appraisal District

**Tax Value Concentration**

As shown in the table above, the total combined top ten taxpayers in the City currently account for approximately 13% of the City's tax base. Any adverse development related to the top ten taxpayers and their ability to continue to conduct business at its location within the City's boundaries may result in significantly less local tax revenue, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness.

**TABLE 6  
CITY OF BLANCO, TEXAS  
OVERLAPPING DEBT**

	Total <u>Tax Debt</u>	<u>As of</u>	Estimated % <u>Applicable</u>	City's Overlapping <u>Tax Debt</u>
Blanco County	\$ 9,250,000	2/15/2026	10.31%	\$ 953,675
Blanco ISD	72,930,000	2/15/2026	20.53%	\$14,972,529
<b>Total Net Overlapping Debt</b>				<b><u><u>\$15,926,204</u></u></b>
 City of Blanco (Net Tax Debt)				 \$15,280,000
 <b>Total Direct &amp; Overlapping Tax Debt</b>				 <b><u><u>\$31,206,204</u></u></b>
Total Direct & Overlapping Tax Debt as % of TAV				17.35%
Per Capital Total Direct and Overlapping Tax Debt				\$ 15,039

*Source: Municipal Advisory Council of Texas*

**TABLE 7**  
**CITY OF BLANCO, TEXAS**  
**DEBT SERVICE REQUIREMENTS**

Ending 30-Sep	Total Outstanding Debt		LESS: Self Supporting Debt		Plus: The Bonds <sup>(1)</sup>		Net Tax Debt		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2026	730,000	379,344	1,109,344	240,126	-	191,667	560,000	234,218	794,218
2027	745,000	362,594	1,107,594	238,736	-	148,875	575,000	410,525	985,525
2028	625,000	344,350	969,350	242,163	45,000	146,625	470,000	351,688	821,688
2029	755,000	328,408	1,083,408	245,328	45,000	144,250	590,000	336,705	926,705
2030	770,000	311,032	1,081,032	243,280	50,000	141,750	610,000	320,502	930,502
2031	545,000	292,759	837,759	246,107	50,000	139,125	380,000	303,402	683,402
2032	555,000	284,038	839,038	243,732	55,000	136,375	390,000	296,056	686,056
2033	560,000	274,707	834,707	241,252	55,000	133,500	395,000	288,205	683,205
2034	565,000	265,023	830,023	238,645	60,000	130,500	405,000	280,003	685,003
2035	585,000	254,847	839,847	245,927	60,000	127,375	410,000	271,420	681,420
2036	595,000	243,929	838,929	242,948	65,000	124,000	425,000	262,356	687,356
2037	600,000	232,545	832,545	244,871	70,000	120,375	430,000	252,675	682,675
2038	615,000	220,676	835,676	241,612	75,000	116,625	445,000	242,564	687,564
2039	625,000	208,199	833,199	243,275	75,000	112,750	450,000	231,924	681,924
2040	640,000	195,263	835,263	244,823	80,000	108,625	460,000	220,940	680,940
2041	655,000	181,688	836,688	241,198	85,000	104,250	480,000	209,365	689,365
2042	670,000	167,515	837,515	247,510	90,000	99,625	485,000	197,130	682,130
2043	685,000	152,818	837,818	243,598	95,000	94,750	505,000	184,471	689,471
2044	700,000	137,584	837,584	244,652	100,000	89,625	515,000	171,182	686,182
2045	715,000	121,656	836,656	245,557	105,000	84,250	525,000	157,349	682,349
2046	730,000	105,396	835,396	246,369	110,000	78,625	540,000	143,153	683,153
2047	745,000	88,506	833,506	242,042	115,000	72,750	555,000	128,340	683,340
2048	505,000	71,095	576,095	117,691	120,000	66,625	435,000	113,029	548,029
2049	400,000	57,229	457,229	-	125,000	60,250	450,000	99,479	549,479
2050	410,000	45,690	455,690	-	130,000	53,500	460,000	85,440	545,440
2051	425,000	33,683	458,683	-	140,000	46,375	480,000	70,808	550,808
2052	265,000	22,704	287,704	-	145,000	38,875	320,000	57,079	377,079
2053	275,000	12,811	287,811	-	155,000	31,000	335,000	44,311	379,311
2054	100,000	2,500	102,500	-	160,000	22,750	160,000	31,000	191,000
2055	-	-	-	-	170,000	14,000	-	-	-
2056	-	-	-	-	180,000	4,750	-	-	-
2057	-	-	-	-	190,000	-	-	-	-
<b>TOTALS</b>	<b>\$ 16,790,000</b>	<b>\$ 5,398,583</b>	<b>\$ 22,188,583</b>	<b>\$ 5,471,434</b>	<b>\$ 3,000,000</b>	<b>\$ 2,984,417</b>	<b>\$ 13,240,000</b>	<b>\$ 5,995,316</b>	<b>\$ 19,235,316</b>

(1) Preliminary, subject to change.

**TABLE 8**  
**CITY OF BLANCO, TEXAS**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND**

<b>REVENUES</b>	For the Year Ended September 30th				
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Property Taxes	\$ 612,823	\$ 697,772	\$ 520,905	\$ 313,512	\$ 297,132
General Sales and Use Taxes	1,209,845	1,112,861	1,037,064	975,830	862,569
Franchise Tax	140,225	105,232	108,040	101,645	96,310
Licenses and Permits	85,378	107,939	109,418	97,296	45,497
Intergovernmental Revenue and Grants	75,385	127,738	227,857	67,125	-
Charges for Services	6,708	96,573	77,035	69,174	30,817
Fines	17,406	101,156	133,421	134,942	142,889
Investment Earnings	64,869	77,075	51,663	271	1,869
Other Revenue	19,316	12,758	4,721	15,217	9,563
<b>Total Revenues</b>	<b>\$ 2,231,955</b>	<b>\$ 2,439,104</b>	<b>\$ 2,270,124</b>	<b>\$ 1,775,012</b>	<b>\$ 1,486,646</b>
<b>EXPENDITURES</b>					
General Government	\$ 638,811	\$ 692,916	\$ 741,235	\$ 687,187	\$ 484,781
Code Compliance	1,053,349	73,374	48,808	30,718	7,040
Police	24,248	1,077,135	1,249,325	1,147,227	1,035,871
Highways, Streets and Parks	78,910	117,565	337,094	108,593	154,797
Mayor and Council	6,953	8,975	15,619	13,229	12,983
Municipal Court	-	141,586	155,544	133,646	121,858
Tourism/Community Aid	-	-	14,318	17,142	17,595
Debt Service:					
Other Debt Principal	32,035	30,599	56,374	57,345	80,118
Other Debt Interest	3,044	4,481	3,519	4,184	6,324
Capital Outlay	48,112	92,766	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,885,462</b>	<b>\$ 2,239,397</b>	<b>\$ 2,621,836</b>	<b>\$ 2,199,271</b>	<b>\$ 1,921,367</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 346,493	\$ 199,707	\$ (351,712)	\$ (424,259)	\$ (434,721)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 7,492
Transfers Out	-	-	-	-	(9,088)
Subscription Arrangements	-	-	62,440	-	-
Capital lease/Loan proceeds	-	-	30,185	49,647	84,280
<b>Total Other Financing Sources(Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,625</b>	<b>\$ 49,647</b>	<b>\$ 82,684</b>
Net Change in Fund Balances	346,493	199,707	(259,087)	(374,612)	(352,037)
Beginning Fund Balance	638,767	439,060	698,147	1,072,759	1,247,849
Prior Period Adjustment	-	-	-	-	176,947
Adjusted Beginning Fund Balance	638,767	439,060	698,147	1,072,759	1,424,796
Ending Fund Balance	<b>\$ 985,260</b>	<b>\$ 638,767</b>	<b>\$ 439,060</b>	<b>\$ 698,147</b>	<b>\$ 1,072,759</b>

Source: The City's Audited Financial Statements

**TABLE 9**  
**CITY OF BLANCO, TEXAS**  
**WATER AND SEWER SYSTEM HISTORY**

	For the Year Ended September 30th				
	2025	2024	2023	2022	2021
<b>OPERATING REVENUES</b>					
Water and Sewer Fees	\$2,718,696	\$2,605,736	\$2,222,213	\$ 2,204,840	\$ 2,021,171
Other Income	23,881	979	7,054	7,689	21,555
<b>Total Operating Revenues</b>	<u>\$2,742,577</u>	<u>\$2,606,715</u>	<u>\$2,229,267</u>	<u>\$ 2,212,529</u>	<u>\$ 2,042,726</u>
<b>OPERATING EXPENSES</b>					
<b>Water and Sewer</b>					
Personnel Services-Salaries and Wages	\$ 45,865	\$ 60,543	\$ 47,729	\$ 351,374	\$ 410,624
Purchased Professional & Technical Services	518,228	619,684	461,561	458,257	400,485
Other Operating Costs	1,855,680	1,633,722	1,520,479	1,125,882	477,929
<b>Depreciation</b>	837,302	826,941	499,968	402,367	397,217
<b>Total Operating Expense</b>	<u>\$3,257,075</u>	<u>\$3,140,890</u>	<u>\$2,529,737</u>	<u>\$ 2,337,880</u>	<u>\$ 1,686,255</u>
Operating Income	\$ (514,498)	\$ (534,175)	\$ (300,470)	\$ (125,351)	\$ 356,471
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	\$ 267,987	\$ 116,067	\$ 71,624	\$ 15,077	\$ 2,863
Interest Expense - Non-Operating	(616,858)	(464,632)	(274,853)	(198,429)	(206,316)
Other Non-Operating Revenue/(Expenses)	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>\$ (348,871)</u>	<u>\$ (348,565)</u>	<u>\$ (203,229)</u>	<u>\$ (183,352)</u>	<u>\$ (203,453)</u>
Income Before Contributions, Transfers, Contributions, Gains or Losses	\$ (863,369)	\$ (882,740)	\$ (503,699)	\$ (308,703)	\$ 153,018
Capital contributions	\$ 67,731	\$ 437,672	\$ 190,165	\$ -	\$ -
Non-Operating Transfers In	654,167	513,910	455,126	450,316	416,333
Transfers Out (Use)	-	-	-	-	-
Change in Net Position	\$ (141,471)	\$ 68,842	\$ 141,592	\$ 141,613	\$ 569,351
Total Net Position - October 1 (Beginning)	\$7,967,266	\$7,898,424	\$7,756,832	\$ 7,615,219	\$ 7,045,868
Prior Period Adjustment	-	-	-	-	-
Total Net Position - September 30 (Ending)	<u>\$7,967,266</u>	<u>\$7,898,424</u>	<u>\$7,756,832</u>	<u>\$ 7,615,219</u>	<u>\$ 7,045,868</u>
<b>Total Net Assets, End of Year</b>	<u><b>\$7,825,795</b></u>	<u><b>\$7,967,266</b></u>	<u><b>\$7,898,424</b></u>	<u><b>\$ 7,756,832</b></u>	<u><b>\$ 7,615,219</b></u>

Source: The City's Audited Financial Statements

**TABLE 10**  
**CITY OF BLANCO, TEXAS**  
**SALES TAX COLLECTIONS**

<b>Calendar Year</b>	<b>Sales Tax Collections <sup>(1)</sup></b>
2022	\$965,566
2023	\$1,021,931
2024	\$1,134,342
2025	\$1,159,896
2026	\$202,001 <sup>(2)</sup>

<sup>(1)</sup> Source: Municipal Advisory Council of Texas

<sup>(2)</sup> As of February 2026

**APPENDIX B**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

*[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]*

**CITY OF BLANCO, TEXAS  
GENERAL OBLIGATION BONDS, SERIES 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

**AS BOND COUNSEL FOR** the City of Blanco, Texas (the "City") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds and in the ordinance of the City adopted on \_\_\_\_\_, 2026 authorizing the issuance of the Bonds (the "Ordinance").

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of said Bonds, including the executed Bond (Bond Number R-1).

**BASED ON SAID EXAMINATION**, it is our opinion that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City, payable from ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law, on taxable property within the City.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the City with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants,



interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**WE EXPRESS NO OPINION** as to any insurance policy issued with respect to the payments due for principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the



financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of the City and the assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

**APPENDIX C**

**BASIC FINANCIAL STATEMENTS,  
MANAGEMENT DISCUSSION AND ANALYSIS, AND  
REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

**CITY OF BLANCO, TEXAS**

**ANNUAL FINANCIAL REPORT**

For the year ended September 30, 2025

CITY OF BLANCO, TEXAS  
 ANNUAL FINANCIAL REPORT  
 For the year ended September 30, 2025

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**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
City Council Members of the  
City of Blanco, Texas:

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blanco, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibility of Management for the Financial Statements***

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

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

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(Continued)

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 generally accepted auditing standards, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefit liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on pages 4 through 11 and 50 through 54 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.

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(Continued)

***Supplementary Information***

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

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

Crowe LLP

Houston, Texas  
March 16, 2026

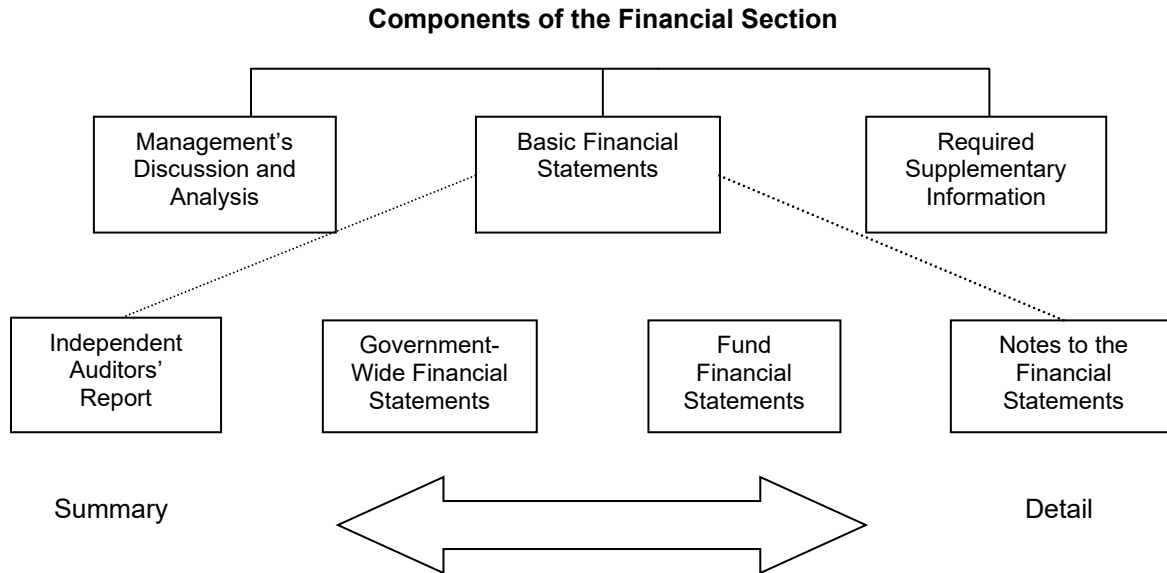
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Blanco, Texas (the "City") for the year ended September 30, 2025. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

**THE STRUCTURE OF OUR ANNUAL REPORT**



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

**Government-Wide Statements**

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

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

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(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including city hall, code compliance, police, mayor and council, municipal court, streets and parks, tourism, and community aid. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution, wastewater collection/treatment, and sanitation collection.

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

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(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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**Proprietary Funds**

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

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve, over time, as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$11,540,556 as of year end. The largest portion of the City's net position (73%) reflects its investments in capital assets (e.g., land, City hall, fleet equipment, streets, and drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

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CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	September 30, 2025			September 30, 2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>ASSETS</b>						
Current and other assets	\$ 1,831,620	\$ 7,134,809	\$ 8,966,429	\$ 1,265,002	\$ 7,836,520	\$ 9,101,522
Capital assets, net	2,221,702	20,193,311	22,415,013	2,325,051	19,322,777	21,647,828
Total assets	<u>4,053,322</u>	<u>27,328,120</u>	<u>31,381,442</u>	<u>3,590,053</u>	<u>27,159,297</u>	<u>30,749,350</u>
<b>DEFERRED OUTFLOWS ON RESOURCES</b>						
Deferred charge on refunding	-	8,331	8,331	-	12,496	12,496
Deferred outflow s - pension	50,780	1,816	52,596	83,004	3,196	86,200
Deferred outflow s - OPEB	12,595	497	13,092	14,845	593	15,438
Total deferred outflow s on resources	<u>63,375</u>	<u>10,644</u>	<u>74,019</u>	<u>97,849</u>	<u>16,285</u>	<u>114,134</u>
<b>LIABILITIES</b>						
Long-term liabilities	204,560	18,767,740	18,972,300	182,808	17,876,699	18,059,507
Other liabilities	85,888	740,822	826,710	98,816	1,328,036	1,426,852
Total liabilities	<u>290,448</u>	<u>19,508,562</u>	<u>19,799,010</u>	<u>281,624</u>	<u>19,204,735</u>	<u>19,486,359</u>
<b>DEFERRED INFLOWS ON RESOURCES</b>						
Deferred inflow s - pension	91,346	3,618	94,964	68,519	2,640	71,159
Deferred inflow s - OPEB	20,142	789	20,931	23,689	941	24,630
Total deferred inflow s on resources	<u>111,488</u>	<u>4,407</u>	<u>115,895</u>	<u>92,208</u>	<u>3,581</u>	<u>95,789</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,176,454	6,285,924	8,462,378	2,247,768	5,983,163	8,230,931
Restricted	738,813	119,658	858,471	513,464	272,571	786,035
Unrestricted	799,494	1,420,213	2,219,707	552,838	1,711,532	2,264,370
Total net position	<u>\$ 3,714,761</u>	<u>\$ 7,825,795</u>	<u>\$ 11,540,556</u>	<u>\$ 3,314,070</u>	<u>\$ 7,967,266</u>	<u>\$ 11,281,336</u>

A portion of the primary government's net position, \$858,471, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, \$2,219,707, may be used to meet the City's ongoing obligation to citizens and creditors.

There was an increase in total net position of \$259,220, which was due to revenues exceeding expenses. The total assets of \$31,381,442 was an increase of \$632,092 compared to prior year with current and other assets decreasing by \$135,093 and capital assets increasing by \$767,185. The decrease in current and other assets was primarily due spending on capital asset additions. Increases in capital assets were mainly due to an increase in improvements for the City's water and sewer system. Total liabilities are \$19,799,010 which was an increase of \$312,651 compared to prior year. The increase in total liabilities includes an increase in long-term liabilities due mainly to the issuance of debt during the fiscal year for construction projects. The decrease in other liabilities was primarily due to a decrease in accounts payable due to the timing of payment for construction costs around year end. There was a decrease in deferred outflows of resources of \$40,115 which was primarily due to a decrease in deferred outflows in the net difference between projected and investment earnings that is related to the pension plan. There was an increase in total deferred inflows of resources of \$20,106 which was primarily due to an increase in deferred differences between projected and actual investment earnings that are related to the pension plan.

(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

**Statement of Activities**

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

	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 174,648	\$ 2,718,696	\$ 2,893,344	\$ 312,682	\$ 2,605,736	\$ 2,918,418
Operating grants and contributions	17,406	-	17,406	127,738	-	127,738
Capital grants and contributions	-	67,731	67,731	-	437,672	437,672
General revenues						
Property taxes	1,491,869	-	1,491,869	1,227,604	-	1,227,604
Sales taxes	1,209,845	-	1,209,845	1,112,861	-	1,112,861
Hotel taxes	92,272	-	92,272	83,556	-	83,556
Franchise fees	140,225	-	140,225	105,232	-	105,232
Interest earnings	92,638	267,987	360,625	116,446	116,067	232,513
Other	19,316	23,881	43,197	12,758	979	13,737
<b>Total revenues</b>	<b>3,238,219</b>	<b>3,078,295</b>	<b>6,316,514</b>	<b>3,098,877</b>	<b>3,160,454</b>	<b>6,259,331</b>
<b>Expenses</b>						
General government	657,485	-	657,485	699,212	-	699,212
Public safety	1,122,662	-	1,122,662	1,290,047	-	1,290,047
Public works	24,248	-	24,248	73,374	-	73,374
Community development	375,922	-	375,922	292,022	-	292,022
Interest and fiscal charges	3,044	-	3,044	4,481	-	4,481
Utility operations	-	3,873,933	3,873,933	-	3,605,522	3,605,522
<b>Total expenses</b>	<b>2,183,361</b>	<b>3,873,933</b>	<b>6,057,294</b>	<b>2,359,136</b>	<b>3,605,522</b>	<b>5,964,658</b>
Increase (decrease) in net position before transfers	1,054,858	(795,638)	259,220	739,741	(445,068)	294,673
Transfers in (out)	(654,167)	654,167	-	(513,910)	513,910	-
<b>Change in net position</b>	<b>400,691</b>	<b>(141,471)</b>	<b>259,220</b>	<b>225,831</b>	<b>68,842</b>	<b>294,673</b>
Net position beginning of year	3,314,070	7,967,266	11,281,336	3,088,239	7,898,424	10,986,663
<b>Net position-end of year</b>	<b>\$ 3,714,761</b>	<b>\$ 7,825,795</b>	<b>\$ 11,540,556</b>	<b>\$ 3,314,070</b>	<b>\$ 7,967,266</b>	<b>\$ 11,281,336</b>

For the year, revenues from governmental activities totaled \$3,238,219, an increase of \$139,342 compared to the prior year which was primarily due to the net result of increases in property and sales taxes and decreases in program revenues. The increase in property taxes of \$264,265 was primarily due to an increase in property values and the increase in sales taxes of \$96,984 was due to an increase in economic activity. The decrease in program revenues of \$248,366 was due primarily to a decrease in operating grants and contributions from less grant revenue for public safety and a decrease in charges for services from less revenue received for school resource officers. Expenses from governmental activities totaled \$2,183,361, an overall decrease of 7% compared to the prior year. Governmental general government, public safety, and public work expenses decreased by \$258,238 due primarily to a decrease in personnel costs. There was an increase in governmental community development expenses of \$83,900 due mainly to an increase in service projects related to tourism.

(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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Revenues from business-type activities totaled \$3,078,295, a decrease of 3% compared to the prior year. This decrease was largely related to a decrease in capital grants and contributions related to grant awards for water and sewer system capital improvements. Expenses from business-type activities increased by \$268,411 compared to the prior year. The increase in business-type activities expenses was primarily due to an increase in operational costs for Inframark, LLC, who provides public works management services for the City.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$1,427,344, of which \$277,305 is restricted for debt service, \$164,779 is restricted for enabling legislation, and \$985,260 is reported as unassigned fund balance.

There was an increase in the combined fund balance of \$434,464 from the prior year, which included a transfer to the utility fund of \$654,167 and revenues in excess of expenditures of \$1,088,631.

The general fund is the chief operating fund of the City. At the end of the current year, the general fund reported an increase in fund balance of \$346,493. The total and unassigned fund balance of the general fund was \$985,260. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represent approximately 52% of total general fund expenditures. The general fund's revenue decreased by \$207,149 from the prior year which was mainly due to the net result of an increase in property and sales tax revenue and a decrease in intergovernmental and charges for service revenue. The increase in the general fund property tax revenues was due to an increase in appraised property values and the increase in sales tax revenue is due to an increase in economic activity. The decrease in intergovernmental revenue is primarily due to a decrease in grants for public safety and the decrease in governmental charges for services revenue is primarily due to a decrease in revenue for school resource officers. The general fund expenditures decreased by \$353,935 from the prior year which was mainly due to a decrease in personnel costs and decrease in capital outlay.

The debt service fund reported an increase in fund balance of \$222,220 after transfers to the utility fund for debt service costs. The debt service fund includes an increase in revenue of \$334,880 which was primarily due to an increase in property tax revenue due to an increase in appraised property value and debt service property tax rates.

**Proprietary Fund** – The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

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(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

There had been a planned increase in general fund balance of \$103,681. The general fund actual net increase in fund balance was \$346,493. Budgeted general fund revenues were less than actual general fund revenues by a net \$105,280 during the year, due mainly to greater sales tax revenue than expected. General fund expenditures were less than the final budget by \$137,532 which was primarily due to less expenditures for the police department than expected. The general fund expenditures include a positive budget variance for general fund departments and functions.

**CAPITAL ASSETS**

At the end of the year, the City's governmental and business-type activities had invested \$22,415,013 in a variety of capital assets (net of accumulated depreciation). Capital assets reported also include right-to-use assets from leases and software subscription assets (net of accumulated amortization). The increase in capital assets of \$767,185 includes capital additions of \$1,755,948, net of depreciation and amortization expense of \$988,763.

Major capital asset events and costs during the year included the following:

- The installation of new water meters of \$1,134,918.
- Wastewater and water treatment improvements of \$346,486.
- Improvements to the sewer system drainage lines of \$211,245.
- Retaining wall improvements to prevent flooding of \$48,112.
- Improvements to the water system for better ventilation of \$15,187.

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

**LONG-TERM DEBT**

At the end of the current year, the City had total long-term debt of \$18,810,142. Included within total long – term debt were certificates of obligation of \$15,210,000, general obligation refunding bonds of \$495,000, notes payable for \$1,085,000, loans for equipment purchases of \$1,878,427, bond premium of \$101,819, lease payable of \$14,438, and liabilities from software subscription arrangements of \$25,458.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City adopted a budget for the fiscal year ending September 30, 2026 that included general fund revenues of \$2,251,369 and expenditures of \$2,191,011. The City also budgeted \$865,957 in property tax revenues to secure debt payments and transfers out to the utility fund of \$886,507 for debt service costs within the debt service fund for fiscal year ending September 30, 2026. The total property tax rate for fiscal year ended September 30, 2026 was approved at \$0.4101 per \$100 assessed property value which was a \$0.0007 increase from prior year. The maintenance and operations portion of the total property tax rate is \$0.1834 and debt service portion of the total property tax rate is \$0.2267.

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(Continued)

CITY OF BLANCO, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2025

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**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City of Blanco Finance Department at 300 Pecan Street, Blanco, Texas 78606.

## **BASIC FINANCIAL STATEMENTS**

CITY OF BLANCO, TEXAS  
STATEMENT OF NET POSITION  
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,294,116	\$ 1,139,558	\$ 2,433,674
Receivables, net of allowance	263,394	401,136	664,530
Inventory	-	19,060	19,060
Prepaid	-	102,142	102,142
Restricted assets			
Cash and cash equivalents	-	1,078,592	1,078,592
Investments	-	4,382,777	4,382,777
Net pension asset	274,110	11,544	285,654
Capital assets			
Nondepreciable	140,892	1,117,866	1,258,758
Depreciable capital assets, net	2,036,195	19,075,445	21,111,640
Amortized right-to-use and subscription assets, net	44,615	-	44,615
Total assets	<u>4,053,322</u>	<u>27,328,120</u>	<u>31,381,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	-	8,331	8,331
Deferred outflows - pensions	50,780	1,816	52,596
Deferred outflows - OPEB	12,595	497	13,092
Total deferred outflows of resources	<u>63,375</u>	<u>10,644</u>	<u>74,019</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 85,888	\$ 85,751	\$ 171,639
Accrued interest	-	108,907	108,907
Customer deposits	-	127,715	127,715
Unearned revenue	-	418,449	418,449
Noncurrent liabilities			
Long-term liabilities due within one year	114,749	773,781	888,530
Long-term liabilities due in more than one year	20,144	17,991,113	18,011,257
Total OPEB liability	<u>69,667</u>	<u>2,846</u>	<u>72,513</u>
Total liabilities	<u>290,448</u>	<u>19,508,562</u>	<u>19,799,010</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	91,346	3,618	94,964
Deferred inflows - OPEB	20,142	789	20,931
Total deferred inflows of resources	<u>111,488</u>	<u>4,407</u>	<u>115,895</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,176,454	6,285,924	8,462,378
Restricted for			
Net pension asset	274,110	11,544	285,654
Enabling legislation	164,779	-	164,779
Debt service	299,924	108,114	408,038
Unrestricted	<u>799,494</u>	<u>1,420,213</u>	<u>2,219,707</u>
Total net position	<u>\$ 3,714,761</u>	<u>\$ 7,825,795</u>	<u>\$ 11,540,556</u>

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Government Activities	Business- Type Activities	
<b>Primary Government</b>							
Governmental activities							
General government	\$ 657,485	\$ 75,385	\$ -	\$ -	\$ (582,100)	\$ -	\$ (582,100)
Public safety	1,122,662	99,263	-	-	(1,023,399)	-	(1,023,399)
Public works	24,248	-	-	-	(24,248)	-	(24,248)
Community development	375,922	-	17,406	-	(358,516)	-	(358,516)
Interest and fees on long-term debt	3,044	-	-	-	(3,044)	-	(3,044)
Total governmental activities	<u>2,183,361</u>	<u>174,648</u>	<u>17,406</u>	<u>-</u>	<u>(1,991,307)</u>	<u>-</u>	<u>(1,991,307)</u>
Business-type activities							
Utility operations	<u>3,873,933</u>	<u>2,718,696</u>	<u>-</u>	<u>67,731</u>	<u>-</u>	<u>(1,087,506)</u>	<u>(1,087,506)</u>
Total business-type activities	<u>3,873,933</u>	<u>2,718,696</u>	<u>-</u>	<u>67,731</u>	<u>-</u>	<u>(1,087,506)</u>	<u>(1,087,506)</u>
Total primary government	<u>\$ 6,057,294</u>	<u>\$ 2,893,344</u>	<u>\$ 17,406</u>	<u>\$ 67,731</u>	<u>(1,991,307)</u>	<u>(1,087,506)</u>	<u>(3,078,813)</u>
General revenues							
Property taxes					1,491,869	-	1,491,869
Sales taxes					1,209,845	-	1,209,845
Hotel taxes					92,272	-	92,272
Franchise fees					140,225	-	140,225
Investment income					92,638	267,987	360,625
Other revenue					19,316	23,881	43,197
Transfers					(654,167)	654,167	-
Total general revenues and transfers					<u>2,391,998</u>	<u>946,035</u>	<u>3,338,033</u>
Change in net position					400,691	(141,471)	259,220
Beginning net position					<u>3,314,070</u>	<u>7,967,266</u>	<u>11,281,336</u>
Ending net position					<u>\$ 3,714,761</u>	<u>\$ 7,825,795</u>	<u>\$ 11,540,556</u>

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 842,592	\$ 277,305	\$ 174,219	\$ 1,294,116
Receivables, net	<u>216,464</u>	<u>22,619</u>	<u>24,311</u>	<u>263,394</u>
 Total assets	 <u>\$ 1,059,056</u>	 <u>\$ 299,924</u>	 <u>\$ 198,530</u>	 <u>\$ 1,557,510</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 52,137	\$ -	\$ 33,751	\$ 85,888
Total liabilities	<u>52,137</u>	<u>-</u>	<u>33,751</u>	<u>85,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>21,659</u>	<u>22,619</u>	<u>-</u>	<u>44,278</u>
Total deferred inflows of resources	<u>21,659</u>	<u>22,619</u>	<u>-</u>	<u>44,278</u>
<b>FUND BALANCES</b>				
Restricted				
Debt service	-	277,305	-	277,305
Tourism	-	-	59,153	59,153
Municipal court technology	-	-	103,836	103,836
Municipal court security	-	-	1,790	1,790
Unassigned	<u>985,260</u>	<u>-</u>	<u>-</u>	<u>985,260</u>
Total fund balances	<u>985,260</u>	<u>277,305</u>	<u>164,779</u>	<u>1,427,344</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 1,059,056</u>	 <u>\$ 299,924</u>	 <u>\$ 198,530</u>	 <u>\$ 1,557,510</u>

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
September 30, 2025

Total fund balances for governmental funds	\$	1,427,344
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Amortized right-to-use and subscription assets, net		44,615
Capital assets - nondepreciable		140,892
Capital assets - depreciable		2,036,195

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

44,278

Long-term liabilities, restricted assets and deferred outflows and deferred inflows related to pensions and other postretirement benefits (OPEB) are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred outflows - pensions		50,780
Deferred outflows - OPEB		12,595
Deferred inflows - pensions		(91,346)
Deferred inflows - OPEB		(20,142)
Net pension asset		274,110
Noncurrent liabilities due in one year		(114,749)
Noncurrent liabilities due in more than one year		(89,811)

Net position of governmental activities	\$	<u>3,714,761</u>
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CITY OF BLANCO, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 612,823	\$ 858,870	\$ -	\$ 1,471,693
Sales taxes	1,209,845	-	-	1,209,845
Hotel occupancy taxes	-	-	92,272	92,272
Franchise fees	140,225	-	-	140,225
Fines and forfeitures	85,378	-	7,177	92,555
Licenses and permits	75,385	-	-	75,385
Charges for services	6,708	-	-	6,708
Intergovernmental	17,406	-	-	17,406
Investment income	64,869	17,517	10,252	92,638
Miscellaneous	19,316	-	-	19,316
Total revenues	<u>2,231,955</u>	<u>876,387</u>	<u>109,701</u>	<u>3,218,043</u>
<b>Expenditures</b>				
Current				
General government	645,764	-	-	645,764
Public safety	1,053,349	-	1,815	1,055,164
Public works	24,248	-	-	24,248
Community development	78,910	-	242,135	321,045
Capital outlay	48,112	-	-	48,112
Debt service				
Principal	32,035	-	-	32,035
Interest and fiscal agent fees	3,044	-	-	3,044
Total expenditures	<u>1,885,462</u>	<u>-</u>	<u>243,950</u>	<u>2,129,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>346,493</u>	<u>876,387</u>	<u>(134,249)</u>	<u>1,088,631</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	32,492	32,492
Transfers (out)	-	(654,167)	(32,492)	(686,659)
Total other financing sources (uses)	<u>-</u>	<u>(654,167)</u>	<u>-</u>	<u>(654,167)</u>
Net change in fund balance	346,493	222,220	(134,249)	434,464
Beginning fund balance	<u>638,767</u>	<u>55,085</u>	<u>299,028</u>	<u>992,880</u>
Ending fund balance	<u>\$ 985,260</u>	<u>\$ 277,305</u>	<u>\$ 164,779</u>	<u>\$ 1,427,344</u>

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2025

Net changes in fund balances - total governmental funds \$ 434,464

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital asset additions	48,112
Depreciation/amortization expense	(151,461)

The issuance of long-term debt from vehicle loans, leases, or liabilities from subscription-based information technology arrangements (SBITAs) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Principal payment on vehicle loan, lease payable, and SBITAs	32,035
Change in deferred outflows - pensions	(32,224)
Change in deferred inflows - pensions	(22,827)
Change in net pension asset	124,906
Change in deferred outflows - OPEB	(2,250)
Change in deferred inflows - OPEB	3,547
Change in total OPEB liability	(4,894)
Change in compensated absences	(48,893)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 20,176

Change in net position of governmental activities	<u>\$ 400,691</u>
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See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2025

	<u>Enterprise Fund</u> <u>Utility Operations</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,139,558
Receivables, net	401,136
Inventory	19,060
Prepaid	102,142
Restricted assets	
Cash and cash equivalents	1,078,592
Investments	4,382,777
Net pension asset	11,544
Total current assets	7,134,809
Noncurrent assets	
Capital assets	
Nondepreciable	1,117,866
Depreciable capital assets	19,075,445
Total noncurrent assets	20,193,311
Total assets	27,328,120
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	8,331
Deferred outflows - pensions	1,816
Deferred outflows - OPEB	497
Total deferred outflows of resources	10,644

(Continued)

CITY OF BLANCO, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2025

	<u>Enterprise Fund</u> <u>Utility Operations</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 85,751
Accrued interest payable	108,907
Customer deposits	127,715
Unearned revenue	418,449
Debt and other payables - current	773,781
Noncurrent liabilities	
Debt and other payables	17,991,113
Total OPEB liability	<u>2,846</u>
Total liabilities	<u>19,508,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	3,618
Deferred inflows - OPEB	<u>789</u>
Total deferred inflows of resources	<u>4,407</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,285,924
Restricted	
Net pension asset	11,544
Debt service	108,114
Unrestricted	<u>1,420,213</u>
Total net position	<u>\$ 7,825,795</u>

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See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
For the year ended September 30, 2025

	<u>Enterprise Fund</u> <u>Utility Operations</u>
<b>Operating revenues</b>	
Charges for services	\$ 2,718,696
Other revenues	23,881
Total operating revenues	<u>2,742,577</u>
<b>Operating expenses</b>	
Payroll costs	45,865
Professional and contractual services	518,228
Other operational expenses	1,855,680
Depreciation	837,302
Total operating expenses	<u>3,257,075</u>
Operating (loss)	<u>(514,498)</u>
<b>Nonoperating revenues (expenses)</b>	
Investment income	267,987
Interest and fiscal agent fees	(616,858)
Total nonoperating (expense)	<u>(348,871)</u>
(Loss) before other financing sources	<u>(863,369)</u>
<b>Other financing sources</b>	
Capital contributions	67,731
Transfers in	654,167
Total other financing sources	<u>721,898</u>
Net change in fund position	(141,471)
Beginning net position	<u>7,967,266</u>
Ending net position	<u>\$ 7,825,795</u>

See Notes to Financial Statements.

CITY OF BLANCO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the year ended September 30, 2025

	<u>Enterprise Fund</u> <u>Utility Operations</u>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 2,802,328
Payments to suppliers for goods and services	(3,101,438)
Payments to employees for services	(49,691)
Net cash used by operating activities	<u>(348,801)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	<u>654,167</u>
Net cash provided by noncapital financing activities	<u>654,167</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(1,707,836)
Contribution for capital construction	67,731
Proceeds from issuance of capital debt	1,605,322
Principal paid on capital debt	(710,000)
Interest and fiscal agent fees paid	(581,138)
Net cash used by capital and related financing activities	<u>(1,325,921)</u>
<b>Cash flows from investing activities</b>	
Sale of investments	1,034,189
Earnings on investments	<u>267,987</u>
Net cash provided by investing activities	<u>1,302,176</u>
Net Increase in cash and cash equivalents	281,621
Beginning cash and cash equivalents	<u>1,936,529</u>
Ending cash and cash equivalents	<u>\$ 2,218,150</u>
<b>Ending cash and cash equivalents</b>	
Unrestricted cash and cash equivalents	\$ 1,139,558
Restricted cash and cash equivalents	<u>1,078,592</u>
	<u>\$ 2,218,150</u>

(Continued)

CITY OF BLANCO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the year ended September 30, 2025

	<u>Enterprise Fund</u> <u>Utility Operations</u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities</b>	
Operating (loss)	\$ (514,498)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	837,302
Changes in operating assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	56,635
Prepaid	(102,142)
Net pension asset	(5,350)
Deferred outflows of resources - pensions and OPEB	1,476
Increase (decrease) in liabilities	
Accounts payable	(625,388)
Compensated absences	(988)
Deferred inflows of resources - pensions and OPEB	826
Total OPEB liability	210
Customer deposits	3,116
	3,116
Net cash (used) by operating activities	\$ (348,801)

See Notes to Financial Statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The City of Blanco, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) in 1938 as a general law City.

The City provides the following services: general administration, public safety (police), public works (includes sanitation), parks and recreation, community aid, and water and wastewater services.

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

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

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

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

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

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

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The City reports the following governmental funds:

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

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

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the hotel/motel occupancy tax fund, the municipal court technology fund, and the municipal court building security fund. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following proprietary fund:

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

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

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

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

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

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

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

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

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Fully collateralized repurchase agreements that meet certain criteria
- Government investment pools and commercial paper

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventories and Prepaid Items: Inventories are valued at cost. The consumption method is used to account for enterprise fund inventories. Under the consumption method, inventories of the enterprise fund are recorded as expenses when consumed rather than when purchased.

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

Restricted Assets: Certain bond proceeds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the governmental and enterprise funds are restricted by bond covenants for repayment of debt, to finance construction projects, and the City's pension plan.

Capital Assets: Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of five years and longer. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Equipment	7 years
Vehicles	5 years
Infrastructure	20 to 40 years
Utility system	20 to 40 years
Buildings and improvements	30 years

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

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred outflows/inflows of resources are amortized as follows:

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

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, which are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated Employee Absences: The City's policy permits employees to accumulate certain earned but unused compensated absences. Compensated absences are recognized as liabilities to the extent that the leave is attributable to services already rendered, accumulates and may be carried over into subsequent years, and it is more likely than not that the leave will be used or paid.

In governmental fund financial statements, compensated absences are reported as expenditures and fund liabilities to the extent that they are due and payable and are expected to be liquidated with available, expendable financial resources. In the government-wide financial statements, a liability is recorded for compensated absences that meet the recognition criteria, regardless of when the leave is expected to be liquidated. The difference between governmental fund and government-wide reporting of compensated absences represents a reconciling item between the two presentations.

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 or business-type activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements: The City has noncancellable subscription-based information technology arrangements (“SBITAs”) to finance the use of information technology software. The City recognizes a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements.

At the commencement of the SBITAs, the City initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using either the implicit rate or the City’s incremental borrowing rate if the interest rate is not readily determinable. The subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, plus payments made before the commencement of the subscription term and capitalizable implementation costs. The subscription asset is reduced for any vendor incentives received. The subscription asset is amortized on a straight-line basis over the subscription term.

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

- The City uses the interest rate charged on the SBITAs as the discount rate. When the interest rate charged on the SBITAs is not provided, the City uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the SBITAs plus options periods, in which one party may exercise, that the City is reasonably certain will be exercised.
- The subscription payments included in the measurement of the subscription liability are composed of fixed or fixed in substance payments and other payments associated with the SBITA that the City is reasonably certain to make based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its subscription arrangements and will remeasure the subscription liability and asset if certain changes occur that are expected to significantly affect the amount of the subscription liability. The subscription liabilities are reported with long-term debt and the subscription assets are reported with other capital assets on the Statement of Net Position.

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

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

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

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

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues and Expenditures/Expenses:

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

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

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The City Council adopts an annual operating budget for the City's general fund in accordance with generally accepted accounting principles ("GAAP"). Adopted budgets can be amended by the City Council throughout the year. The level of budgetary control (the level at which expenditures may not exceed budget) is the fund level. The City Administrator is authorized to approve a transfer of budgeted amounts between departments; however, any revisions that alter the total budgeted expenditures of any fund must be approved by the City Council. Unencumbered appropriations for annual budgets lapse at fiscal year end. Encumbrances outstanding at year end are reported as assigned fund balances and do not constitute expenditures on the budget to actual financial statements. In accordance with GAAP, the City presents the general fund budget to actual schedule within the Required Supplementary Information to demonstrate that the City is within the legal level of budgetary control.

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(Continued)

CITY OF BLANCO, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2025

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

Deposits and Investments: As of September 30, 2025, the carrying amount of the City’s bank accounts reported as cash and cash equivalents was \$58,309. The cash deposits held in the bank accounts as of September 30, 2025, and during the year ended September 30, 2025, were covered by FDIC insurance or by pledged collateral held by the City’s agent bank in the City’s name. The City’s on demand deposits held in Texas CLASS of \$3,454,608 is also reported with cash and cash equivalents.

The City’s restricted cash and cash equivalents includes \$1,485 held in the City’s bank accounts and \$1,077,107 held in Texas CLASS. Restricted cash and cash equivalents consist of funds restricted for construction projects, advance grant awards received, debt service covenants, and utility deposits. The U.S. Treasury Securities of \$4,382,777 are reported as investments measured at fair value and are restricted for construction projects.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (the “Act”), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers’ acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

As of September 30, 2025 the City reported the following investment types as cash and cash equivalents and investments.

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Texas CLASS	\$ 3,454,608	0.23
U.S. Treasury Securities	4,382,777	0.15
Total	<u>\$ 7,837,385</u>	
Portfolio weighted average maturity		0.18

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

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(Continued)

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

*Credit risk.* The City's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2025, the City's investments in Texas CLASS were rated 'AAAm' or 'AAA' by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2025, FDIC coverage exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

**Texas CLASS** - The Texas Cooperative Liquid Assets Securities System Trust – Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

Fair Value Measurements: The Texas CLASS investment is measured at amortized cost and is exempt from fair value reporting. Certificate of deposits are also exempt from fair value reporting since these investments are in nonparticipating interest-earning contracts and reported at cost. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

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

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

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

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

The U.S. Treasury Securities investments are categorized as Level 1, since they are traded on active markets. Level 1 investments are subject to market fluctuations that may cause a decline in the value of the investments held at year end.

Receivables: The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	Nonmajor <u>Funds</u>	<u>Utility</u>
Property taxes	\$ 21,659	\$ 22,619	\$ -	\$ -
Sales taxes	192,175	-	-	-
Hotel taxes	-	-	24,311	-
Other	2,630	-	-	-
Utilities	-	-	-	401,136
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 216,464</u>	<u>\$ 22,619</u>	<u>\$ 24,311</u>	<u>\$ 401,136</u>

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Governmental activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 140,892	\$ -	\$ -	\$ 140,892
Total capital assets not being depreciated/amortized	140,892	-	-	140,892
Other capital assets				
Buildings and improvements	1,137,439	48,112	-	1,185,551
Streets and infrastructure	2,200,489	-	-	2,200,489
Vehicles, machinery, and equipment	1,022,598	-	-	1,022,598
Right-to-use assets	49,647	-	-	49,647
Subscription assets	62,440	-	-	62,440
Total other capital assets	4,472,613	48,112	-	4,520,725
Less accumulated depreciation/amortization for				
Buildings and improvements	(675,059)	(31,016)	-	(706,075)
Streets and infrastructure	(684,387)	(53,072)	-	(737,459)
Vehicles, machinery, and equipment	(883,481)	(45,428)	-	(928,909)
Right-to-use assets	(26,795)	(9,457)	-	(36,252)
Subscription assets	(18,732)	(12,488)	-	(31,220)
Total accumulated depreciated/amortized	(2,288,454)	(151,461)	-	(2,439,915)
Other capital assets, net	2,184,159	(103,349)	-	2,080,810
Governmental activities capital assets, net	\$ 2,325,051	\$ (103,349)	\$ -	2,221,702
		Less associated debt		(45,248)
		Net investment in capital assets		\$ 2,176,454

Depreciation was charged to governmental functions as follows:

General government	\$ 14,545
Public safety	82,039
Community development	54,877
Total governmental activities depreciation and amortization	\$ 151,461

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

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

	Business-Type			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<u>Business-type activities</u>				
Capital assets not being depreciated/amortized				
Land	\$ 1,117,866	\$ -	\$ -	\$ 1,117,866
Total capital assets not being depreciated/amortized	1,117,866	-	-	1,117,866
Other capital assets				
Water system	6,755,263	1,134,918	-	7,890,181
Sewer system	16,855,815	557,731	-	17,413,546
Dam system	560,514	-	-	560,514
Building and improvements	147,455	-	-	147,455
Tools and equipment	117,759	15,187	-	132,946
Total other capital assets	24,436,806	1,707,836	-	26,144,642
Less accumulated depreciation/amortization for				
Water system	(3,487,839)	(249,207)	-	(3,737,046)
Sewer system	(2,348,196)	(544,898)	-	(2,893,094)
Dam system	(176,556)	(33,910)	-	(210,466)
Building and improvements	(104,398)	(4,915)	-	(109,313)
Tools and equipment	(114,906)	(4,372)	-	(119,278)
Total accumulated depreciated/amortized	(6,231,895)	(837,302)	-	(7,069,197)
Other capital assets, net	18,204,911	870,534	-	19,075,445
Business-type activities capital assets, net	\$ 19,322,777	\$ 870,534	\$ -	20,193,311
		Less associated debt		\$ (18,764,894)
		Less construction payable		(85,730)
		Plus unspent debt proceeds		4,934,906
		Plus deferred loss on refunding		8,331
		Net investment in capital assets		\$ 6,285,924

Depreciation was charged to business-type functions as follows:

Utility operations	\$ 837,302
Total business-type activities depreciation expense	\$ 837,302

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year. In general, the City uses the general, debt service, and utility fund to liquidate long-term liabilities. There was a net pension asset at the end of fiscal year 2025 due to the pension plan having a surplus. The net pension asset is reported on the Statement of Net Position and not displayed on the schedule below.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities</u>					
<u>Debt and other payables</u>					
Equipment loan	\$ 15,712	\$ -	\$ (10,360)	\$ 5,352 *	\$ 5,352
Lease payable	24,149	-	(9,711)	14,438 *	10,106
Subscription liability	37,422	-	(11,964)	25,458 *	12,467
<u>Other liabilities</u>					
Compensated absences	40,752	48,893	-	89,645	86,824
Total OPEB liability					
- retiree benefits	64,773	4,894	-	69,667	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total governmental activities	<u>\$ 182,808</u>	<u>\$ 53,787</u>	<u>\$ (32,035)</u>	<u>\$ 204,560</u>	<u>\$ 114,749</u>

Long-term liabilities due in more than one year \$ 89,811

\*Debt associated with governmental capital assets \$ 45,248

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type activities</u>					
<u>Debt and other payables</u>					
Certificates of obligation	\$ 13,995,000	\$ 1,500,000	\$ (285,000)	\$ 15,210,000 *	\$ 285,000
General obligation					
refunding bonds	730,000	-	(235,000)	495,000 *	245,000
Notes payable	1,275,000	-	(190,000)	1,085,000 *	200,000
Equipment loan	1,873,075	-	-	1,873,075 *	40,270
Premium	-	105,322	(3,503)	101,819 *	3,511
<u>Other liabilities</u>					
Compensated absences	988	-	(988)	-	-
Total OPEB liability	2,636	210	-	2,846	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total business-type activities	<u>\$ 17,876,699</u>	<u>\$ 1,605,532</u>	<u>\$ (714,491)</u>	<u>\$ 18,767,740</u>	<u>\$ 773,781</u>

Long-term liabilities due in more than one year \$ 17,993,959

\*Debt associated with business-type capital assets \$ 18,764,894

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

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

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

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental activities		
Equipment loan	5.75%	\$ 5,352
Leases payable	4.00%	14,438
Subscription liability	4.00%	<u>25,458</u>
Total governmental activities long-term debt		<u>\$ 45,248</u>
Business-type activities		
Certificates of obligation		
Series 2017A	3.00-3.50%	\$ 2,470,000
Series 2017B	3.00-4.00%	2,450,000
Series 2019	3.00-4.00%	2,060,000
Series 2020	4.00%	3,340,000
Series 2024	2.78%	3,390,000
Series 2024A	4.13-7.00%	<u>1,500,000</u>
Total certificates of obligation		<u>15,210,000</u>
General obligation refunding bonds		
Series 2015	3.58%	<u>495,000</u>
Notes payable		
Series 2023	4.35%	<u>1,085,000</u>
Equipment loan	5.49%	<u>1,873,075</u>
Premium	4.13-7.00%	<u>101,819</u>
Total business-type activities long-term debt		<u>\$ 18,764,894</u>

Governmental Activities Long-Term Debt: The principal and interest payments on the equipment loan, lease payable, and subscription liability are reported in the general fund. The repayment requirements are considered operational costs to the general fund and are reported as outstanding debt with the governmental activities on the Statement of Net Position.

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

The City obtained a loan for public safety equipment and payments are repaid in quarterly installments and the loan carries at an interest rate of 5.75%. The final payment for the loan is due on March 2, 2026. The equipment obtained through the loan agreement is included in depreciable capital assets for \$30,185 and the accumulated depreciation as of year end was \$26,161. The remaining annual requirements to amortize this loan at year end were as follows:

Fiscal Year Ended September 30,	Governmental Activities		
	Equipment Loan		
	Principal	Interest	Total
2026	\$ 5,352	\$ 11,831	\$ 17,183
	<u>\$ 5,352</u>	<u>\$ 11,831</u>	<u>\$ 17,183</u>

The City's lease agreement as a lessee was for the acquisition and use of equipment which is recorded with capital assets. The City made principal and interest payments on the leases in fiscal year 2025 for \$10,500. The City will continue to make principal and interest payments on leases through fiscal year 2027. The interest rate on the equipment is 4.00%. The value of the right-to-use assets for equipment for fiscal year 2025 was \$49,647 and had accumulated amortization of \$36,252. The remaining annual requirements to amortize the lease payable at year end were as follows:

Fiscal Year Ended September 30,	Governmental Activities		
	Leases Payable		
	Principal	Interest	Total
2026	\$ 10,106	\$ 394	\$ 10,500
2027	4,332	43	4,375
	<u>\$ 14,438</u>	<u>\$ 437</u>	<u>\$ 14,875</u>

The City's subscription-based information technology arrangements ("SBITAs") are for the right to control the software for public safety equipment. Principal and interest payments of \$13,536 are due annually and paid through the term of the agreement ending in fiscal year 2027. Subscription assets were recorded with capital assets for \$62,440, and the liability for the SBITAs as of September 30, 2025 was \$25,458. The interest rate on the liability for the SBITAs was 4.2%. The accumulated amortization of the subscription assets was \$31,220. The remaining annual requirements to amortize the subscription liability from SBITAs at year end were as follows:

Fiscal Year Ended September 30,	Governmental Activities		
	Subscription Liability		
	Principal	Interest	Total
2026	\$ 12,467	\$ 1,069	\$ 13,536
2027	12,991	545	13,536
	<u>\$ 25,458</u>	<u>\$ 1,614</u>	<u>\$ 27,072</u>

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

Business-Type Activities Long-Term Debt: The long-term debt reported with the City's business-type activities are accounted for in the utility fund. The City's debt service fund transferred the property tax revenues that were levied for the fiscal year 2025 principal and interest payments for a portion of the City's business-type activities long-term debt.

The certificates of obligation (the "Certificates") are private placements through the Texas Water Development Board. The repayment of the Certificates is secured by a combination of taxes levied on all taxable property located within the City and a pledge of surplus revenues of the utility system. The City's utility fund had restricted funds of \$108,114 for future debt service payments on the Certificates. The interest expense paid on the certificates was \$298,153 for the year ended September 30, 2025. The remaining annual requirements to amortize the Certificates at year end were as follows:

Fiscal Year Ended <u>September 30,</u>	<u>Business-Type Activities</u>		
	<u>Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 285,000	\$ 320,054	\$ 605,054
2027	285,000	317,861	602,861
2028	410,000	314,485	724,485
2029	530,000	307,335	837,335
2030	535,000	299,148	834,148
2031-2035	2,810,000	1,353,216	4,163,216
2036-2040	3,075,000	1,063,053	4,138,053
2041-2045	3,425,000	721,226	4,146,226
2046-2050	2,790,000	343,399	3,133,399
2051-2055	1,065,000	65,004	1,130,004
	<u>\$ 15,210,000</u>	<u>\$ 5,104,781</u>	<u>\$ 20,314,781</u>

The City issued combination tax and surplus revenue certificates of obligations series 2024A during the fiscal year for \$1,500,000 in November 2024 to be used for future capital improvements for the water and sewer system.

The general obligation refunding bonds (the "Bonds") are direct obligations of the City for which its full faith and credit are pledged. The repayment of the Bonds are secured by taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt. The interest expense paid on the Bonds was \$17,447 for the year ended September 30, 2025. The remaining annual requirements to amortize the Bonds at year end were as follows:

Fiscal Year Ended <u>September 30,</u>	<u>Business-Type Activities</u>		
	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 245,000	\$ 11,831	\$ 256,831
2027	250,000	5,975	255,975
	<u>\$ 495,000</u>	<u>\$ 17,806</u>	<u>\$ 512,806</u>

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

The limited tax notes payable (the “Notes Payable”) were issued for infrastructure within the utility fund. The repayment of the Notes Payable is secured by taxes levied on all taxable property located within the City. The interest expense paid on the Note Payable was \$55,462 for the year ended September 30, 2025. The first principal repayment of the Notes Payable was scheduled for May 1, 2025. The remaining annual requirements to amortize the Notes Payable at year end were as follows:

Fiscal Year Ended September 30,	Business-Type Activities		
	Limited Tax Notes Payable		
	Principal	Interest	Total
2026	\$ 200,000	\$ 47,198	\$ 247,198
2027	210,000	38,498	248,498
2028	215,000	29,362	244,362
2029	225,000	20,010	245,010
2030	235,000	10,222	245,222
	<u>\$ 1,085,000</u>	<u>\$ 145,290</u>	<u>\$ 1,230,290</u>

The City obtained a loan to replace meters in July 2024 for \$1,873,075 with payments due annually at an interest rate of 5.49%. Funds from the loan are held in a trust account till meters are installed. As of September 30, 2025, the City used \$1,134,918 of the funds held in a trust to replace meters. The first interest payment was due on June 1, 2025 and the first principal payment is due on June 1, 2026. The final payment for the loan is due on June 1, 2044. The remaining annual requirements to amortize this loan at year end were as follows:

Fiscal Year Ended September 30,	Business-Type Activities		
	Equipment Loan		
	Principal	Interest	Total
2026	\$ 40,270	\$ 102,832	\$ 143,102
2027	45,692	100,631	146,323
2028	51,305	98,299	149,604
2029	57,285	95,662	152,947
2030	63,650	92,701	156,351
2031-2035	426,458	406,158	832,616
2036-2040	613,818	272,328	886,146
2041-2044	574,597	85,919	660,516
	<u>\$ 1,873,075</u>	<u>\$ 1,254,530</u>	<u>\$ 3,127,605</u>

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

(Continued)

CITY OF BLANCO, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2025

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (Continued)**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Water and sewer	Debt service	\$ 654,167
Nonmajor	Nonmajor	32,492
		<u>\$ 686,659</u>

Amounts transferred to the utility fund from the debt service fund are to pay portions of the interest and principal on bonds. Transfers between nonmajor fund are related to funds that are restricted for municipal court technology and security.

Fund Equity: As of September 30, 2025, \$164,779 of the City’s total fund balance is restricted by enabling legislation for tourism, municipal court technology, and municipal court security.

Restricted Assets: The utility fund has restricted certain cash and cash equivalents for capital projects from unspent Texas Water Development Board debt proceeds, customer deposits, debt service requirements, and monies received in advance for future construction.

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

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

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

Pension Plan:

**Texas Municipal Retirement System**

Plan Description: The City participates as one of 938 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 4 – OTHER INFORMATION**

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

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

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

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

	2025	2024
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Retiree cost of living adjustment (COLA)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms: At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

	Primary Government
Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	31
Active employees	12
Total	55

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.06% and 6.48% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2025 were \$64,205, which were equal to the required contributions.

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.

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 4 – OTHER INFORMATION** (Continued)

Actuarial Assumptions: The TPL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net 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 over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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 real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	35%	7.1%
Core fixed income	6%	5.0%
Non-core fixed income	6%	6.8%
Hedge funds	5%	6.4%
Private equity	13%	8.5%
Private debt	13%	8.2%
Real estate	12%	6.7%
Infrastructure	6%	6.0%
Other private markets	<u>4%</u>	7.3%
Total	<u>100%</u>	

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 4 – OTHER INFORMATION (Continued)**

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

Changes in the NPL:

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year			
Service cost	\$ 146,569	\$ -	\$ 146,569
Interest	97,997	-	97,997
Difference between expected and actual experience	(75,681)	-	(75,681)
Changes of assumptions	-	-	-
Contributions - employer	-	63,218	(63,218)
Contributions - employee	-	73,024	(73,024)
Net investment income	-	163,976	(163,976)
Benefit payments, including refunds of employee contributions	(88,799)	(88,799)	-
Administrative expense	-	(1,052)	1,052
Other changes	-	(25)	25
Net Changes	80,086	210,342	(130,256)
Balance at December 31, 2023	1,422,918	1,578,316	(155,398)
Balance at December 31, 2024	\$ 1,503,004	\$ 1,788,658	\$ (285,654)

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City Net Pension Liability (Asset)	\$ (54,878)	\$ (285,654)	\$ (469,515)

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

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2025, the City recognized pension income of \$8,642.

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 4 – OTHER INFORMATION** (Continued)

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 634	\$ (71,459)
Changes in actuarial assumptions	-	(982)
Difference between projected and actual investment earnings	-	(22,523)
Contributions subsequent to the measurement date	51,962	-
Total	\$ 52,596	\$ (94,964)

\$51,962 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2026	\$ (47,092)
2027	(11,034)
2028	(24,716)
2029	(11,488)
Total	\$ (94,330)

Other Postemployment Benefits:

**TMRS Supplemental Death Benefit**

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

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

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 4 – OTHER INFORMATION** (Continued)

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

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

Participation in the SDBF as of December 31, 2024 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	10
Active employees	12
<b>Total</b>	<b>34</b>

Total OPEB Liability: The City’s total OPEB liability of \$72,513 was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with intermediate convergence).
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with intermediate convergence) to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Bond Buyer “20-Bond GO Index” rate closet to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

**NOTE 4 – OTHER INFORMATION** (Continued)

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Changes for the year	
Service cost	\$ 2,608
Interest	2,571
Difference between expected and actual experience	5,130
Changes of assumptions	(4,162)
Benefit payments *	<u>(1,043)</u>
Net changes	5,104
Balance at December 31, 2023	<u>67,409</u>
Balance at December 31, 2024	<u><u>\$ 72,513</u></u>

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

The discount rate increased from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

	<u>1% Decrease in Discount Rate (3.08%)</u>	<u>Discount Rate (4.08%)</u>	<u>1% Increase in Discount Rate (5.08%)</u>
City's total OPEB liability	<u>\$ 87,275</u>	<u>\$ 72,513</u>	<u>\$ 61,141</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB expense of \$4,756. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 4,730	\$ (20,253)
Difference between expected and actual experience	7,560	(678)
Contributions subsequent to the measurement date	<u>802</u>	<u>-</u>
Total	<u><u>\$ 13,092</u></u>	<u><u>\$ (20,931)</u></u>

(Continued)

CITY OF BLANCO, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

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**NOTE 4 – OTHER INFORMATION** (Continued)

\$802 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2026.

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

<u>Fiscal Year ended September 30,</u>	<u>OPEB Expense</u>
2026	\$ (1,840)
2027	(2,998)
2028	(3,919)
2029	<u>116</u>
Total	<u>\$ (8,641)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BLANCO, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the year ended September 30, 2025

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 629,600	\$ 629,600	\$ 612,823	\$ (16,777)
Sales taxes	1,095,000	1,095,000	1,209,845	114,845
Franchise fees	110,000	110,000	140,225	30,225
Fines and forfeitures	119,600	119,600	85,378	(34,222)
Licenses and permits	69,250	69,250	75,385	6,135
Charges for services	4,775	4,775	6,708	1,933
Intergovernmental	13,000	13,000	17,406	4,406
Interest earnings	80,000	80,000	64,869	(15,131)
Miscellaneous	5,450	5,450	19,316	13,866
Total revenues	<u>2,126,675</u>	<u>2,126,675</u>	<u>2,231,955</u>	<u>105,280</u>
<b>Expenditures</b>				
Current				
General government				
City hall	656,231	656,231	638,811	17,420
Mayor and council	11,105	11,105	6,953	4,152
Total general government	<u>667,336</u>	<u>667,336</u>	<u>645,764</u>	<u>21,572</u>
Public safety				
Police	1,019,299	1,019,299	916,227	103,072
Municipal court	137,122	137,122	137,122	-
Total public safety	<u>1,156,421</u>	<u>1,156,421</u>	<u>1,053,349</u>	<u>103,072</u>
Public works				
Code compliance	30,000	30,000	24,248	5,752
Total public works	<u>30,000</u>	<u>30,000</u>	<u>24,248</u>	<u>5,752</u>
Community development				
Streets and parks	82,546	82,546	76,454	6,092
Community aid	3,500	3,500	2,456	1,044
Total community development	<u>86,046</u>	<u>86,046</u>	<u>78,910</u>	<u>7,136</u>
Capital outlay	48,112	48,112	48,112	-
Debt service				
Principal	32,035	32,035	32,035	-
Interest and fiscal agent fees	3,044	3,044	3,044	-
Total expenditures	<u>2,022,994</u>	<u>2,022,994</u>	<u>1,885,462</u>	<u>137,532</u>
Change in fund balance	<u>\$ 103,681</u>	<u>\$ 103,681</u>	346,493	<u>\$ 242,812</u>
Beginning fund balance			<u>638,767</u>	
Ending fund balance			<u>\$ 985,260</u>	

**Notes to Required Supplementary Information:**

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

CITY OF BLANCO, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
For the year ended September 30, 2025

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>										
Service cost	\$ 146,569	\$ 164,943	\$ 162,740	\$ 163,430	\$ 140,149	\$ 140,923	\$ 125,817	\$ 51,030	\$ 43,816	\$ 33,826
Interest (on the total pension liability)	97,997	88,395	87,904	76,089	71,460	60,821	55,122	46,454	43,259	41,326
Change of benefit terms	-	-	-	-	-	-	44,234	-	-	-
Difference between expected and actual experience	(75,681)	3,515	(159,265)	(6,061)	(91,224)	13,114	(50,695)	3,241	5,705	(358)
Change of assumptions	-	(5,444)	-	-	-	494	-	-	-	19,462
Benefit payments, including refunds of employee contributions	(88,799)	(111,154)	(59,252)	(56,907)	(69,991)	(44,713)	(62,009)	(45,877)	(52,229)	(45,254)
Net change in total pension liability	80,086	140,255	32,127	176,551	50,394	170,639	112,469	54,848	40,551	49,002
Beginning total pension liability	1,422,918	1,282,663	1,250,536	1,073,985	1,023,591	852,952	740,483	685,635	645,084	596,082
Ending total pension liability	<u>\$ 1,503,004</u>	<u>\$ 1,422,918</u>	<u>\$ 1,282,663</u>	<u>\$ 1,250,536</u>	<u>\$ 1,073,985</u>	<u>\$ 1,023,591</u>	<u>\$ 852,952</u>	<u>\$ 740,483</u>	<u>\$ 685,635</u>	<u>\$ 645,084</u>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 63,218	\$ 79,264	\$ 70,840	\$ 79,189	\$ 72,169	\$ 69,998	\$ 17,667	\$ 12,558	\$ 9,394	\$ 6,253
Contributions - employee	73,024	84,710	83,763	88,409	77,126	75,709	52,287	38,484	33,407	25,471
Net investment income	163,976	158,490	(100,201)	145,536	73,120	115,392	(22,898)	92,476	42,865	956
Benefit payments, including refunds of employee contributions	(88,799)	(111,154)	(59,252)	(56,907)	(69,991)	(44,713)	(62,009)	(45,877)	(52,229)	(45,254)
Administrative expense	(1,052)	(1,007)	(867)	(674)	(474)	(655)	(443)	(480)	(485)	(582)
Other	(25)	(8)	1,035	5	(19)	(20)	(23)	(24)	(26)	(30)
Net change in plan fiduciary net position	210,342	210,295	(4,682)	255,558	151,931	215,711	(15,419)	97,137	32,926	(13,186)
Beginning plan fiduciary net position	1,578,316	1,368,021	1,372,703	1,117,145	965,214	749,503	764,922	667,785	634,859	648,045
Ending plan fiduciary net position	<u>\$ 1,788,658</u>	<u>\$ 1,578,316</u>	<u>\$ 1,368,021</u>	<u>\$ 1,372,703</u>	<u>\$ 1,117,145</u>	<u>\$ 965,214</u>	<u>\$ 749,503</u>	<u>\$ 764,922</u>	<u>\$ 667,785</u>	<u>\$ 634,859</u>
Net pension liability/(asset)	<u>\$ (285,654)</u>	<u>\$ (155,398)</u>	<u>\$ (85,358)</u>	<u>\$ (122,167)</u>	<u>\$ (43,160)</u>	<u>\$ 58,377</u>	<u>\$ 103,449</u>	<u>\$ (24,439)</u>	<u>\$ 17,850</u>	<u>\$ 10,225</u>
Plan fiduciary net position as a percentage of total pension liability/(asset)	119.01%	110.92%	106.65%	109.77%	104.02%	94.30%	87.87%	103.30%	97.40%	98.41%
Covered payroll	\$ 1,043,196	\$ 1,210,143	\$ 1,196,620	\$ 1,262,983	\$ 1,101,798	\$ 1,078,219	\$ 962,643	\$ 769,685	\$ 654,942	\$ 509,427
Net pension liability/(asset) as a percentage of covered payroll	-27.38%	-12.84%	-7.13%	-9.67%	-3.92%	5.41%	10.75%	-3.18%	2.73%	2.01%

CITY OF BLANCO, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
For the year ended September 30, 2025

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 64,205	\$ 70,476	\$ 75,851	\$ 79,949	\$ 71,885	\$ 76,526	\$ 59,019	\$ 17,066	\$ 14,201	\$ 7,922
Contributions in relation to the actuarially determined contribution	<u>64,205</u>	<u>70,476</u>	<u>75,851</u>	<u>79,949</u>	<u>71,885</u>	<u>76,526</u>	<u>59,019</u>	<u>17,066</u>	<u>14,201</u>	<u>7,922</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,003,912	\$ 1,138,899	\$ 1,184,176	\$ 1,326,963	\$ 1,134,609	\$ 1,138,433	\$ 1,062,145	\$ 892,195	\$ 779,240	\$ 606,054
Contributions as a percentage of covered payroll	6.40%	6.19%	6.41%	6.02%	6.34%	6.72%	5.56%	1.91%	1.82%	1.31%

**Notes to Required Supplementary Information:**

- Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
- Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

- Other Information: There were no benefit changes during the year.

CITY OF BLANCO, TEXAS  
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND  
For the year ended September 30, 2025

	Measurement Year*							
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>								
Service cost	\$ 2,608	\$ 2,299	\$ 4,906	\$ 5,305	\$ 3,416	\$ 2,588	\$ 3,947	\$ 2,848
Interest (on the total pension liability)	2,571	2,462	1,570	1,527	1,782	1,867	1,529	1,442
Difference between expected and actual experience	5,130	(91)	6,529	1,140	(3,365)	(1,083)	3,229	-
Changes of assumptions	(4,162)	3,767	(34,848)	2,587	9,721	11,117	(3,534)	3,465
Benefit payments	<u>(1,043)</u>	<u>(1,331)</u>	<u>(1,436)</u>	<u>(1,389)</u>	<u>(441)</u>	<u>(431)</u>	<u>(289)</u>	<u>(231)</u>
Net change in total OPEB liability	5,104	7,106	(23,279)	9,170	11,113	14,058	4,882	7,524
Beginning total OPEB liability	<u>67,409</u>	<u>60,303</u>	<u>83,582</u>	<u>74,412</u>	<u>63,299</u>	<u>49,241</u>	<u>44,359</u>	<u>36,835</u>
Ending total OPEB liability	<u>\$ 72,513</u>	<u>\$ 67,409</u>	<u>\$ 60,303</u>	<u>\$ 83,582</u>	<u>\$ 74,412</u>	<u>\$ 63,299</u>	<u>\$ 49,241</u>	<u>\$ 44,359</u>
Covered-employee payroll	\$ 1,043,196	\$ 1,210,143	\$ 1,196,620	\$ 1,262,983	\$ 1,101,798	\$ 1,078,219	\$ 962,643	\$ 769,685
Total OPEB liability as a percentage of covered-employee payroll	6.95%	5.57%	5.04%	6.62%	6.75%	5.87%	5.12%	5.76%

\* Only eight years of information is currently available. The City will build this schedule over the next two-year period.

(Continued)

CITY OF BLANCO, TEXAS  
 SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM – SUPPLEMENTAL DEATH BENEFITS FUND  
 For the year ended September 30, 2025

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**Notes to Required Supplementary Information:**

1. Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP- 2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

3. Other Information: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.  
 The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.  
 The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022  
 There were no benefit changes during the year.

**COMBINING STATEMENTS AND SCHEDULES**

CITY OF BLANCO, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
For the year ended September 30, 2025

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 867,498	\$ 867,498	\$ 858,870	\$ (8,628)
Investment income	11,000	11,000	17,517	6,517
Total revenues	<u>878,498</u>	<u>878,498</u>	<u>876,387</u>	<u>(2,111)</u>
<b>Other financing (uses)</b>				
Transfers (out)	(856,647)	(856,647)	(654,167)	202,480
Total other financing (uses)	<u>(856,647)</u>	<u>(856,647)</u>	<u>(654,167)</u>	<u>202,480</u>
Change in fund balance	<u>\$ 21,851</u>	<u>\$ 21,851</u>	222,220	<u>\$ 200,369</u>
Beginning fund balance			<u>55,085</u>	
Ending fund balance			<u>\$ 277,305</u>	

**Notes to Supplementary Information:**

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

CITY OF BLANCO, TEXAS  
NONMAJOR GOVNERMENTAL FUNDS  
FUND DESCRIPTIONS  
For the year ended September 30, 2025

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**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for and report specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. All of the nonmajor governmental funds are special revenue funds.

Hotel/Motel Fund: The Hotel/Motel Fund accounts for revenues generated from hotel occupancy taxes. These funds are restricted for use in promoting tourism and enhancing visitor-related activities within the City, in accordance with applicable legal and statutory requirements.

Restricted Court Funds: The Restricted Court Fund is used to account for revenues from municipal court collections that are restricted for court technology and court security expenditures.

CITY OF BLANCO, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2025

	<u>Hotel/ Motel Occupancy Tax</u>	<u>Municipal Court Technology</u>	<u>Municipal Court Building Security</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 68,593	\$ 103,836	\$ 1,790	\$ 174,219
Receivables, net	<u>24,311</u>	<u>-</u>	<u>-</u>	<u>24,311</u>
Total assets	<u>\$ 92,904</u>	<u>\$ 103,836</u>	<u>\$ 1,790</u>	<u>\$ 198,530</u>
<b>LIABILITIES</b>				
Accounts payable	<u>33,751</u>	<u>-</u>	<u>-</u>	<u>33,751</u>
Total liabilities	<u>33,751</u>	<u>-</u>	<u>-</u>	<u>33,751</u>
<b>FUND BALANCES</b>				
Restricted for				
Tourism	59,153	-	-	59,153
Municipal court technology	-	103,836	-	103,836
Municipal court security	<u>-</u>	<u>-</u>	<u>1,790</u>	<u>1,790</u>
Total fund balances	<u>59,153</u>	<u>103,836</u>	<u>1,790</u>	<u>164,779</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 92,904</u>	<u>\$ 103,836</u>	<u>\$ 1,790</u>	<u>\$ 198,530</u>

CITY OF BLANCO, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the year ended September 30, 2025

	Hotel/ Motel Occupancy <u>Tax</u>	Municipal Court <u>Technology</u>	Municipal Court Building <u>Security</u>	Total Nonmajor Governmental <u>Funds</u>
<b>Revenues</b>				
Hotel occupancy tax	\$ 92,272	\$ -	\$ -	\$ 92,272
Fines and forfeitures	-	5,387	1,790	7,177
Investment income	4,106	6,146	-	10,252
Total revenues	<u>96,378</u>	<u>11,533</u>	<u>1,790</u>	<u>109,701</u>
<b>Expenditures</b>				
Public safety	-	1,815	-	1,815
Community development	242,135	-	-	242,135
Total expenditures	<u>242,135</u>	<u>1,815</u>	<u>-</u>	<u>243,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,757)</u>	<u>9,718</u>	<u>1,790</u>	<u>(134,249)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	32,492	-	32,492
Transfers (out)	-	-	(32,492)	(32,492)
Total other financing sources (uses)	<u>-</u>	<u>32,492</u>	<u>(32,492)</u>	<u>-</u>
Net change in fund balance	(145,757)	42,210	(30,702)	(134,249)
Beginning fund balance	<u>204,910</u>	<u>61,626</u>	<u>32,492</u>	<u>299,028</u>
Ending fund balance	<u>\$ 59,153</u>	<u>\$ 103,836</u>	<u>\$ 1,790</u>	<u>\$ 164,779</u>