

PRELIMINARY OFFICIAL STATEMENT

Dated April 9, 2026

**Rating:
S&P: “AA”
(See “OTHER INFORMATION –
RATING” herein)**

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds (defined herein) will be excludable from gross income for federal income tax purposes under 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.



\$36,120,000*
CITY OF BUDA, TEXAS
(A political subdivision of the State of Texas located in Hays County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026

Dated Date: May 13, 2026

Due: August 15, as shown on page 2 hereof

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

PAYMENT TERMS . . . Interest on the \$36,120,000* City of Buda, Texas, General Obligation Refunding Bonds, Series 2026 (the “Bonds”) will accrue from the Date of Initial Delivery (defined below), will be payable February 15 and August 15 of each year commencing February 15, 2027, until stated maturity or earlier redemption, and will be calculated on the basis of 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, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, 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 The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see “THE BONDS – PAYING AGENT/REGISTRAR”).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapters 1207 and 1371, Texas Government Code, each as amended, an ordinance adopted by the City Council of the City of Buda (the “City”) on December 2, 2025 (the “Bond Ordinance”) and a pricing certificate to be executed on the date of sale by the City’s designated pricing officer (the “Pricing Certificate”) on the date of sale of the Bonds (the Bond Ordinance, together with the Pricing Certificate are referred to herein as the “Ordinance”). The Bonds are direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE BONDS – AUTHORITY FOR ISSUANCE” and “THE BONDS – SECURITY AND SOURCE OF PAYMENT”).

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City as shown on SCHEDULE I hereof (the “Refunded Bonds”) to achieve a debt service savings; and (ii) paying the costs of issuing the Bonds (see “PLAN OF FINANCING – PURPOSE”).

CUSIP PREFIX: 118828
MATURITY SCHEDULE, INTEREST RATES, PRICES AND OTHER TERMS
SEE INSIDE COVER PAGE

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as Term Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof identified below (the “Underwriters”) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”). Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 13, 2026 (the “Date of Initial Delivery”).

BAIRD

BOK FINANCIAL SECURITIES, INC.

*Preliminary, subject to change.

MATURITY SCHEDULE*

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers ⁽¹⁾
2027	\$ 1,155,000			
2028	1,780,000			
2029	2,260,000			
2030	2,375,000			
2031	2,540,000			
2032	2,665,000			
2033	2,795,000			
2034	2,940,000			
2035	3,020,000			
2036	3,170,000			
2037	3,070,000			
2038	3,225,000			
2039	3,385,000			
2040	1,740,000			

(Interest Accrues from the Date of Initial Delivery)

*Preliminary, subject to change.

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For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission, this document constitutes a Preliminary Official Statement of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page, Schedule I and the 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, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

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

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

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

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 THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS OF THE BONDS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS 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 UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>
Lee Urbanovsky Mayor	6 Years	November 2026
Matt Smith Councilmember, At-Large Position 1	5 Years	November 2028
Monica Davidson Councilmember, At-Large Position 2	5 Years	November 2026
LaVonia Horne-Williams Councilmember, At-Large Position 3	4 Years	November 2027
Greg Bowles Councilmember, Single Member District A	1½ Years	November 2027
Evan Ture Councilmember, Single Member District B	8 Years	November 2026
Kimberly Goodman Councilmember, Single Member District C	0 Years	November 2028

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>
Micah Grau	City Manager
Bianca Redmon	Finance Director
Angela Verduzco	Assistant Finance Director
Alicia Ramirez	City Clerk

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
 Certified Public Accountants
 Austin, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
 Austin, Texas

Financial Advisor.....Specialized Public Finance Inc.
 Austin, Texas

For additional information regarding the City, please contact:

Micah Grau City Manager City of Buda 405 East Loop Street Building 100 Buda, Texas 78610 (512) 523-1017	or	Jennifer Ritter Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300
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OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Buda, Texas (the “City”) is a political subdivision located in Hays County, and operating as a home-rule city under the laws of the State of Texas and a charter approved by the City’s voters in 2007. The City is approximately 2.41 square miles in area (see “INTRODUCTION – DESCRIPTION OF THE CITY”).
- THE BONDS**..... The \$36,120,000* General Obligation Refunding Bonds, Series 2026 (the “Bonds”) are being issued as serial Bonds maturing on August 15 in the years 2027 through and including 2040 unless the Underwriters elect to aggregate two or more consecutive maturities as term Bonds (see “THE BONDS – GENERAL”).
- PAYMENT OF INTEREST** Interest on the Bonds will accrue from the Date of Initial Delivery and is payable February 15, 2027, and each August 15 and February 15 thereafter until stated maturity or prior redemption (see “THE BONDS – GENERAL” and “THE BONDS – OPTIONAL REDEMPTION”).
- AUTHORITY FOR ISSUANCE** The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapters 1207 and 1371, Texas Government Code, each as amended, the Bond Ordinance adopted by the City Council of the City on December 2, 2025 and a pricing certificate to be executed on the date of sale by the City’s designated pricing officer (the “Pricing Certificate”) on the date of sale of the Bonds. The Bond Ordinance and Pricing Certificate are referred to herein as the “Ordinance” (see “THE BONDS – AUTHORITY FOR ISSUANCE”).
- SECURITY FOR THE BONDS** The Bonds are direct obligations of the City payable from a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City sufficient to provide for the payment of principal of and interest on the Bonds (see “THE BONDS – SECURITY AND SOURCE OF PAYMENT”).
- REDEMPTION** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – OPTIONAL REDEMPTION”). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as Term Bonds.
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City as shown on SCHEDULE I hereof (the “Refunded Bonds”) to achieve a debt service savings; and (ii) paying the costs of issuing the Bonds (see “PLAN OF FINANCING – PURPOSE”).
- RATING**..... The Bonds and the outstanding ad valorem tax debt of the City have been rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – RATING”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, 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”).

*Preliminary, subject to change.

PAYMENT RECORD The City has never defaulted on payment of its debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt ⁽²⁾	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	16,086	\$ 2,131,563,681	\$ 132,510	\$ 93,630,000	\$ 5,821	4.39%	100.15%
2023	16,086	2,664,187,840	165,622	91,410,000	5,683	3.43%	99.62%
2024	16,030	2,935,872,236	183,149	89,135,000	5,561	3.04%	99.25%
2025	16,090	3,145,828,541	195,515	101,135,000	6,286	3.21%	99.47% ⁽⁴⁾
2026	16,090	3,113,945,309	193,533	103,985,000 ⁽³⁾	6,463	3.34%	18.44% ⁽⁵⁾

(1) Source: The Municipal Advisory Council and the City.

(2) Excludes the debt considered self-supporting. See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.”

(3) Projected; includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

(4) Unaudited collections as of September 30, 2025.

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

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**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$36,120,000*
CITY OF BUDA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of the \$36,120,000* City of Buda, Texas General Obligation Refunding Bonds, Series 2026 (the “Bonds”). The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapters 1207 and 1371, Texas Government Code, each as amended, an ordinance (the “Bond Ordinance”) adopted by the City Council of the City of Buda (the “City”) on December 2, 2025 and a pricing certificate to be executed on the date of sale by the City’s designated pricing officer (the “Pricing Certificate”) on the date of sale of the Bonds. The Bond Ordinance and Pricing Certificate are referred to herein as the “Ordinance.” Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

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, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 2007. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation services, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2026 population is 16,090. The City covers approximately 2.41 square miles. For more information regarding the City, see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY.”

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City as shown on SCHEDULE I hereof (the “Refunded Bonds”) to achieve a debt service savings; and (ii) paying the costs of issuing the Bonds.

REFUNDED BONDS . . . The principal of and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds to be deposited with The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of May 13, 2026 (the “Escrow Agreement”) between the City and the Escrow Agent. The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”) and may be used to purchase direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States (the “Escrow Securities”).

Public Finance Partners LLC (the “Verification Agent”), will verify in its verification report (the “Report”) the mathematical accuracy of schedules provided by Specialized Public Finance Inc., the Financial Advisor, at the time of delivery of the Bonds to the Underwriters and that the Escrow Securities will mature at such times and yield interest in amounts, together with uninvested funds, if any, in the Escrow Fund, sufficient to pay the principal of and interest on the Refunded Bonds as the same shall become due by reason of stated maturity or earlier redemption. See “OTHER INFORMATION – VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the escrow securities, if any, will not be available to pay principal of or interest on the Bonds.

*Preliminary, subject to change.

In connection with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturity on the optional redemption date identified in SCHEDULE I attached hereto, on which dates money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of the Escrow Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have entered into firm banking and financial arrangements for the discharge, defeasance and fund payment of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207. Bond Counsel will render an opinion to the effect that, in reliance upon the Report and as a result of such defeasance, the Refunded Bonds will be deemed to be no longer outstanding except for the purpose of being paid from funds provided therefor in the Escrow Agreement. Thereafter the City will have no further responsibility with respect to amounts available to the Escrow Agent for the payment of such Refunded Bonds, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrow Securities.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with other lawfully available funds of the City, if any, will be applied approximately as follows:

SOURCES:

Par Amount of Bonds	\$
Transfer from Prior Debt Service Funds	
Reoffering Premium	
Total Sources	<u>\$</u>

USES:

Deposit to Escrow Fund	\$
Deposit to Debt Service Fund	
Underwriters' Discount	
Costs of Issuance	
Total Uses	<u>\$</u>

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THE BONDS

GENERAL . . . The Bonds are dated May 13, 2026 and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the Date of Initial Delivery, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year until stated maturity or earlier redemption commencing February 15, 2027.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein (“Book-Entry-Only-System”). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, 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 “– BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State including particularly Chapters 1207 and 1371, Texas Government Code, each as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are direct obligations of the City payable from a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City sufficient to provide for the payment of principal of and interest on the Bonds.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2037, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof 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 or any other customary random method the Bonds, or portions thereof, within such maturity to be redeemed. If an 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.

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 the registered owners of the Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds will send 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 Bond called for redemption or any other action premised on any such notice.

Redemption of portions of the Bonds 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 Bond 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 Bond 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.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar or a commercial bank or trust company and the City, so long as a book-entry-only system (the “Book-Entry-Only System”) is used for the Bonds, will send 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 Direct 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 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 Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption (see “THE BONDS – BOOK-ENTRY-ONLY SYSTEM”).

DEFEASANCE . . . General. The Ordinance provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Ordinance under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a “Defeased Bond”) within the meaning of the Ordinance, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Ordinance and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Ordinance. Any money so deposited with the Paying Agent/Registrar or eligible trust company or commercial bank may at the discretion of the City Council also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City Council.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinance for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Ordinance shall be made without the consent of the registered owner of each Bond affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the City retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the Ordinance authorizing its issuance, the City may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Investments. Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or eligible trust company or commercial bank, which is not required for the payment of the Bonds, and interest thereon, with respect to which such money has been so deposited, will be remitted to the City Council.

For the purposes of these provisions, “Defeasance Securities” means (i) Federal Securities and (ii) 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, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding obligations or otherwise provide for the funding of an escrow to effect the defeasance of the obligations are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. For the purposes of these provisions, “Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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 DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 Bond (“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 certificates representing their ownership interests in Bonds, except in the event that use of the book-entry 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 redemptions, tenders, defaults, and proposed amendments to the Bond 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 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, certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters 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 Underwriters.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas. 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 commercial bank 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 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 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 “– 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 called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

BONDHOLDERS’ REMEDIES . . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought 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 remedy 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, each Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under each 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).

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. 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify such Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to such Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

AD VALOREM PROPERTY TAXATION

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

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

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

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

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

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

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.

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

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

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.

FREEMPORT EXEMPTIONS . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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 FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

The City has created Reinvestment Zone Number Two, City of Buda, Texas (The Colony at Cole Springs Development) (“Zone 2”), which encompasses approximately 168 acres of land, in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of the tax increment funds. The City created Zone 2 effective November 8, 2023. As of September 30, 2025, the incremental taxable assessed value of property in Zone 2 was \$6,187,294. The base value of Zone 2 upon creation was approximately \$6,669,957.

The City has also created Tax Reinvestment Zone Number Three, City of Buda, Texas (Persimmon Development) (“Zone 3”), which encompasses approximately 774.34 acres of land, in order to pay for certain public infrastructure within the zone through the issuance of bonds or use of the tax increment funds. The City created Zone 3 effective September 17, 2024. The incremental taxable assessed value of property in Zone 3 has yet to be appraised. The base value of Zone 3 upon creation was approximately \$1,980,003.

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

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

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

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

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

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

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

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

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

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

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a

tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary or clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real 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 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– Public Hearing and Maintenance and Operation Tax Rate

Limitations.”) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year and become delinquent on February 15 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

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

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

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$35,000; the disabled are also granted an exemption of \$35,000.

The City has granted an additional exemption of the market value of residence homesteads.

See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT” for a listing of the amounts of the exemptions described above.

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

The City does not tax nonbusiness personal property; and the Hays County Tax Assessor/Collector collects taxes for the City.

The City does permit split payments, and discounts are allowed.

The City does not tax freeport property.

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

The City has not adopted a tax abatement policy.

TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT

2025/26 Market Valuation Established by Hays Central Appraisal District (excluding totally exempt property)		\$ 3,375,554,398
Less Exemptions/Reductions at 100% Market Value:		<u>261,609,089</u>
2025/26 Taxable Assessed Valuation		\$ 3,113,945,309
City Funded Debt Payable from Ad Valorem Taxes (as of 12-31-2025)		\$ 132,520,000 ⁽¹⁾
The Bonds		<u>36,120,000 ⁽²⁾</u>
Total Debt Payable from Ad Valorem Taxes		\$ 168,640,000
Less: Self-Supporting Debt		<u>(60,445,000) ⁽³⁾</u>
Net Debt Payable from Ad Valorem Taxes		\$ 108,195,000
Interest and Sinking Fund (as of 12-31-2025)		\$ 870,760
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.47%

2026 Estimated Population - 16,090
Per Capita Taxable Assessed Valuation - \$193,533
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$6,724

(1) Excludes the Bonds and the Refunded Bonds. Preliminary, subject to change

(2) Preliminary, subject to change.

(3) A portion of the City's Combination Tax and Limited Revenue Certificates of Obligation, Series 2006, Combination Tax and Limited Revenue Certificates of Obligation, Series 2014, General Obligation Refunding Bonds, Series 2020, the 2021 Certificates of Obligation, the Certificates of Obligation, Series 2024 and the Certificates of Obligation, Series 2026 are supported by waterworks and sewer system revenues. The City's Combination Tax and Limited Revenue Certificates of Obligation, Series 2014A, Combination Tax and Limited Revenue Certificates of Obligation, Series 2016, Combination Tax and Limited Revenue Certificates of Obligation, Series 2017, Tax Notes, Series 2018, General Obligation Refunding Bonds, Series 2019 and the Combination Tax and Limited Revenue Certificates of Obligation, Series 2022 are 100% supported by waterworks and sewer system revenues. Preliminary, subject to change.

TABLE 2 – VALUATION AND AD VALOREM TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year ⁽²⁾	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2022	16,086	\$ 2,131,563,681	\$ 132,510	\$ 93,630,000	4.39%	\$ 5,821
2023	16,086	2,664,187,840	165,622	91,410,000	3.43%	5,683
2024	16,030	2,935,872,236	183,149	89,135,000	3.04%	5,561
2025	16,090	3,145,828,541	195,515	99,850,000	3.17%	6,206
2026	16,090	3,113,945,309	193,533	103,985,000 ⁽³⁾	3.34%	6,463

(1) Source: The Municipal Advisory Council and the City.

(2) Excludes self-supporting debt. See "Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT."

(3) Projected; includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 0.3423	\$ 0.1087	\$ 0.2336	\$ 7,556,054	100.00%	100.15%
2023	0.3423	0.0926	0.2497	9,257,447	99.56%	99.62%
2024	0.3379	0.0882	0.2497	10,093,528	99.55%	99.25%
2025	0.3395	0.0899	0.2496	10,901,730	99.29% ⁽¹⁾	99.47% ⁽¹⁾
2026	0.3576	0.0982	0.2594	11,571,859	18.81% ⁽²⁾	18.44% ⁽²⁾

(1) Unaudited collections as of September 30, 2025.

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

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Texas Lehigh Cement Co.	\$ 86,237,214	2.77%
SRPF C/Buda Industrial LP	73,116,868	2.35%
W.W. Carrington Oaks LLC	49,221,501	1.58%
MFT-Silverado II LLC	44,500,000	1.43%
Buda Acquisition LLC	43,157,415	1.39%
Capital Excavation Inc.	23,450,960	0.75%
Ethanol Products - Central Texas LLP	21,030,768	0.68%
Shoal Creek Properties Ltd.	18,033,968	0.58%
Buda House Assisted Living LLC	16,336,830	0.52%
Dynamic Systems Inc.	15,278,379	0.49%
	<u>\$ 390,363,903</u>	<u>12.54%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see “THE BONDS – TAX RATE LIMITATION”).

TABLE 5 – TAX ADEQUACY⁽¹⁾

2026 Principal and Interest Requirements	\$ 7,548,516
\$0.2474 Tax Rate at 98% Collection Produces	\$ 7,549,823
Estimated Average Annual Principal and Interest Requirements, 2026-2051	\$ 6,076,334
\$0.1992 Tax Rate at 98% Collection Produces	\$ 6,078,919
Estimated Maximum Annual Principal and Interest Requirements, 2034	\$ 9,427,460
\$0.3090 Tax Rate at 98% Collection Produces	\$ 9,429,649

(1) Excludes self-supporting debt and the Refunded Bonds. See “Table 1 – VALUATIONS, EXEMPTIONS AND AD VALOREM TAX DEBT.” Preliminary, subject to change.

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DEBT INFORMATION

TABLE 6 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Ad Valorem Tax Debt ⁽¹⁾			The Bonds ⁽²⁾			LESS: Self-Supporting Debt ⁽³⁾	Total Ad Valorem Tax Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total		
	2026	\$ 6,740,000	\$ 4,986,398	\$ 11,726,398	\$ -	\$ -	\$ -	\$ 4,177,882
2027	5,210,000	5,624,328	10,834,328	1,155,000	2,367,867	3,522,867	5,019,084	9,338,110
2028	6,075,000	4,910,847	10,985,847	1,780,000	1,748,250	3,528,250	5,102,461	9,411,636
2029	5,955,000	4,647,240	10,602,240	2,260,000	1,659,250	3,919,250	5,112,248	9,409,243
2030	5,980,000	4,391,942	10,371,942	2,375,000	1,546,250	3,921,250	4,885,338	9,407,854
2031	6,015,000	4,118,313	10,133,313	2,540,000	1,427,500	3,967,500	4,681,653	9,419,160
2032	6,200,000	3,842,083	10,042,083	2,665,000	1,300,500	3,965,500	4,588,923	9,418,660
2033	6,405,000	3,565,808	9,970,808	2,795,000	1,167,250	3,962,250	4,520,998	9,412,060
2034	6,690,000	3,286,813	9,976,813	2,940,000	1,027,500	3,967,500	4,516,853	9,427,460
2035	6,690,000	3,024,233	9,714,233	3,020,000	880,500	3,900,500	4,193,723	9,421,010
2036	6,940,000	2,773,270	9,713,270	3,170,000	729,500	3,899,500	4,192,923	9,419,848
2037	7,220,000	2,511,036	9,731,036	3,070,000	571,000	3,641,000	4,202,033	9,170,004
2038	7,475,000	2,237,614	9,712,614	3,225,000	417,500	3,642,500	4,196,748	9,158,366
2039	7,780,000	1,943,989	9,723,989	3,385,000	256,250	3,641,250	4,197,473	9,167,766
2040	8,075,000	1,637,764	9,712,764	1,740,000	87,000	1,827,000	4,188,848	7,350,916
2041	8,400,000	1,318,604	9,718,604	-	-	-	4,195,578	5,523,026
2042	7,945,000	999,324	8,944,324	-	-	-	3,569,843	5,374,481
2043	2,780,000	695,719	3,475,719	-	-	-	1,313,638	2,162,081
2044	2,890,000	584,519	3,474,519	-	-	-	1,314,038	2,160,481
2045	1,390,000	468,919	1,858,919	-	-	-	962,838	896,081
2046	1,450,000	413,319	1,863,319	-	-	-	964,038	899,281
2047	1,505,000	353,506	1,858,506	-	-	-	963,100	895,406
2048	1,575,000	289,544	1,864,544	-	-	-	964,950	899,594
2049	1,640,000	222,606	1,862,606	-	-	-	965,313	897,294
2050	1,710,000	152,906	1,862,906	-	-	-	964,188	898,719
2051	1,785,000	78,094	1,863,094	-	-	-	965,469	897,625
	<u>\$ 132,520,000</u>	<u>\$ 59,078,733</u>	<u>\$ 191,598,733</u>	<u>\$ 36,120,000</u>	<u>\$ 15,186,117</u>	<u>\$ 51,306,117</u>	<u>\$ 84,920,172</u>	<u>\$ 157,984,678</u>

(1) Includes self-supporting general obligation debt and excludes the Refunded Bonds. Preliminary, subject to change.

(2) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

(3) See "Table 1 – VALUATIONS, EXEMPTIONS AND AD VALOREM TAX DEBT." Preliminary, subject to change

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TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 3/31/2026
Hays CISD	\$ 1,233,960,000	17.43%	\$ 215,079,228
Hays County	695,683,512	6.42%	44,662,881
Austin Community College District	657,685,000	0.80%	5,261,480
City of Buda	- ⁽¹⁾	100.00%	-
Total Direct and Overlapping Tax Supported Debt			\$ 265,003,589
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			8.51%
Per Capita Overlapping Tax Supported Debt			\$ 16,470

(1) Includes the Bonds and excludes self-supporting debt and the Refunded Bonds. See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.” Preliminary, subject to change.

TABLE 8 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Authorization Being Used	Unissued Balance
Streets & Roads	11/2/2021	\$ 73,570,000	\$ 35,105,265	\$ -	\$ 38,464,735
Total		\$ 73,570,000	\$ 35,105,265	\$ -	\$ 38,464,735

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next eight months.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Estimated General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2026 ⁽¹⁾	\$ 11,726,398
2025 Interest and Sinking Fund Tax Levy	\$ 8,077,574
Fiscal Year End 2025 Interest and Sinking Fund Balance	870,527
Self-Supported Debt Service	4,177,882
Estimated Balance, 9/30/2026	<u>\$ 1,399,585</u>

(1) Excludes the Refunded Bonds. Preliminary, subject to change.

OTHER OBLIGATIONS . . . The City has other obligations totaling \$1,035,796 as of September 30, 2025. See “Notes to the Financial Statements” in APPENDIX B.

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see “APPENDIX B – EXCERPTS FROM THE CITY OF BUDA, TEXAS ANNUAL FINANCIAL REPORT.”)

FINANCIAL INFORMATION

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ending September 30,				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 13,684,519	\$ 12,877,696	\$ 12,677,634	\$ 11,983,152	\$ 14,569,971
Fees and Charges	2,821,332	3,937,837	2,844,317	3,079,193	2,853,152
Grants and Contributions	302,467	87,012	83,495	2,467,059	66,311
Interest	1,521,198	2,487,804	1,187,179	(144,924)	85,232
Miscellaneous	358,309	70,613	126,531	164,435	438,069
Total Revenues	<u>\$ 18,687,825</u>	<u>\$ 19,460,962</u>	<u>\$ 16,919,156</u>	<u>\$ 17,548,915</u>	<u>\$ 18,012,735</u>
Expenditures:					
Administration and General	\$ 6,187,872	\$ 5,224,441	\$ 1,834,719	\$ 2,065,698	\$ 1,808,831
Finance	-	-	1,076,061	832,485	745,071
Economic Development	1,416,926	965,763	-	315,092	3,869,569
Streets and Infrastructure	2,871,474	3,101,600	1,697,848	1,494,722	1,254,379
Engineering and Planning	-	-	1,506,060	1,190,789	866,276
Fleet Maintenance	-	-	214,234	212,202	165,401
Parks and Recreation	2,596,140	2,013,569	1,701,478	1,295,354	1,277,576
Library	-	-	747,438	696,769	666,383
Community Development	1,168,634	1,649,880	494,454	199,478	253,658
Non-Departmental	-	-	1,152,363	1,341,335	1,813,804
Public Safety	5,027,426	5,056,883	4,021,891	3,124,622	2,751,699
Municipal Court	-	-	135,447	124,307	138,299
Animal Control	-	-	107,104	100,800	107,119
Information Technology	-	-	617,061	666,183	545,495
Facilities Maintenance	-	-	230,722	315,544	276,912
Capital Outlay	1,484,327	-	-	-	26,626
Debt Service	291,430	136,456	263,447	57,767	57,768
Total Expenses	<u>\$ 21,044,229</u>	<u>\$ 18,148,592</u>	<u>\$ 15,800,327</u>	<u>\$ 14,033,147</u>	<u>\$ 16,624,866</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (2,356,404)	\$ 1,312,370	\$ 1,118,829	\$ 3,515,768	\$ 1,387,869
Loan and financing lease proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Proceeds	-	-	-	-	1,529,671
Subscriptions	1,113,222	214,709	354,536	-	-
Budgeted Transfers In	1,323,082	862,639	841,079	1,224,788	945,293
Budgeted Transfers Out	(1,026,379)	(1,502,573)	(865,298)	(5,544,155)	(7,318)
	<u>1,409,925</u>	<u>(425,225)</u>	<u>330,317</u>	<u>(4,319,367)</u>	<u>2,467,646</u>
Net Increase (Decrease)	\$ (946,479)	\$ 887,145	\$ 1,449,146	\$ (803,599)	\$ 3,855,515
Fund Equity at Beginning of Year	14,124,016	13,236,871	11,787,725	12,591,324 ⁽¹⁾	7,622,244
Adjustments to Fund Balance	-	-	-	-	-
Fund Equity at End of Year	<u>\$ 13,177,537</u>	<u>\$ 14,124,016</u>	<u>\$ 13,236,871</u>	<u>\$ 11,787,725</u>	<u>\$ 11,477,759</u>

Source: City's audited financial statements.

(1) Restated.

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TABLE 11 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321 of the Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 10,637,540	157.90%	\$ 0.5660	\$ 680
2022	11,917,194	157.72%	0.5591	741
2023	12,747,991	137.71%	0.4785	792
2024	12,786,688	126.68%	0.4355	798
2025	13,211,743	121.19%	0.4200	821

INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under State law the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the “PFIA”) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an

irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the City may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

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

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

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

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

TABLE 12 – CURRENT INVESTMENTS

As of December 31, 2025, the City's investable funds were invested in the following categories:

Investments	Market Value	% of Total
Money Market Mutual Funds	\$ 9,002,181	8.87%
Local Government Investment Pool	37,730,484	37.16%
Treasury State and Local Government Securities	41,018,257	40.40%
U.S. Treasuries	3,887,148	3.83%
U.S. Agencies	9,898,427	9.75%
	\$ 101,536,497	100.00%

As of such date, the market value of the investment portfolio was approximately 100.00% of its book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, 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 owners 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 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 C – FORM OF BOND COUNSEL’S OPINION.”

In rendering its opinions, Bond Counsel will rely upon (a) the City’s federal tax certificate and the report prepared by the verification agent, 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 by the City to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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 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 is conditioned on compliance by the City with the covenants and requirements described in the preceding paragraph, and Bond Counsel 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. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that 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 Certificates”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate 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 Certificate 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 Certificate 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 Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate 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 Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate 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 Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (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 Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates 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 Certificates 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 Certificates 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 Certificates.

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 BONDS 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, owners 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 owner 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 owner 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.

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CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered 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 events to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System (“EMMA”) at <http://emma.msrb.org/>.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 12 and in APPENDIX B. The City will provide this information within 6 months after the end of each fiscal year ending in or after 2026. If audited financial statements are not available when the other information is provided, the City will provide audited financial statements when and if they become available and will provide unaudited financial statements within 12 months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year and audited financial statements by September 30, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Bonds: (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 Beneficial Owners 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 or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, 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 trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Bond 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 a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement or a trustee.

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

The City intends the words used in clauses (15) and (16) above and the definition of financial obligation in this Section to have the meanings as when they are used in the Rule, as evidenced by Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain 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 registered and beneficial owners of the Bonds.

The City may also amend or repeal the provisions of its 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, and the City also may amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule for the last five years.

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the City. The issuance of the Bonds is also subject to a separate legal opinion of McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel’s legal opinion will also address the matters described above under “TAX MATTERS.” In the performance of its duties, Bond Counsel has reviewed the information describing the Bonds in the Official Statement under the captions and subcaptions “PLAN OF FINANCING – REFUNDED BONDS,” “THE BONDS” (except the subcaptions “DTC REDEMPTION PROVISIONS,” “BOOK-ENTRY-ONLY SYSTEM,” and “BONDHOLDERS’ REMEDIES”), “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION,” (except the subcaption “COMPLIANCE WITH PRIOR AGREEMENTS”), “LEGAL MATTERS – LEGAL OPINIONS” (except for the last two sentences of the first paragraph thereof), “OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF BONDS FOR SALE,” and “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” and the information in APPENDIX C and is of the opinion that the information relating to the Bonds and the Ordinance contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. 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. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The fee as counsel to the Underwriters is contingent upon the sale and delivery of the Bonds.

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

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

OTHER INFORMATION

RATING . . . The Bonds and the outstanding ad valorem tax debt of the City have been rated “AA” by S&P Global Ratings (“S&P”). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective 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 they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The City is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. In the opinion of the City’s management and the City Attorney’s office, the outcome of the pending litigation will not have a material adverse effect on the City’s financial position or operations of the City.

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 acts of any 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2236, Texas Government Code, as amended, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “OTHER INFORMATION – RATING” herein. 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. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering price to the public shown on page 2 of this Official Statement less an underwriting discount of \$ _____. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . . The issuance of the Bonds will be subject to delivery by the Verification Agent of its Report verifying at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of certain computations. The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Escrow Securities and cash deposits listed in the schedules provided by Specialized Public Finance Inc. (as Financial Advisor to the City) to be held in the Escrow Funds, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds.

The Verification Agent will express no opinion on the assumptions provided to them. Such verification of accuracy of such mathematical computation will be based upon information and assumptions supplied by the City and the Financial Advisor, and such verification, information and assumptions will be relied on by Bond Counsel in rendering the opinion described herein.

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

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Bonds 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 of the Bonds by the Underwriters.

This Official Statement has been approved by the City Council of the City for distribution in accordance with the United States Securities and Exchange Commission's Rule 15c2-12, as amended.

Mayor
City of Buda, Texas

ATTEST:

City Clerk
City of Buda, Texas

SCHEDULE I*

SCHEDULE OF REFUNDED BONDS

Combination Tax & Limited Revenue
Certificates of Obligation, Series 2014

<u>Amount</u>	<u>Maturity</u>	<u>Coupon</u>
\$ 240,000	8/15/2027	3.000%
245,000	8/15/2028	3.100%
255,000	8/15/2029	3.200%
265,000	8/15/2030	3.300%
275,000	8/15/2031	3.400%
290,000	8/15/2032	3.500%
295,000	8/15/2033	3.600%
<u>310,000</u>	<u>8/15/2034</u>	<u>4.000%</u>
\$ 2,175,000		

Redemption Date: 6/15/2026

Redemption Price: 100%

General Obligation Bonds, Series 2015

<u>Amount</u>	<u>Maturity</u>	<u>Coupon</u>
\$ 480,000	2/15/2027	3.000%
495,000	2/15/2028	3.000%
510,000	2/15/2029	3.000%
525,000	2/15/2030	3.000%
545,000	2/15/2031	3.000%
560,000	2/15/2032	3.000%
575,000	2/15/2033	3.000%
595,000	2/15/2034	3.125%
<u>615,000</u>	<u>2/15/2035</u>	<u>3.250%</u>
\$ 4,900,000		

Redemption Date: 6/15/2026

Redemption Price: 100%

*Preliminary, subject to change.

(1) Term Bonds.

SCHEDULE I*

SCHEDULE OF REFUNDED BONDS (cont.)

General Obligation Bonds, Series 2016		
Amount	Maturity	Coupon
\$ 1,215,000	8/15/2027	4.000%
1,265,000	8/15/2028	4.000%
1,705,000	8/15/2029	4.000%
1,775,000	8/15/2030	4.000%
1,885,000	8/15/2031	4.000%
1,960,000	8/15/2032	4.000%
2,040,000	8/15/2033	4.000%
2,120,000	8/15/2034	3.500%
2,445,000	8/15/2035	4.000%
3,165,000	8/15/2036	4.000%
3,295,000	8/15/2037	4.000%
3,430,000	8/15/2038	4.000%
3,565,000	8/15/2039 ⁽¹⁾	4.000%
1,890,000	8/15/2040 ⁽¹⁾	4.000%
\$ 31,755,000		

Redemption Date: 6/15/2026
Redemption Price: 100%

Combination Tax and Revenue Certificates of Obligation, Series 2016		
Amount	Maturity	Coupon
\$ 175,000	8/15/2027	4.000%
185,000	8/15/2028	4.000%
190,000	8/15/2029	3.000%
200,000	8/15/2030	3.000%
205,000	8/15/2031	4.000%
210,000	8/15/2032	4.000%
220,000	8/15/2033	4.000%
230,000	8/15/2034	4.000%
240,000	8/15/2035	4.000%
250,000	8/15/2036	4.000%
\$ 2,105,000		

Redemption Date: 6/15/2026
Redemption Price: 100%

*Preliminary, subject to change.

(1) Term Certificates.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY . . . The City of Buda is a residential and commercial center located on Interstate Highway 35, seventeen miles south of downtown Austin in northeastern Hays County. The City’s current population is estimated at 16,090.

ECONOMY . . . Founded in 1881 and incorporated as a city in 1948, Buda is one of the fastest growing cities in Texas. Local manufacturers produce cement, concrete, sand and fishing tackle. Along with the residential and commercial growth, the City has successfully promoted tourism in the area which has become a significant economic benefit to the community. Buda was named by Texas Governor Rick Perry as the “Outdoor Capital of Texas” and is home to one of fifteen Cabela’s retail outdoor stores in the state. In April of each year, the City hosts Texas’ largest Weiner Dog Races, which draws thousands of visitors to the City.

LABOR MARKET PROFILE

Hays County		
	January 2026	January 2025
Total Civilian Labor Force	168,720	167,066
Total Employment	162,332	161,307
Total Unemployment	6,388	5,759
Percent Unemployed	3.8%	3.4%

State of Texas		
	January 2026	January 2025
Total Civilian Labor Force	15,838,900	15,769,642
Total Employment	15,126,189	15,109,463
Total Unemployment	712,711	660,179
Percent Unemployed	4.5%	4.2%

Source: Texas Employment Commission, Austin, Texas

APPENDIX B

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

The information contained in this APPENDIX consists of excerpts from the City of Buda, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

Independent Auditor's Report

The Honorable Mayor
and Members of the City Council of
City of Buda, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buda, Texas (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information 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 this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Statements and Budgetary 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.

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

The Honorable Mayor
and Members of the City Council of
City of Buda, Texas

Other Information Included in the Annual Comprehensive Financial Report

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
March 27, 2026



Management's Discussion and Analysis

As management of the City of Buda, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements (which immediately follow this discussion).

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$129,675,949 (net position). Of this amount, \$21,231,766 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position (government-wide) decreased by \$17,314,648 from current activities. This is due to a decrease in governmental activities of \$18,643,630 and an increase in business-type activities of \$1,328,982.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$123,084,454, an increase of \$61,144,092 in current operations.
- The City's total long-term liabilities increased by \$88,878,150 during the fiscal year mainly due to the issuance of general obligations bonds, certificates of obligation, and Texas special assessment revenue bonds.

Overview of the Financial Statements

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

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

The *statement of net position* presents all of the City's assets, liabilities and deferred inflows/outflows 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.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, community services, building and development, public works, public safety, parks and recreation and interest and fees on debt. The business-type activities of the City include utility fund services. The City includes two discretely presented component units in its report -- Buda 4B Development Corporation and Dupre Local Government Corporation.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are classified as governmental funds or proprietary funds.

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

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, persimmon PID 1 fund, persimmon PID major fund, debt service fund, and the capital projects fund, which are considered to be major funds.

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

Proprietary Funds. The City charges customers for the services it provides, whether to outside customers or to other departments within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses *enterprise* funds to account for its utility fund services. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise 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 be financed or recovered primarily through user charges.

Combining Component Unit Financial Statements. The City's two discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements are noted in the table of contents of this report.

Required and Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. The City also presents the budgetary comparison schedule in the section for required supplementary information.

Government-wide Financial Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Buda, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$129,675,969 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 138,096,236	\$ 67,102,289	\$ 39,326,883	\$ 35,841,675	\$ 177,423,119	\$ 102,943,964
Capital assets	132,122,643	125,926,791	68,604,818	65,885,233	200,727,461	191,812,024
Total assets	270,218,879	193,029,080	107,931,701	101,726,908	378,150,580	294,755,988
Total deferred outflows of resources	1,371,899	1,328,936	374,268	402,145	1,746,167	1,731,081
Long-term liabilities outstanding	182,004,965	95,405,039	49,444,787	47,166,563	231,449,752	142,571,602
Other liabilities	14,349,986	5,522,784	3,698,967	1,164,415	18,048,953	6,687,199
Total liabilities	196,354,951	100,927,823	53,143,754	48,330,978	249,498,705	149,258,801
Total deferred inflows of resources	646,965	197,701	75,128	39,970	722,093	237,671
Net position:						
Net investment in capital assets	67,472,984	65,014,304	38,833,795	37,877,746	106,306,779	102,892,050
Restricted	2,137,404	5,290,014	-	-	2,137,404	5,290,014
Unrestricted	4,978,474	22,928,174	16,253,292	15,880,359	21,231,766	38,808,533
Total net position	\$ 74,588,862	\$ 93,232,492	\$ 55,087,087	\$ 53,758,105	\$ 129,675,949	\$ 146,990,597

The City's total assets of \$378,150,580 are largely comprised of capital assets, net of accumulated depreciation, of \$200,727,461, or 53%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

Long-term liabilities of \$231,449,752 comprise the largest portion of the City's total liabilities of \$249,498,685, at 93%. Of total long-term liabilities, \$8,109,162 is due within one year, with the remainder \$223,340,590 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to financial statements.

A portion of the City's net position (81.98%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, equipment and furniture, infrastructure, and subscription and lease right-to-use assets), less any related debt used to acquire those assets that are 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1.65%) represents resources that are subject to external restrictions on how they can be used, which increased significantly year-over-year due to the addition of two public improvement districts (PIDs) during the year. The remaining balance of net position (16.37%) represents unrestricted financial resources available for future operations. At the end of the current fiscal year, the City is able to report a positive balance in all three total categories of net position.

Analysis of the City's Operations. Revenue can be reported as program revenue or general revenue - all revenues are general unless they are required to be reported as program revenues. Program revenues (charges for services) include revenues attributable to a specific program because they result from exchange-like transactions or other events, such as charges to customers. Program revenues also include operating or capital grants and contributions related to a specific program.

The following table provides a summary of the City's operations for the year ended September 30, 2025.

City of Buda Change in Net Position. Governmental and business-type activities combined to decrease the City's net position by \$17,314,648 from current operations. The elements giving rise to this change may be determined from the table below.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 3,099,514	\$ 4,305,404	\$ 16,175,349	\$ 15,267,332	\$ 19,274,863	\$ 19,572,736
Operating grants and contributions	2,705,077	237,522	-	-	2,705,077	237,522
Capital grants and contributions	1,055,656	14,328,774	180,746	1,541,943	1,236,402	15,870,717
General revenues:						
Taxes	22,580,577	21,401,253	-	-	22,580,577	21,401,253
Investment earnings	5,277,315	4,571,548	1,531,984	1,342,308	6,809,299	5,913,856
Miscellaneous	445,245	149,094	530,628	787,696	975,873	936,790
Total revenues	35,163,384	44,993,595	18,418,707	18,939,279	53,582,091	63,932,874
Expenses						
General government	6,459,453	5,488,138	-	-	6,459,453	5,488,138
Public works	24,121,846	7,659,038	-	-	24,121,846	7,659,038
Building and development	1,479,261	1,653,278	-	-	1,479,261	1,653,278
Parks and recreation	3,827,273	3,810,697	-	-	3,827,273	3,810,697
Community services	2,584,651	2,140,439	-	-	2,584,651	2,140,439
Public safety	5,062,305	4,804,405	-	-	5,062,305	4,804,405
Interest on long-term debt	10,885,494	3,284,081	-	-	10,885,494	3,284,081
Water/Wastewater	-	-	14,026,538	12,008,500	14,026,538	12,008,500
Sanitation	-	-	2,449,918	2,349,370	2,449,918	2,349,370
Total expenses	54,420,283	28,840,076	16,476,456	14,357,870	70,896,739	43,197,946
Increase (decrease) in net position before transfers	(19,256,899)	16,153,519	1,942,251	4,581,409	(17,314,648)	20,734,928
Transfers	613,269	(268,078)	(613,269)	268,078	-	-
Change in net position	(18,643,630)	15,885,441	1,328,982	4,849,487	(17,314,648)	20,734,928
Net position - beginning	93,232,492	77,347,051	53,758,105	48,908,618	146,990,597	126,255,669
Net position - ending	\$ 74,588,862	\$ 93,232,492	\$ 55,087,087	\$ 53,758,105	\$ 129,675,949	\$ 146,990,597

Governmental Activities. The City's total revenues were \$35,163,384 from all governmental activities. A significant portion, \$22,580,577 or 64%, of the City's revenue comes from taxes. Charges for services revenue accounts for \$3,099,514, or 9%, of total revenue for governmental activities. Grants and contributions (operating and capital) revenue accounts for \$3,760,733 or 11% of total revenue for governmental activities.

Charges for services decreased in fiscal year 2025, largely due to decline in offsite infrastructure, residential, and commercial site inspections. These inspections were associated with projects including Colony at Cole Springs Phase 1, Colony at Cole Springs Bridge, and Sunfield. Operating grants and contributions increased significantly in fiscal year 2025, primarily due to the City receiving reimbursement for Sportsplex expenditures from Buda 4B Development Corporation (EDC), as well as reimbursements from Hays County for the Onion Creek Trail and Garlic Creek Trail projects.

Capital grants and contributions decreased significantly due to one-time reimbursements received in the prior year from Hays County for Garison Park land and East Side Regional Park. Developer contributions were also received in 2024 for drainage assets for the Porch at DuPre and Stream developments, and contributions from Sunfield Development.

Tax revenues for the year increased primarily due to increased property tax revenue, which grew as a result of an increase of approximately 7% in taxable property values. The 15% increase in investment earnings was primarily driven by the City's proactive strategy of shifting investments into higher-yielding, short-term LGIP accounts amid an inverted yield curve and elevated short-term interest rates. This strategic realignment allowed the City of Buda to maximize returns while maintaining liquidity.

The total cost of all governmental expenses of \$54,420,283 is an increase from prior year of \$25,580,207. The largest increases were public works and interest on long-term debt. The public works increase of \$16.5 million, was largely due to persimmon pid 1 and persimmon pid major for contribution payments, also depreciation expense for streets and drainage increased by \$1.2 million. Interest on long-term debt increased by 7.6 million due to the bond issuance cost and interest related to the Texas special assessment revenue bonds.

Changes in net position increased \$613,269 from transfers in from the business-type activities.

Business-type Activities. Business-type activities are financed in whole or part by fees charged to external users for goods or services (water, wastewater and sanitation) which are reported in the enterprise funds. Business-type activities increased the City's net position by \$1,942,251 before transfers. Charges for services totaling \$16,175,349 are utilized to provide funds for program expenses of \$16,476,456. Capital grants and contribution revenue accounts for \$180,746 or 1% of total revenue for business-type activities. Charges for services increased primarily due to increased rates in water charges of 6% as well as an increase in commercial sanitation services. Capital grants and contributions declined significantly from the prior year, with approximately \$1.4 million less in developer-contributed assets. This decrease primarily relates to \$424,000 in water infrastructure from the Porch at Dupre development and \$1.1 million in wastewater infrastructure from the Porch at Dupre and Stream developments.

The \$2 million increase in water and wastewater expenses was driven by higher personnel services, costs for the wastewater treatment plant managed by the Guadalupe-Blanco River Authority (GBRA), groundwater expenses through the Alliance Regional Water Authority (ARWA), and interest expense.

Financial Analysis of the City's Funds

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

As the City completed the year, its governmental funds as presented in the balance sheet, reported *combined* ending fund balances of \$123,084,454, an increase of \$61,144,092 over prior year. The General Fund is the primary operating fund of the City. At the end of fiscal year 2025, unassigned fund balance of the General Fund was \$9,692,604. A key indicator of the City's financial stability is the ratio of unassigned fund balance to total General Fund expenditures, which stands at 46%. This level of reserves suggests that the City has sufficient liquidity to sustain operations for approximately five months without additional revenue. The fund balance of the City's general fund decreased by \$946,479 during the current year from current operations. The decrease is primarily due to lower revenues from licenses and permits, fees and charges for services, and investment earnings. In the prior year, one-time revenues related to projects in fiscal year 2024 contributed to higher totals, and investment earnings also declined compared to the previous year. Expenditures in the general fund increased by about 16%, or \$2.8 million primarily due to increased costs in general government and capital outlay.

The persimmon PID improvement area #1 fund, which is new this year, had an ending fund balance of \$14,614,858, all of which is restricted for use in the public improvement district.

The persimmon PID major improvement area fund, which is also new this year, had an ending fund balance of \$37,289,877, all of which is restricted for use in the public improvement district.

The debt service fund has a total fund balance of \$870,528 all of which is restricted for the payment of debt service. The fund balance of the debt service fund increased by \$97,445 from current operations.

At the end of fiscal year 2025, the Capital Projects Fund had a fund balance of \$53,438,654, reflecting a \$10,372,850 increase from the prior year. Expenditures reached \$10.7 million, for projects such as Garlic Creek Trail, Onion Creek Trail from RM 967 to Garison Park and Sportsplex. Fiscal year 2024 expenditures were partially offset by \$2.9 million in grant and contribution revenue from Hays County for park projects, \$3.0 million from Sunfield MUD for city roadway improvements, and \$2.1 million in investment earnings on bond proceeds.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements.

General Fund Budgetary Highlights

The City uses fund accounting to meet legal financial requirements. The City Council approves an annual budget before the fiscal year starts, and expenditures must not exceed this budget without formal amendments. The Council can make emergency appropriations for public needs and transfer funds between departments. They can also revise and amend the budget during the fiscal year.

Throughout the fiscal year, the City adjusted its General Fund budget to reflect actual revenue and expenditures. Revenues surpassed projections due to higher investment earnings and licenses and permits revenue was revised based on collections. Expenditures rose by only 1%, staying under budget. SBITAs were not initially budgeted but will be refined for future accounting. The final transfers out budget increased by 269% to cover unspent CIP projects. These changes kept the City's financial plan flexible and responsible.

Capital Assets and Long-term Liabilities

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$200,727,461 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, equipment and furniture, subscription right-to-use assets, and lease right-to-use assets.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 18,431,881	\$ 18,202,664	\$ 510,157	\$ 510,157	\$ 18,942,038	\$ 18,712,821
Construction in progress	10,348,249	3,503,046	6,545,557	1,428,382	16,893,806	4,931,428
Buildings and improvements, net	34,494,871	36,197,547	516,185	556,237	35,011,056	36,753,784
Infrastructure, net	61,911,118	62,605,183	59,665,583	61,842,878	121,576,701	124,448,061
Equipment and furniture, net	5,823,501	5,073,081	1,361,127	1,521,896	7,184,628	6,594,977
Right-to-use asset - subscriptions, net	990,541	267,388	-	25,683	990,541	293,071
Right-to-use asset - leases, net	122,482	77,882	6,209	-	128,691	77,882
Total	\$ 132,122,643	\$ 125,926,791	\$ 68,604,818	\$ 65,885,233	\$ 200,727,461	\$ 191,812,024

Major capital asset projects during the year included the following:

- S Loop 4 Lift Station Decommission & Gravity Interceptor Extension
- Garlic Creek Trail
- Onion Creek Trail from RM 967 to Garison Park
- Tally Loop Rehabilitation
- East Main Street Expansion
- Sportsplex
- OBC Storage Tank Design
- Old Black Colony Water Storage Facilities

Additional information regarding the City's capital assets can be found in Note 3.E. in the notes to financial statements as indicated in the table of contents.

Long-term Liabilities. At year-end, the City had the following long-term liabilities:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General obligation bonds, net	\$ 85,595,000	\$ 79,840,000	\$ 1,770,000	\$ 2,660,000	\$ 87,365,000	\$ 82,500,000
Certificates of obligation	14,255,000	8,195,000	44,625,000	42,225,002	58,880,000	50,420,002
Texas special assessment revenue bonds	74,035,000	-	-	-	74,035,000	-
Bond issuance discounts	(2,567,028)	-	-	-	(2,567,028)	-
Bond issuance premiums	4,979,558	4,284,235	1,355,107	1,306,040	6,334,665	5,590,275
Limited tax notes	-	-	-	405,000	-	405,000
Leases	109,178	63,375	6,160	-	115,338	63,375
Subscriptions	920,458	184,993	-	25,383	920,458	210,376
Arbitrage	1,461,637	-	1,050,059	-	2,511,696	-
Compensated absences	993,093	570,945	197,084	80,902	1,190,177	651,847
Net pension liability	2,044,653	2,099,572	407,898	431,491	2,452,551	2,531,063
OPEB liability	178,416	166,919	33,479	32,745	211,895	199,664
Total	\$ 182,004,965	\$ 95,405,039	\$ 49,444,787	\$ 47,166,563	\$ 231,449,752	\$ 142,571,602

The City's general obligation bonds increased \$4,865,000 during the current year and certificates of obligation increased by \$8,459,998 during the current year. The increases in both due to issuances of several new bonds. Additionally, the City issued \$74,035,000 in Texas special assessment revenue bonds this year. Additional information on the City's long-term liabilities can be found in Note 3.F. in the notes to financial statements as indicated in the table of contents.

Additional information on the City's net pension liability can be found in Note 4.A. in the notes to financial statements as indicated in the table of contents.

Additional information on the City's other postemployment benefits can be found in Note 4.B. in the notes to financial statements as indicated in the table of contents.

Discretely Presented Component Units

Buda 4B Development Corporation (EDC) and Dupre Local Government Corporation (LGC) are legally separate from the City and reported as discretely presented component units. Individual statements for both EDC and LGC are included following the fund financial statements.

Economic Factors and Next Year's Budget and Rates

- The total tax rate will be \$.3576 per \$100 valuation in fiscal year 2025-2026 (\$.0982 for maintenance and operations and \$.2594 for interest and sinking).
- The state unemployment rate, as recorded by the Bureau of Labor Statistics as of September 2025 was 3.5%, a decrease of 0.7% from last year's rate of 4.2%.
- For fiscal year 2026, the city has conservatively projected a 2.5% increase in sales tax.

All of these factors were considered in preparing the City of Buda's budget for 2025-2026 fiscal year.

The City is estimating revenues of \$19,173,762 and appropriated expenditures of \$22,593,018 in the 2025-2026 fiscal year budget for the General Fund. The information technology department and been moved from the general fund to a newly established IT internal service fund, which will account for IT-related expenses, including staff, software, hardware and equipment.

Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of City of Buda, Texas' finances. If you have any questions about this report or need any additional financial information, please contact the Finance Department, City of Buda, Texas, 405 E. Loop Street, Bldg. 100, Buda, Texas 78610 or call 512-312-0084.

Basic Financial Statements



City of Buda, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 117,581,536	\$ 35,079,219	\$ 152,660,755	\$ 14,207,615
Investments	15,848,868	-	15,848,868	-
Receivables (net):				
Property taxes	114,855	-	114,855	-
Sales, franchise, and other taxes	1,582,675	-	1,582,675	891,472
Customers	5,132	-	5,132	-
Other	2,053,527	4,247,664	6,301,191	202,760
Due from other governments	-	-	-	22,575
Prepaid items	43,775	-	43,775	35,750
Restricted cash and cash equivalents	865,868	-	865,868	706,808
Capital assets not being depreciated:				
Land and improvements	18,431,881	510,157	18,942,038	-
Construction in progress	10,348,249	6,545,557	16,893,806	-
Capital assets being depreciated:				
Infrastructure	102,768,632	83,657,605	186,426,237	-
Equipment and furniture	10,965,526	7,376,552	18,342,078	15,195
Buildings and improvements	54,395,796	679,459	55,075,255	496,171
Right-to-use asset - subscriptions	1,355,702	-	1,355,702	-
Right-to-use asset - leases	167,820	6,688	174,508	70,976
Accumulated depreciation and amortization	(66,310,963)	(30,171,200)	(96,482,163)	(35,038)
Total assets	270,218,879	107,931,701	378,150,580	16,614,284
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	101,020	101,020	-
Deferred outflows from pension activities	1,334,740	266,275	1,601,015	84,264
Deferred outflows from OPEB activities	37,159	6,973	44,132	-
Total deferred outflows of resources	1,371,899	374,268	1,746,167	84,264
LIABILITIES				
Accounts payable	11,357,082	2,760,264	14,117,346	1,246,364
Accrued expenditures	1,276,692	373,119	1,649,811	46,576
Accrued interest payable	911,590	207,599	1,119,189	10,500,197
Unearned revenue	593,407	-	593,407	-
Customer deposits	-	357,985	357,985	-
Due to Dupre Local Government Corporation	211,215	-	211,215	40,252
Noncurrent liabilities:				
Due within one year	5,395,519	2,713,643	8,109,162	107,545
Due in more than one year	174,386,377	46,289,767	220,676,144	30,286,435
Net pension liability	2,044,653	407,898	2,452,551	129,082
Total OPEB liability	178,416	33,479	211,895	-
Total liabilities	196,354,951	53,143,754	249,498,705	42,356,451
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows for pensions	316,330	63,106	379,436	19,970
Deferred inflows for OPEB	64,073	12,022	76,095	-
Deferred inflows - leases	266,562	-	266,562	-
Total deferred inflows of resources	646,965	75,128	722,093	19,970
NET POSITION				
Net investment in capital assets	67,472,984	38,833,795	106,306,779	476,328
Restricted for:				
Debt service	430,465	-	430,465	706,808
Public safety	37,656	-	37,656	-
Community services	1,669,283	-	1,669,283	-
Unrestricted	4,978,474	16,253,292	21,231,766	(26,861,009)
TOTAL NET POSITION	\$ 74,588,862	\$ 55,087,087	\$ 129,675,949	\$ (25,677,873)

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

City of Buda, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 6,459,453	\$ 222,801	\$ 243,220	\$ -
Public works	24,121,846	120,083	583,299	9,882
Building and development	1,479,261	2,270,709	225,217	-
Parks and recreation	3,827,273	316,237	1,287,220	1,033,574
Community services	2,584,651	169,184	93,979	-
Public safety	5,062,305	500	272,142	12,200
Interest on long-term debt	10,885,494	-	-	-
Total governmental activities	54,420,283	3,099,514	2,705,077	1,055,656
Business-type activities:				
Water/Wastewater	14,026,538	13,412,317	-	180,746
Sanitation	2,449,918	2,763,032	-	-
Total business-type activities	16,476,456	16,175,349	-	180,746
TOTAL PRIMARY GOVERNMENT	\$ 70,896,739	\$ 19,274,863	\$ 2,705,077	\$ 1,236,402
COMPONENT UNITS				
Buda 4B Development Corporation	\$ 4,668,380	\$ -	\$ -	\$ -
Dupre Local Government Corporation	499,774	-	-	-
TOTAL COMPONENT UNITS	\$ 5,168,154	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Sales and use taxes				
Hotel occupancy taxes				
Franchise taxes				
Unrestricted investment earnings				
Miscellaneous revenue				
Net transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
NET POSITION - ENDING				

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

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

Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,993,432)	\$ -	\$ (5,993,432)	\$ -
(23,408,582)	-	(23,408,582)	-
1,016,665	-	1,016,665	-
(1,190,242)	-	(1,190,242)	-
(2,321,488)	-	(2,321,488)	-
(4,777,463)	-	(4,777,463)	-
(10,885,494)	-	(10,885,494)	-
(47,560,036)	-	(47,560,036)	-
-	(433,475)	(433,475)	-
-	313,114	313,114	-
-	(120,361)	(120,361)	-
(47,560,036)	(120,361)	(47,680,397)	-
\$ -	\$ -	\$ -	\$ (4,668,380)
-	-	-	(499,774)
\$ -	\$ -	\$ -	\$ (5,168,154)
10,924,325	-	10,924,325	-
8,826,387	-	8,826,387	5,172,772
992,412	-	992,412	158,178
1,837,453	-	1,837,453	-
5,277,315	1,531,984	6,809,299	678,359
445,245	530,628	975,873	61,957
613,269	(613,269)	-	-
28,916,406	1,449,343	30,365,749	6,071,266
(18,643,630)	1,328,982	(17,314,648)	903,112
93,232,492	53,758,105	146,990,597	(26,580,985)
\$ 74,588,862	\$ 55,087,087	\$ 129,675,949	\$ (25,677,873)

City of Buda, Texas

Balance Sheet - Governmental Funds

September 30, 2025

	General	Persimmon PID 1	Persimmon PID Major
ASSETS			
Cash and cash equivalents	\$ -	\$ 19,515,448	\$ 39,770,713
Restricted cash:			
Debt service	-	-	-
Investments	15,624,439	-	-
Receivables (net):			
Property taxes	32,333	-	-
Sales, franchise, and other taxes	1,582,675	-	-
Customers	5,132	-	-
Other	755,482	-	-
Due from other funds	-	-	-
Prepaid items	20,025	-	-
TOTAL ASSETS	<u>\$ 18,020,086</u>	<u>\$ 19,515,448</u>	<u>\$ 39,770,713</u>
LIABILITIES			
Accounts payable	\$ 1,358,463	\$ 4,900,590	\$ 2,480,836
Accrued expenditures	1,076,974	-	-
Due to other funds	2,005,737	-	-
Unearned revenue	51,185	-	-
Due to Dupre Local Government Corporation	53,037	-	-
Total liabilities	4,545,396	4,900,590	2,480,836
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	30,591	-	-
Unavailable revenue - leases	266,562	-	-
Unavailable revenue - other	-	-	-
Total deferred inflows of resources	297,153	-	-
FUND BALANCES			
Nonspendable:			
Prepaid items	20,025	-	-
Restricted:			
Debt service	-	-	-
Public improvement districts	-	14,614,858	37,289,877
Capital projects	-	-	-
Public safety	-	-	-
Community services	-	-	-
Committed:			
Development	-	-	-
Assigned	3,464,908	-	-
Unassigned	9,692,604	-	-
Total fund balances	<u>13,177,537</u>	<u>14,614,858</u>	<u>37,289,877</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 18,020,086</u>	<u>\$ 19,515,448</u>	<u>\$ 39,770,713</u>

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

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 53,904,332	\$ 4,391,043	\$ 117,581,536
865,868	-	-	865,868
-	224,429	-	15,848,868
82,522	-	-	114,855
-	-	-	1,582,675
-	-	-	5,132
-	1,141,620	156,425	2,053,527
-	2,005,737	-	2,005,737
-	-	23,750	43,775
\$ 948,390	\$ 57,276,118	\$ 4,571,218	\$ 140,101,973
\$ -	\$ 2,518,524	\$ 98,669	\$ 11,357,082
-	177,320	22,398	1,276,692
-	-	-	2,005,737
-	-	542,222	593,407
-	-	158,178	211,215
-	2,695,844	821,467	15,444,133
77,862	-	-	108,453
-	-	-	266,562
-	1,141,620	56,751	1,198,371
77,862	1,141,620	56,751	1,573,386
-	-	23,750	43,775
870,528	-	-	870,528
-	-	-	51,904,735
-	53,438,654	-	53,438,654
-	-	37,656	37,656
-	-	1,669,283	1,669,283
-	-	1,962,311	1,962,311
-	-	-	3,464,908
-	-	-	9,692,604
870,528	53,438,654	3,693,000	123,084,454
\$ 948,390	\$ 57,276,118	\$ 4,571,218	\$ 140,101,973



City of Buda, Texas

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 123,084,454

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 198,433,606	
Accumulated depreciation of governmental capital assets	<u>(66,310,963)</u>	132,122,643

Property taxes receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 108,453

Other receivables, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 1,198,371

Long-term liabilities, including certificates of obligation, general obligation bonds, compensated absences, OPEB, and net pension are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Liabilities at year end related to such items consist of:

Certificates of obligation, general obligation bonds, and special assessment bonds	\$ (173,885,000)	
Leases	(109,178)	
Discount on debt issues	2,567,028	
Premium on debt issues	(4,979,558)	
Accrued interest on debt	(911,590)	
Compensated absences not already recorded at the fund level	(993,093)	
Subscription liability	(920,458)	
Arbitrage payable	(1,461,637)	
Net pension liability	(2,044,653)	
OPEB liability	<u>(178,416)</u>	(182,916,555)

Deferred outflows of resources for pension represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 1,334,740

Deferred inflows of resources for pension represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (316,330)

Deferred outflows of resources for OPEB represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 37,159

Deferred inflows of resources for OPEB represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (64,073)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 74,588,862

City of Buda, Texas

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

	<u>General</u>	<u>Persimmon PID 1</u>	<u>Persimmon PID Major</u>
REVENUES			
Taxes:			
Property taxes	\$ 2,888,263	\$ -	\$ -
Sales and use taxes	8,826,387	-	-
Hotel occupancy taxes	-	-	-
Franchise taxes	1,668,922	-	-
Mixed beverage tax	168,531	-	-
Fines and forfeitures	132,416	-	-
Licenses and permits	1,791,084	-	-
Fees and charges for services	1,030,248	-	-
Grants and contributions	302,467	-	-
Investment earnings	1,521,198	545,889	980,858
Miscellaneous	358,309	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	18,687,825	545,889	980,858
EXPENDITURES			
Current:			
General government	6,187,872	-	-
Community services	1,168,634	-	-
Parks and recreation	2,596,140	-	-
Building and development	1,416,926	-	-
Public works	2,871,474	9,551,334	6,212,148
Public safety	5,027,426	-	-
Debt service:			
Principal	283,157	-	-
Interest and other charges	8,273	1,795,899	3,445,036
Capital outlay	1,484,327	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	21,044,229	11,347,233	9,657,184
Excess (deficiency) of revenues over (under) expenditures	(2,356,404)	(10,801,344)	(8,676,326)
OTHER FINANCING SOURCES (USES)			
Special assessment bonds issued	-	26,391,000	47,644,000
Bond proceeds	-	-	-
Discount on special assessment bonds issues	-	(974,798)	(1,677,797)
Premium on bonds issued	-	-	-
Issuance of subscriptions and leases	1,113,222	-	-
Transfers in	1,323,082	-	-
Transfers out	(1,026,379)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,409,925	25,416,202	45,966,203
Net change in fund balances	(946,479)	14,614,858	37,289,877
Fund balances, beginning	14,124,016	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, ENDING	\$ 13,177,537	\$ 14,614,858	\$ 37,289,877

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

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,996,990	\$ -	\$ 329	\$ 10,885,582
-	-	-	8,826,387
-	-	992,412	992,412
-	-	-	1,668,922
-	-	-	168,531
-	-	67	132,483
-	-	-	1,791,084
-	-	145,699	1,175,947
-	1,033,574	1,221,473	2,557,514
22,424	2,175,162	31,784	5,277,315
2,153	-	84,783	445,245
<u>8,021,567</u>	<u>3,208,736</u>	<u>2,476,547</u>	<u>33,921,422</u>
-	-	16,150	6,204,022
-	-	1,349,911	2,518,545
-	-	33,770	2,629,910
-	-	-	1,416,926
-	-	16,650	18,651,606
-	-	4,698	5,032,124
3,760,000	-	-	4,043,157
4,173,622	230,321	-	9,653,151
<u>-</u>	<u>10,531,725</u>	<u>769,706</u>	<u>12,785,758</u>
<u>7,933,622</u>	<u>10,762,046</u>	<u>2,190,885</u>	<u>62,935,199</u>
87,945	(7,553,310)	285,662	(29,013,777)
-	-	-	74,035,000
-	15,575,000	-	15,575,000
-	-	-	(2,652,595)
-	1,473,973	-	1,473,973
-	-	-	1,113,222
9,500	983,502	44,477	2,360,561
<u>-</u>	<u>(106,315)</u>	<u>(614,598)</u>	<u>(1,747,292)</u>
<u>9,500</u>	<u>17,926,160</u>	<u>(570,121)</u>	<u>90,157,869</u>
97,445	10,372,850	(284,459)	61,144,092
<u>773,083</u>	<u>43,065,804</u>	<u>3,977,459</u>	<u>61,940,362</u>
<u>\$ 870,528</u>	<u>\$ 53,438,654</u>	<u>\$ 3,693,000</u>	<u>\$ 123,084,454</u>

City of Buda, Texas

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 61,144,092
Some property taxes will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.		38,743
Some grant revenue will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred grant revenues increased (decreased) by this amount this year.		1,181,137
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 expense.		
Capital outlay	\$ 12,199,595	
Lease outlay	80,574	
Subscription outlay	1,032,648	
Depreciation and amortization expense	<u>(6,995,461)</u>	6,317,356
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(108,633)
Capital assets contributed or donated to the City are not recognized in governmental funds since they do not provide current financial resources, but are recognized in the statement of activities as program revenues.		22,082
Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Par value	\$ (89,610,000)	
Net (Premium) discount	<u>1,178,622</u>	(88,431,378)
Issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Issuance of leases payable		(80,574)
Issuance of subscriptions payable		(1,032,648)
Repayment of certificates of obligation and general obligation bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.		3,760,000
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		34,771
Repayment of subscription liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		262,230
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:		
Accrued interest on bonds payable decreased (increased)	\$ (463,789)	
Amortization of bond premium	<u>693,083</u>	229,294
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences liability, not already recorded at the fund level decreased (increased)		(422,148)
Arbitrage payable		(1,461,637)
The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	\$ 52,621	
Deferred inflows (increased) decreased	(189,319)	
Net pension liability (increased) decreased	<u>54,919</u>	(81,779)
The net change in OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:		
Deferred outflows increased (decreased)	\$ (9,658)	
Deferred inflows (increased) decreased	6,617	
OPEB liability (increased) decreased	<u>(11,497)</u>	(14,538)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (18,643,630)</u>

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

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

	Business-type Activities - Enterprise Funds		
	Water/ Wastewater	Sanitation	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 34,427,281	\$ 651,938	\$ 35,079,219
Receivables, net of allowance for uncollectibles	3,651,332	596,332	4,247,664
Total current assets	38,078,613	1,248,270	39,326,883
Noncurrent assets:			
Capital assets:			
Land and improvements	510,157	-	510,157
Construction in progress	6,545,557	-	6,545,557
Infrastructure	83,657,605	-	83,657,605
Equipment and furniture	7,376,552	-	7,376,552
Buildings and improvements	679,459	-	679,459
Right-to-use asset - leases	6,688	-	6,688
Accumulated depreciation and amortization	(30,171,200)	-	(30,171,200)
Total noncurrent assets	68,604,818	-	68,604,818
Total assets	106,683,431	1,248,270	107,931,701
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	101,020	-	101,020
Deferred outflows from pension activities	266,275	-	266,275
Deferred outflows from OPEB activities	6,973	-	6,973
Total deferred outflows of resources	374,268	-	374,268
LIABILITIES			
Current liabilities:			
Accounts payable	2,539,554	220,710	2,760,264
Accrued expenditures	373,119	-	373,119
Accrued interest payable	207,599	-	207,599
Customer deposits	357,985	-	357,985
Total current liabilities	3,478,257	220,710	3,698,967
Noncurrent liabilities:			
Due within one year	2,713,643	-	2,713,643
Due in more than one year	46,289,767	-	46,289,767
Net pension liability	407,898	-	407,898
OPEB Liability	33,479	-	33,479
Total noncurrent liabilities	49,444,787	-	49,444,787
Total liabilities	52,923,044	220,710	53,143,754
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	63,106	-	63,106
Deferred inflows for OPEB	12,022	-	12,022
Total deferred inflows of resources	75,128	-	75,128
NET POSITION			
Net investment in capital assets	38,833,795	-	38,833,795
Unrestricted	15,225,732	1,027,560	16,253,292
TOTAL NET POSITION	\$ 54,059,527	\$ 1,027,560	\$ 55,087,087

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

City of Buda, Texas

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Fiscal Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds		
	Water/ Wastewater	Sanitation	Totals
OPERATING REVENUES			
Charges for services	\$ 13,412,317	\$ 2,763,032	\$ 16,175,349
Impact fees	516,028	-	516,028
Total operating revenues	13,928,345	2,763,032	16,691,377
OPERATING EXPENSES			
Personnel services	2,855,334	-	2,855,334
Supplies and materials	225,246	12,570	237,816
Water and wastewater contracts	3,225,303	-	3,225,303
Other contracted services	1,421,338	2,398,939	3,820,277
Other operating costs	1,022,744	38,409	1,061,153
Depreciation and amortization	2,752,760	-	2,752,760
Total operating expenses	11,502,725	2,449,918	13,952,643
Operating income	2,425,620	313,114	2,738,734
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,526,130	5,854	1,531,984
Miscellaneous revenue	14,600	-	14,600
Interest expense	(2,523,813)	-	(2,523,813)
Total nonoperating revenues (expenses)	(983,083)	5,854	(977,229)
Income before contributions and transfers	1,442,537	318,968	1,761,505
CONTRIBUTIONS AND TRANSFERS			
Capital contributions	180,746	-	180,746
Transfers in	571,228	-	571,228
Transfers out	(916,707)	(267,790)	(1,184,497)
Total contributions and transfers	(164,733)	(267,790)	(432,523)
Change in net position	1,277,804	51,178	1,328,982
Net position - beginning	52,781,723	976,382	53,758,105
NET POSITION - ENDING	\$ 54,059,527	\$ 1,027,560	\$ 55,087,087

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

City of Buda, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2025

	Business-type Activities - Enterprise Funds		
	Water/ Wastewater	Sanitation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for account services	\$ 13,452,528	\$ 2,702,293	\$ 16,154,821
Cash payments for operating expenses	(3,674,083)	(2,439,305)	(6,113,388)
Cash payments to employees for services	(2,553,882)	-	(2,553,882)
Net cash provided by operating activities	7,224,563	262,988	7,487,551
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers, net	(345,479)	(267,790)	(613,269)
Net cash used for noncapital financing activities	(345,479)	(267,790)	(613,269)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(5,284,911)	-	(5,284,911)
Proceeds from new debt	4,903,082	-	4,903,082
Principal paid on debt obligations	(3,405,914)	-	(3,405,914)
Interest and fees paid on debt obligations	(1,716,776)	-	(1,716,776)
Net cash used for capital and related financing activities	(5,504,519)	-	(5,504,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	1,526,130	5,854	1,531,984
Net cash provided by investing activities	1,526,130	5,854	1,531,984
Net increase in cash and cash equivalents	2,900,695	1,052	2,901,747
Cash and cash equivalents, beginning of year	31,526,586	650,886	32,177,472
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 34,427,281	\$ 651,938	\$ 35,079,219
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,425,620	\$ 313,114	\$ 2,738,734
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	2,752,760	-	2,752,760
Other income	14,600	-	14,600
(Increase) decrease in receivables	(522,722)	(60,739)	(583,461)
(Increase) decrease in pension and OPEB activities	40,176	-	40,176
Increase (decrease) in accounts payable	2,220,548	10,613	2,231,161
Increase (decrease) in accrued liabilities	261,276	-	261,276
Increase (decrease) in customer meter deposits	32,305	-	32,305
Total adjustments	4,798,943	(50,126)	4,748,817
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,224,563	\$ 262,988	\$ 7,487,551
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	\$ 180,746	\$ -	\$ 180,746

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

City of Buda, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2025

	4B Development Corporation	Dupre Local Government Corporation	Total Component Units
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,207,615	\$ -	\$ 14,207,615
Receivables (net):			
Sales, franchise, and other taxes	838,435	53,037	891,472
Other	4,330	198,430	202,760
Due from other governments	-	22,575	22,575
Prepaid items	35,750	-	35,750
Restricted cash and cash equivalents	-	706,808	706,808
Total current assets	<u>15,086,130</u>	<u>980,850</u>	<u>16,066,980</u>
Noncurrent assets:			
Capital assets being depreciated			
Equipment and furniture	15,195	-	15,195
Buildings and improvements	496,171	-	496,171
Right-to-use asset - leases	70,976	-	70,976
Accumulated depreciation	(35,038)	-	(35,038)
Total noncurrent assets	<u>547,304</u>	<u>-</u>	<u>547,304</u>
Total assets	<u>15,633,434</u>	<u>980,850</u>	<u>16,614,284</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension activities	84,264	-	84,264
LIABILITIES			
Current liabilities:			
Accounts payable	411,723	834,641	1,246,364
Accrued expenditures	46,576	-	46,576
Accrued interest payable	-	10,500,197	10,500,197
Due to Dupre Local Government Corporation	40,252	-	40,252
Total current liabilities	<u>498,551</u>	<u>11,334,838</u>	<u>11,833,389</u>
Noncurrent liabilities:			
Due within one year	107,545	-	107,545
Due in more than one year	11,435	30,275,000	30,286,435
Net pension liability	129,082	-	129,082
Total noncurrent liabilities	<u>248,062</u>	<u>30,275,000</u>	<u>30,523,062</u>
Total liabilities	<u>746,613</u>	<u>41,609,838</u>	<u>42,356,451</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows for pensions	19,970	-	19,970
NET POSITION (DEFICIT)			
Investment in capital assets	476,328	-	476,328
Restricted net position	-	706,808	706,808
Unrestricted (deficit)	14,474,787	(41,335,796)	(26,861,009)
TOTAL NET POSITION (DEFICIT)	<u>\$ 14,951,115</u>	<u>\$ (40,628,988)</u>	<u>\$ (25,677,873)</u>

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

City of Buda, Texas
Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended September 30, 2025

	4B Development Corporation	Dupre Local Government Corporation	Total Component Units
REVENUES			
Taxes:			
Sales and use taxes	\$ 4,496,310	\$ 676,462	\$ 5,172,772
Hotel occupancy taxes	-	158,178	158,178
Investment earnings	648,807	29,552	678,359
Miscellaneous	61,957	-	61,957
	<hr/>	<hr/>	<hr/>
Total revenues	5,207,074	864,192	6,071,266
EXPENSES			
Economic development	4,668,380	-	4,668,380
Interest on long-term debt	-	210,013	210,013
Cabela's Inc. payments	-	289,761	289,761
	<hr/>	<hr/>	<hr/>
Total expenses	4,668,380	499,774	5,168,154
Change in net position	538,694	364,418	903,112
Net position (deficit) - beginning	<hr/>	<hr/>	<hr/>
	14,412,421	(40,993,406)	(26,580,985)
NET POSITION (DEFICIT) - ENDING	<hr/> \$ 14,951,115	<hr/> \$ (40,628,988)	<hr/> \$ (25,677,873)

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



City of Buda, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Buda, Texas (City) is a political subdivision governed by an elected mayor and six-member governing council (Council). The accompanying financial statements present the City and its component units, for which the City is considered to be financially accountable. The discretely presented component units are reported in total in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Unit – Buda 4B Development Corporation

Buda 4B Development Corporation (“EDC”) is a nonprofit corporation organized under the laws of the state of Texas to provide economic development in and for the benefit of the City. The City appoints the board of directors and approves the annual budget. EDC’s financial statements are presented discretely alongside the financial statements of the City.

Discretely Presented Component Unit – Dupre Local Government Corporation

Dupre Local Government Corporation (“LGC”) was formed in May 2004. It is a nonprofit corporation organized under the laws of the state of Texas for the benefit of the City. LGC received sales taxes and hotel taxes for the Tax Increment Reinvestment Zone-1 (“TIRZ-1”) among the City, Hays County, and Cabela’s, Inc. (“Cabela’s”). Property taxes are no longer collected by LGC for TIRZ-1 as the tax increment financing (“TIF”) portion of the related master economic development agreement expired on July 14, 2024. The City appoints the board of directors and approves the annual budget. LGC’s financial statements are presented discretely alongside the financial statements of the City.

Separately issued audited financial statements are not issued for the discretely presented component units.

The City is an independent political subdivision of the State of Texas governed by an elected city council and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the governments’ operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City’s financial statements include the following discretely presented component units: The Buda 4B Development Corporation and the Dupre Local Government Corporation. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

City of Buda, Texas

Notes to the Financial Statements

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

C. Basis of Presentation – Government-wide Financial Statements

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

As discussed earlier, the City has two discretely presented component units which are shown in aggregate in a separate column in the government-wide financial statements, as well as presented in the form of combining statements immediately following the fund financial statements of the primary government.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Direct expenses are not eliminated from the various functional categories. Interfund services that are provided and used are not eliminated in the process of consolidation.

D. 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 the enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Persimmon PID 1 Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for Persimmon public improvement district improvement area #1.

The *Persimmon PID Major Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for Persimmon public improvement district major improvement area.

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *Capital Projects Fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

City of Buda, Texas

Notes to the Financial Statements

The government reports the following major enterprise funds:

The *Water/Wastewater Fund* accounts for operations of water and wastewater activities and the construction of related facilities.

The *Sanitation Fund* accounts for the activities of the City's sanitation service operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

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. 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 are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

E. Measurement Focus and Basis of Accounting

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

The government-wide 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 basis of 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 and subscriptions are reported as other financing sources.

City of Buda, Texas

Notes to the Financial Statements

Receivables for sales taxes, franchise and similar taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Property taxes are recognized as revenues in the year for which they are levied, and related receivables are recorded as deferred inflows of resources at year-end. The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows –proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

2. Investments

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation of inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. Interfund Activity

Interfund Activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as single "transfers" line on the government-wide statement of activities. Similarly, if applicable, interfund receivables and payables between governmental activities and business-type activities are netted and presented as a single "internal balance" line on the government-wide statement of net position.

4. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

City of Buda, Texas

Notes to the Financial Statements

As the City constructs or acquires additional capital assets each period, including infrastructure, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value at the date of donation.

Land and construction in progress are not depreciated. The buildings and improvements, improvements other than buildings, machinery and equipment, infrastructure, and utility systems of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives in years</u>
Primary Government:	
Infrastructure	10-40
Equipment and furniture	2-15
Buildings and improvements	20-40
Right-to-use leased equipment	2-15
Right-to-use subscription assets	1.25-10

5. Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

City of Buda, Texas

Notes to the Financial Statements

6. Leases

Lessee

The City is a lessee for a non-cancelable lease of computer equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and governmental fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of the lease, the City initially measures the lease liability at the present value of the 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 amounts of the lease liability, adjusted for least 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 judgements 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, (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 non-cancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

Lessor

The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and component unit fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

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

City of Buda, Texas

Notes to the Financial Statements

7. Long-term Obligations

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

The fund financial statements report 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 at par. Premiums (discounts) associated with the debt are reported as other financing sources or uses.

8. Compensated Absences

Full-time employees are eligible to accrue paid vacation leave at rates that vary depending on number of years of service. Up to 180 hours can be accrued and carried over into a succeeding year with a maximum of 200 hours of unused accrued vacation can be paid upon separation.

Full-time employees accrue sick leave benefits up to 120 hours each fiscal year of service. Part-time and temporary employees do not earn sick leave benefits. Unused accrued sick leave up to 720 hours may be accrued and carried over into succeeding calendar years. No sick leave shall be paid upon termination of employment.

The City allows compensatory time off (comp time) to be earned when employees work hours beyond their normal schedule as a form of extra compensation. Exempt employees may accumulate comp time without limit during the year but may not accrue more than 100 hours to be carried over into succeeding calendar years, and a maximum of 100 hours of unused comp time can be paid upon separation. Non-exempt employees have no limitation on the number of hours that may be accrued, and their unused comp time is also paid out at separation with no upper limit.

The liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences when considered material to the financial statements.

9. Pensions

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

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

10. Other Postemployment Benefits

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements.

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

City of Buda, Texas

Notes to the Financial Statements

11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plans, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- City contributions to the pension and OPEB plans after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.
- Hotel tax revenue is recognized in the period the amount becomes available.
- Lease revenue is recognized in the period that the amount is earned.

12. Net Position Flow Assumption

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

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. Fund Balance Flow Assumptions

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

14. Fund Balance Policies

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

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

City of Buda, Texas

Notes to the Financial Statements

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. Council has by policy authorized the City Manager to assign fund balance. 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.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property values are determined by the Hays County Appraisal District as of July 25 of each year. Prior to October 1 of each year, the City sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Hays County bills and collects the property taxes for the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Allowances for uncollectable tax receivables with the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In October 2023, the City entered into a reimbursement and remittance agreement with Buda Municipal Utility District No. 1 related to the construction of utilities, roads, and parks to support the development of The Colony at Cole Springs. The development has been designated as a Tax Increment Reinvestment Zone (TIRZ) under Chapter 311 of the Texas Tax Code. Under the agreement, 40% of the incremental ad valorem taxes collected by the City within the TIRZ are remitted to Buda Municipal Utility District No. 1.

The property within the TIRZ is owned by a joint venture between Meritage Homes of Texas, LLC and M/I Homes of Austin, LLC. The developer is expected to advance funds for the design and construction of utilities, transportation infrastructure, and park facilities. A portion of these development costs will be reimbursed through the issuance of bonds by Buda Municipal Utility District No. 1, which will be repaid using a combination of TIRZ tax increment revenues and property taxes collected by the District.

3. Sales Taxes

Revenue from a 1.5% sales tax with the City is considered available when received by the Comptroller of Public Accounts and is accrued on a monthly basis based on information provided by the Comptroller of Public Accounts. The City receives allocations on a monthly basis. The Comptroller for the State of Texas collects and distributes these amounts to the appropriate governmental organization with funding normally occurring within 60 days from the date of the underlying sale.

The sales tax collection is allocated to the General Fund and to EDC, the City's component unit. Under a Definitive Agreement executed by Hays County, the City, EDC, and LGC, the sales tax must be allocated by the City, EDC and Hays County to LGC.

City of Buda, Texas

Notes to the Financial Statements

From the total imposed rate of 1.5% sales tax within the City, the City allocates 0.5% of the revenue to EDC after consideration (removal) of the Buda Annexation portion. The TIRZ-1 portion of the sales tax is also allocated as 0.5% to EDC and 1% to the City. Of the 0.5% given to EDC, the agreement states that 85% is to be transferred to LGC and 15% remains in EDC.

Of the 1% earned by the City, 56% is allocated to LGC and 44% remains in the City. Due to overlapping rates within the City's annexed portion (Park 35 Annex), the sales tax rate is 1% of the allowable sales tax available to the City when it entered the Annex. Therefore, the City and EDC split the earned sales tax within the annexed area.

Under the Definitive Agreement, Hays County is required to remit 1/3 of the earned sales tax within TIRZ-1.

4. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

5. 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 water/wastewater fund and sanitation fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the operating cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Use of Estimates

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

I. Deficit Equity

The Dupre Local Government Corporation had a deficit net position of \$41.0 million as of September 30, 2025. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

J. New Accounting Pronouncements

Governmental Accounting Standards Board (GASB) pronouncements which have been implemented:

GASB Statement No. 101, Compensated Absences (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

City of Buda, Texas

Notes to the Financial Statements

GASB Statement No. 102, Certain Risk Disclosures (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

The following GASB pronouncements will become effective in future reporting periods. City management has not determined their impact:

GASB Statement No. 103, Financial Reporting Model Improvements (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, Disclosure of Certain Capital Assets (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 105, Subsequent Events (GASB 105), improves financial reporting related to subsequent events by 1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and non-recognized events and 2) specifies the information items that are required to be disclosed about subsequent events. The requirements of this statement are effective for reporting periods beginning after June 15, 2026, with earlier application encouraged. GASB 105 will be implemented in the City's fiscal year 2027 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance and Accountability

Budgetary Information

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the fund level. Expenditure or revenue requests, which would require an increase or decrease in the total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget. Activities of the general, debt service, water, wastewater, sanitation, capital project funds, and special revenue funds such as hotel/motel tax are included in the City's annual appropriated budget. Capital project funds are budgeted for project length.

Note 3. Detailed Notes on All Funds

A. Cash and Investments

Primary Government

At September 30, 2025, the carrying amount of the City's deposits included cash and interest-bearing accounts totaled approximately \$72.4 million. The City's cash deposits as of and for the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in the City's name.

City of Buda, Texas

Notes to the Financial Statements

As of September 30, 2025, the City had deposits of \$15.8 million with TexSTAR, \$47.6 million with Texas CLASS, and \$17.7 million with Texas Connect, local government investment pools.

The City had brokerage investments in U.S. Treasury notes, commercial paper, and federal agency coupon securities of \$15.8 million at September 30, 2025. These investments are classified as level 2 of the fair value hierarchy valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These federal agency coupon securities had a Standard & Poors ratings of AA+ and the commercial paper had a Moody's rating of P-1, with the combined brokerage investments having a WAM of 820 days.

Component Unit – Buda 4B Development Corporation

At September 30, 2025, the carrying amount of EDC's deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$103,164. EDC does not qualify for collateralization protection under the controlling statutes of the FDIC; therefore EDC's deposits are only insured up to \$250 thousand. EDC has not experienced any losses in such accounts.

At September 30, 2025, EDC had deposits of \$14.1 million in TexPool, a local government investment pool.

Component Unit – Dupre Local Government Corporation

At September 30, 2025, the carrying amount of LGC's deposits (cash and interest-bearing savings accounts included in temporary investment) totaled \$707 thousand. LGC's cash deposits as of and for the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in LGC's name.

Local Government Investment Pools

At September 30, 2025, the City had deposits of \$15.8 million with TexSTAR, \$47.6 million with Texas CLASS, and \$17.7 million with Texas Connect and EDC had deposits of \$14.1 million with TexPool. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Texas Short Term Asset Reserve Program (TexSTAR) is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody and investment management.

The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet Participants' needs, and yield. The portfolio will maintain a dollar-weighted average maturity that does not exceed 60 days and seeks to maintain a net asset value of \$1.00 per share. TexSTAR may invest in securities including: obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; other obligations which are unconditionally guaranteed or insured by the U.S.; fully collateralized repurchase agreements with a defined termination date and unconditionally guaranteed or insured by the U.S. or its agencies and instrumentalities; and SEC-registered no-load money-market fund which meet the requirements of the Public Funds Investment Act. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity. TexSTAR is current rated AAAM by Standard & Poors. Measurement is at amortized cost, which approximates fair value.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created in accordance with the requirements contained in section 2256.016 of the Public Funds Investment Act (PFIA). The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and UMB Bank, N.A. as Custodian.

City of Buda, Texas

Notes to the Financial Statements

Texas CLASS is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper. Texas CLASS is currently rated at AAAM by Standard and Pools.

Texas Connect is an investment pool administered and managed exclusively for Texas government entities and was established by the Connect Investment Trust under the Public Funds Investment Act of the Texas government Code, Chapter 2256. The Texas Connect Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Funds Administrators (PFA) as Program Administrator, and U.S. Bank as Custodian.

The purpose of Texas Connect is to offer Participants with a pooled investment option that prioritizes preservation of principal, liquidity, and yield. It is the objective of Texas Connect to stabilize the NAV per share at \$1.00 for the purpose of sales and redemptions of shares. The Pool is managed to maintain a weighted average maturity to reset ("WAM(R)") of 60 days or less and a weighted average maturity to final ("WAM(F)") of 90 days or less, to enhance liquidity and to limit market price exposure to volatile interest rate movements in the market. The Investment Adviser will manage Texas Connect in accordance with the General Accounting Standard Board's Statement Number 79 requirements for measuring its investments at amortized cost. Texas Connect is currently rated AAAM by Standard & Pools. Measurement is at amortized cost, which approximates fair value.

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Hermes, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity. TexPool is currently rated at AAAM by Standard and Pools. Measurement is at amortized cost, which approximates fair value.

Investments

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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable state maturity of any individual investment owned by the entity.

City of Buda, Texas

Notes to the Financial Statements

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers' acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks. A pooled cash strategy is utilized which enables the City to have one central depository.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to interest-bearing accounts and certificates of deposit with bank depository.

Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At September 30, 2025, the City's deposits were held at various depository banks. Deposit balances held at the depository banks were insured and collateralized with securities held by the City's or the bank's agent in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial risk as the cash equivalents and certificates of deposit at bank depository are insured or registered in the City's name or the investments are held by the City or its agent.

B. Restricted Cash and Cash Equivalents

The restricted assets consist of cash and cash equivalents and are limited for the following purposes as of September 30, 2025:

	Governmental Activities	Dupre Local Government Corporation	Total
Debt service	\$ 865,868	\$ 701,730	\$ 1,567,598
Grant revenue fund	-	2,758	2,758
Contract funds	-	2,320	2,320
Total restricted assets	\$ 865,868	\$ 706,808	\$ 1,572,676

C. Receivables

Tax revenues of the general and debt service fund are reported net of the change in estimated uncollectible amounts. Revenues of the enterprise funds are reported net of the change in estimated uncollectible amounts.

City of Buda, Texas

Notes to the Financial Statements

Total change in uncollectible amounts related to property tax, utility and other revenues of the current period decreased revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ (2,915)
Change in uncollectibles related to debt service fund property taxes	(7,397)
Change in uncollectibles related to sanitation business type activity	(36,536)
Change in uncollectibles related to water & wastewater business type activity	<u>(199,382)</u>
Total change in uncollectibles of the current fiscal year (decreased) revenues	<u>\$ (246,230)</u>

Allowances for uncollectibles at September 30, 2025 for the City's individual major governmental and proprietary funds are as follows:

	General	Debt Service	Business-type Activities	Total
Property taxes	\$ (10,306)	\$ (23,170)	\$ -	\$ (33,476)
Sanitation	-	-	(127,078)	(127,078)
Water/Wastewater	-	-	(611,760)	(611,760)

Approximately 73% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

In October 2019, the City entered into a 5-year lease as the lessor for the use of 121 Main Street. At the conclusion of this term, the lease automatically renewed for a new 5-year term that contained the same consideration as the initial term. As of fiscal year-end, the value of the lease receivable is \$195,586. The lessee is required to make monthly fixed payments of \$4,407. The lease has an interest rate of 4.069%. The value of the deferred inflow of resources as of fiscal year-end was \$195,586.

In October 2018, the City entered into a 10-year lease as the lessor for the use of facilities at 405 E Loop Street, Building 100. As of fiscal year-end, the value of the lease receivable is \$70,976. The lessee is required to make monthly fixed payments of \$4,255, which is recalculated by the City each year, with such recalculations and changes in payments being approved by the City Council. The lease has an interest rate of 4.069%. The value of the deferred inflow of resources as of fiscal year-end was \$70,976.

For the year ended September 30, 2025, lease receivables were as follows and were included in other receivables:

	Ending Balance
Governmental activities	
Buildings	<u>\$ 266,562</u>
Total governmental activities	<u>\$ 266,562</u>

City of Buda, Texas

Notes to the Financial Statements

The future principal and interest payments as of fiscal year end are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 117,440	\$ 7,788	\$ 125,228
2027	47,702	5,185	52,887
2028	49,680	3,207	52,887
2029	51,740	1,147	52,887
Totals	\$ 266,562	\$ 17,327	\$ 283,889

D. Interfund Activity

Receivables/Payables

The composition of interfund balances as of September 30, 2025 is as follows:

	Interfund Receivables	Interfund Payables
General	\$ -	\$ 2,005,737
Capital projects	2,005,737	-
Totals	\$ 2,005,737	\$ 2,005,737

The receivable balance in the Capital Projects Fund is the result of temporary lending to the General Fund to cover its negative cash balance.

Transfers To and From Other Funds

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the City's transfers for the year ended September 30, 2025.

Transfers in	Transfer out General	Transfer out Capital Projects	Transfer out Nonmajor Governmental	Transfer out Water/ Wastewater	Transfer out Sanitation	Total
General	\$ -	\$ 96,815	\$ 41,770	\$ 916,707	\$ 267,790	\$ 1,323,082
Debt Service Fund	-	9,500	-	-	-	9,500
Capital Projects	983,502	-	-	-	-	983,502
Nonmajor Governmental	42,877	-	1,600	-	-	44,477
Water/Wastewater	-	-	571,228	-	-	571,228
Totals	\$ 1,026,379	\$ 106,315	\$ 614,598	\$ 916,707	\$ 267,790	\$ 2,931,789

Transfers from the General Fund to the Capital Projects Fund were utilized for capital improvement projects. Transfers from the Nonmajor Governmental Funds to other funds were to cover costs funded by Hotel Occupancy Taxes or grants. Transfers from the Water/Wastewater and Sanitation Funds to the General Fund were administrative transfers per the adopted budget.

City of Buda, Texas
Notes to the Financial Statements

E. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land and improvements	\$ 18,202,664	\$ 229,217	\$ -	\$ -	\$ 18,431,881
Construction in progress	3,503,046	10,065,320	-	(3,220,117)	10,348,249
Total capital assets, not being depreciated or amortized	21,705,710	10,294,537	-	(3,220,117)	28,780,130
Capital assets, being depreciated and amortized:					
Infrastructure	99,818,623	15,553	(129,168)	3,063,624	102,768,632
Equipment and furniture	9,719,818	1,795,191	(669,644)	120,161	10,965,526
Buildings and improvements	54,243,496	116,397	(429)	36,332	54,395,796
Right-to-use asset - subscriptions	385,894	1,032,648	(62,840)	-	1,355,702
Right-to-use asset - leases	87,246	80,574	-	-	167,820
Total capital assets, being depreciated and amortized	164,255,077	3,040,363	(862,081)	3,220,117	169,653,476
Less accumulated depreciation and amortization for:					
Infrastructure	(37,213,441)	(3,704,875)	60,802	71,853	(40,785,661)
Equipment and furniture	(4,646,736)	(1,124,667)	629,378	(1,317)	(5,143,342)
Buildings and improvements	(18,045,949)	(1,855,403)	427	(70,536)	(19,971,461)
Right-to-use asset - subscriptions	(118,506)	(274,542)	27,887	-	(365,161)
Right-to-use asset - leases	(9,364)	(35,974)	-	-	(45,338)
Total accumulated depreciation and amortization	(60,033,996)	(6,995,461)	718,494	-	(66,310,963)
Total capital assets, being depreciated and amortized, net	104,221,081	(3,955,098)	(143,587)	3,220,117	103,342,513
Governmental activities capital assets, net	\$ 125,926,791	\$ 6,339,439	\$ (143,587)	\$ -	\$ 132,122,643

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

Governmental activities:	
General government	\$ 578,685
Public works	4,928,949
Building and development	10,231
Parks and recreation	1,072,095
Public safety	405,501
Total governmental activities	\$ 6,995,461

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land and improvements	\$ 510,157	\$ -	\$ -	\$ -	\$ 510,157
Construction in progress	1,428,382	5,117,175	-	-	6,545,557
Total capital assets, not being depreciated or amortized	1,938,539	5,117,175	-	-	7,055,714
Capital assets, being depreciated and amortized:					
Infrastructure	83,580,933	180,746	(104,074)	-	83,657,605
Equipment and furniture	7,190,926	190,026	(4,400)	-	7,376,552
Buildings and improvements	679,459	-	-	-	679,459
Right-to-use asset - subscriptions	40,552	587	(41,139)	-	-
Right-to-use asset - leases	-	6,688	-	-	6,688
Total capital assets, being depreciated and amortized	91,491,870	378,047	(149,613)	-	91,720,304
Less accumulated depreciation and amortization for:					
Infrastructure	(21,738,055)	(2,358,040)	104,073	(771,239)	(24,763,261)
Equipment and furniture	(5,669,030)	(346,395)	-	771,198	(5,244,227)
Buildings and improvements	(123,222)	(40,052)	-	41	(163,233)
Right-to-use asset - subscriptions	(14,869)	(8,273)	23,142	-	-
Right-to-use asset - leases	-	(479)	-	-	(479)
Total accumulated depreciation and amortization	(27,545,176)	(2,753,239)	127,215	-	(30,171,200)
Total depreciable assets, net	63,946,694	(2,375,192)	(22,398)	-	61,549,104
Business-type activities capital assets, net	\$ 65,885,233	\$ 2,741,983	\$ (22,398)	\$ -	\$ 68,604,818

City of Buda, Texas

Notes to the Financial Statements

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

Business-type activities:		
Water/wastewater	\$	<u>2,753,239</u>
Total business-type activities	\$	<u>2,753,239</u>

Construction Commitments

The City has active construction projects as of September 30, 2025. At year end, the commitments with contractors are as follows:

City Project	Remaining Commitment
South Loop 4 Wastewater Improvements	\$ 43,633
OBC Water Storage Facilities	190,580
Garlic Creek Trail	92,877
Sports Complex Improvements	<u>83,686</u>
Totals	\$ 410,776

Component Unit – Buda 4B Development Corporation

Activity for this component unit for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Component unit:					
Capital assets, being depreciated and amortized:					
Equipment and furniture	\$ 6,095	\$ 9,100	\$ -	\$ -	\$ 15,195
Buildings and improvements	496,171	-	-	-	496,171
Right-to-use asset - leases	-	70,976	-	-	70,976
Total depreciable assets	<u>502,266</u>	<u>80,076</u>	<u>-</u>	<u>-</u>	<u>582,342</u>
Less accumulated depreciation for:					
Equipment and furniture	(5,892)	(24,808)	-	-	(30,700)
Buildings and improvements	(4,135)	(203)	-	-	(4,338)
Total accumulated depreciation	<u>(10,027)</u>	<u>(25,011)</u>	<u>-</u>	<u>-</u>	<u>(35,038)</u>
Total depreciable assets, net	<u>492,239</u>	<u>55,065</u>	<u>-</u>	<u>-</u>	<u>547,304</u>
Component unit capital assets, net	\$ 492,239	\$ 55,065	\$ -	\$ -	\$ 547,304

F. Long-term Liabilities

Primary Government and Discretely Presented Component Units

Long-term obligations include general obligation bonds, certificates of obligation, compensated absences, subscription liabilities, lease liabilities, net pension liability, and other postemployment benefits. The requirements for the general obligation bonds and certificates of obligation principal and interest payments are accounted for in the Debt Service Fund. The requirements for the subscription liability principal and interest payments are accounted for in the General Fund and Water/Wastewater Fund. The requirements for the lease liability principal and interest payments are accounted for in the General Fund. Compensated absences, other postemployment benefits, and net pension liability are generally liquidated by the General Fund, Water/Wastewater Fund, and EDC.

City of Buda, Texas

Notes to the Financial Statements

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance 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 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 liability could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City recognized an arbitrage liability of \$2,511,696 as of September 30, 2025.

Changes in Long-term Liabilities

Changes in long-term obligations for the period ended September 30, 2025, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 79,840,000	\$ 8,575,000	\$ (2,820,000)	\$ 85,595,000	\$ 3,135,000
Certificates of obligation	8,195,000	7,000,000	(940,000)	14,255,000	1,075,000
Texas special assessment revenue bonds	-	74,035,000	-	74,035,000	-
Deferred amounts:					
For issuance discounts	-	(2,652,595)	85,568	(2,567,027)	-
For issuance premiums	4,284,235	1,470,849	(775,526)	4,979,558	-
Total bonds payable, net	92,319,235	88,428,254	(4,449,958)	176,297,531	4,210,000
Leases	63,375	80,574	(34,771)	109,178	35,886
Compensated absences	570,945	422,147	-	993,092	919,072
Arbitrage	-	1,461,637	-	1,461,637	-
Subscription liability	184,993	1,032,648	(297,183)	920,458	230,561
Net pension liability	2,099,572	3,780,049	(3,834,968)	2,044,653	-
OPEB liability	166,919	25,589	(14,092)	178,416	-
Total governmental activities long-term liabilities	\$ 95,405,039	\$ 95,230,898	\$ (8,630,972)	\$ 182,004,965	\$ 5,395,519
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,660,000	\$ -	\$ (890,000)	\$ 1,770,000	\$ 385,000
Certificates of obligation	42,225,002	4,485,000	(2,085,002)	44,625,000	2,145,000
Limited tax notes	405,000	-	(405,000)	-	-
Deferred amounts:					
For issuance premiums	1,306,040	418,081	(369,014)	1,355,107	-
Total bonds payable, net	46,596,042	4,903,081	(3,749,016)	47,750,107	2,530,000
Leases	-	6,688	(528)	6,160	1,248
Compensated absences	80,902	116,182	-	197,084	182,395
Arbitrage	-	1,050,059	-	1,050,059	-
Subscription liability	25,383	587	(25,970)	-	-
Net pension liability	431,491	754,101	(777,694)	407,898	-
OPEB liability	32,745	4,802	(4,068)	33,479	-
Total business-type activities long-term liabilities	\$ 47,166,563	\$ 6,835,500	\$ (4,557,276)	\$ 49,444,787	\$ 2,713,643
Component Unit:					
EDC compensated absences	\$ 37,373	\$ 10,631	\$ -	\$ 48,004	\$ 36,569
EDC leases	-	70,976	-	70,976	70,976
EDC pension liability	99,980	238,639	(209,537)	129,082	-
LGC bonds payable	30,275,000	-	-	30,275,000	-
LGC bonds accrued interest	10,864,323	1,438,063	(1,802,189)	10,500,197	-
Total component units	\$ 41,276,676	\$ 1,758,309	\$ (2,011,726)	\$ 41,023,259	\$ 107,545

City of Buda, Texas

Notes to the Financial Statements

Certificates of Obligation and Bonds

Governmental activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General obligation bonds:				
General Obligation Bonds, Series 2015	3.00-3.25%	\$ 9,430,000	2035	\$ 5,370,000
General Obligation Bonds, Series 2016	2.00-5.00%	41,150,000	2040	32,775,000
General Obligation Refunding, Series 2020	1.11%	370,000	2030	190,000
General Obligation Refunding, Series 2022a (63.77%)	3.63-5.00%	25,530,320	2042	24,669,425
General Obligation Refunding, Series 2022b (36.23%)	3.63-5.00%	14,504,681	2042	14,015,575
General Obligation Refunding, Series 2024a (90.36%)	2.60-4.00%	7,748,572	2044	7,748,572
General Obligation Refunding, Series 2024b (9.64%)	2.60-4.00%	826,428	2044	826,428
Total general obligation bonds				85,595,000
Certificates of obligation:				
Certificates of Obligation, Series 2006	4.45%	2,345,000	2026	135,000
Certificates of Obligation, Series 2008	3.48%	6,120,000	2028	1,125,000
Certificates of Obligation, Series 2014	2.00-4.50%	4,445,000	2034	1,870,000
Certificates of Obligation, Series 2016A	2.00-4.00%	3,655,000	2036	2,275,000
Certificates of Obligation, Series 2021 (P&R) (51.3%)	2.00-5.00%	1,460,000	2041	972,478
Certificates of Obligation, Series 2021 (Gen CIP) (48.7%)	2.00-5.00%	1,385,000	2041	922,522
Certificates of Obligation, Series 2024 (Gen CIP) (32.04%)	4.00-5.00%	2,242,500	2044	2,228,084
Certificates of Obligation, Series 2024 (P&R) (67.96%)	4.00-5.00%	4,757,500	2044	4,726,916
Total certificates of obligation				14,255,000
Special assessment bonds:				
Texas Special Assessment Revenue Bonds, Series 2025 PID (Improvement Area #1)	5.00-6.07%	26,391,000	2055	26,391,000
Texas Special Assessment Revenue Bonds, Series 2025 PID (Major Improvement Area)	5.75-6.68%	47,644,000	2055	47,644,000
Total special assessment bonds				74,035,000
Total governmental activities				\$ 173,885,000

Business-type activities:

Series	Interest Rate	Original Issue	Maturity	Debt
General obligation bonds:				
General Obligation Refunding, Series 2019	3.00-4.00%	\$ 4,845,000	2029	\$ 880,000
General Obligation Refunding, Series 2020 (Water) (15.03%)	1.11%	260,019	2030	133,757
General Obligation Refunding, Series 2020 (Wastewater) (84.97%)	1.11%	1,469,981	2030	756,243
Total general obligation bonds				1,770,000
Certificates of obligation:				
Certificates of Obligation, Series 2006 (Water) (50%)	4.45%	252,500	2026	20,000
Certificates of Obligation, Series 2006 (Wastewater) (50%)	4.45%	252,500	2026	20,000
Certificates of Obligation, Series 2014	2.00-4.00%	4,445,000	2034	535,000
Certificates of Obligation, Series 2014A	2.89-3.70%	3,605,000	2034	1,940,000
Certificates of Obligation, Series 2016	2.00-5.00%	1,190,000	2031	530,000
Certificates of Obligation, Series 2017 (Water) (6.5%)	3.00-5.00%	1,800,000	2042	1,441,592
Certificates of Obligation, Series 2017 (Wastewater) (93.5%)	3.00-5.00%	26,025,000	2042	20,843,408
Certificates of Obligation, Series 2021 (Water) (7.2%)	2.00-5.00%	685,000	2041	586,730
Certificates of Obligation, Series 2021 (Wastewater) (92.8%)	2.00-5.00%	8,795,000	2041	7,533,270
Certificates of Obligation, Series 2022 (Water) (93.96%)	4.00-5.00%	7,159,752	2042	6,440,976
Certificates of Obligation, Series 2022 (Purple Pipe) 6.04%	4.00-5.00%	460,248	2042	414,024
Certificates of Obligation, Series 2024 (Water) (50%)	4.00-5.00%	2,242,500	2044	2,160,000
Certificates of Obligation, Series 2024 (Wastewater) (50%)	4.00-5.00%	2,242,500	2044	2,160,000
Total certificates of obligation				44,625,000
Total business-type activities				\$ 46,395,000

Component Unit - Dupre Local Government Corporation:

Series	Interest Rate	Original Issue	Maturity	Debt
Contract revenue bonds:				
Contract Revenue Bonds, Series 2004	4.75%	\$ 31,750,000	2028	\$ 30,275,000

City of Buda, Texas

Notes to the Financial Statements

In October 2024, the City issued \$8,575,000 in General Obligation Bonds, Series 2024 to provide funds for major capital projects. The bonds constitute direct obligations that pledge full faith and credit of the City. Interest at a rate range from 2.6% to 4.0% is payable at February 15 and August 15 of each year.

In October 2024, the City issued \$11,485,000 in Certificates of Obligation, Series 2024 to provide funds for major capital projects. The bonds constitute direct obligations that pledge full faith and credit of the City. Interest at a rate range from 4.0% to 5.0% is payable at February 15 and August 15 of each year.

In February 2025, the City issued \$74,035,000 in Special Assessment Revenue Bonds, Series 2025. The bonds constitute direct obligations of the City, payable from public improvement district assessment revenues. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting future assessments, forwarding collections to trustees, and approving bond proceed disbursements. Interest at a rate range from 5.00% to 6.68% is payable at March 1 and September 1 of each year.

The principal and interest requirements for certificates of obligation, bonds, and notes are as follows:

Year Ending September 30,	Governmental Activities General Obligation Bonds			Governmental Activities Certificates of Obligation			Governmental Activities Special Assessment Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 3,135,000	\$ 3,539,384	\$ 6,674,384	\$ 1,075,000	\$ 572,558	\$ 1,647,558	\$ -	\$ 4,723,984	\$ 4,723,984
2027	3,660,000	3,393,246	7,053,246	1,070,000	533,228	1,603,228	-	4,723,984	4,723,984
2028	3,820,000	3,233,327	7,053,327	1,110,000	490,704	1,600,704	611,000	4,723,984	5,334,984
2029	4,370,000	3,066,208	7,436,208	760,000	453,215	1,213,215	655,000	4,688,851	5,343,851
2030	4,565,000	2,876,094	7,441,094	790,000	422,615	1,212,615	731,000	4,651,234	5,382,234
2031-2035	26,245,000	11,232,841	37,477,841	4,245,000	1,588,425	5,833,425	4,988,000	22,529,599	27,517,599
2036-2040	31,190,000	5,476,219	36,666,219	3,020,000	798,975	3,818,975	8,043,000	20,605,680	28,648,680
2041-2045	8,610,000	626,000	9,236,000	2,185,000	211,045	2,396,045	12,464,000	17,511,041	29,975,041
2046-2050	-	-	-	-	-	-	18,771,000	12,768,473	31,539,473
2051-2055	-	-	-	-	-	-	27,772,000	5,635,988	33,407,988
Totals	\$ 85,595,000	\$ 33,443,319	\$ 119,038,319	\$ 14,255,000	\$ 5,070,765	\$ 19,325,765	\$ 74,035,000	\$ 102,562,818	\$ 176,597,818

Year Ending September 30,	Business-type Activities General Obligation Bonds			Business-type Activities Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 385,000	\$ 39,829	\$ 424,829	\$ 2,145,000	\$ 1,616,328	\$ 3,761,328
2027	385,000	30,537	415,537	2,205,000	1,517,606	3,722,606
2028	400,000	19,894	419,894	2,305,000	1,414,980	3,719,980
2029	415,000	8,752	423,752	2,405,000	1,317,954	3,722,954
2030	185,000	2,054	187,054	2,510,000	1,225,732	3,735,732
2031-2035	-	-	-	13,115,000	4,573,321	17,688,321
2036-2040	-	-	-	13,765,000	2,385,335	16,150,335
2041-2044	-	-	-	6,175,000	358,445	6,533,445
Totals	\$ 1,770,000	\$ 101,066	\$ 1,871,066	\$ 44,625,000	\$ 14,409,701	\$ 59,034,701

On March 3, 2026, the City Council of City of Buda (City Council) approved an Ordinance authorizing the issuance of Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2026. These certificates are for an amount of \$27,210,000 and will levy an ad valorem tax and pledge certain revenues in support of the certificates. The certificates were finalized and issued March 26, 2026.

Subscription-Based Information Technology Arrangements (SBITAs)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make yearly payments at its incremental borrowing rate, or the interest rate stated or implied within the SBITAs.

City of Buda, Texas

Notes to the Financial Statements

The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate	Subscription Term in Years	Ending Balance
Governmental activities			
Software subscriptions	3.97% - 4.07%	1.3 - 5	\$ 920,458
Total governmental activities			<u>\$ 920,458</u>

The future principal and interest SBITA payments as of fiscal year end are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 230,561	\$ 36,204	\$ 266,765
2027	215,028	27,636	242,664
2028	192,829	19,317	212,146
2029	182,580	11,476	194,056
2030	99,460	4,047	103,507
Totals	<u>\$ 920,458</u>	<u>\$ 98,680</u>	<u>\$ 1,019,138</u>

The total value of the subscription assets as of the end of the current fiscal year was \$1,355,702 and had accumulated amortization of \$365,161.

Leases

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use computer equipment over the term of the lease. The City is required to make both monthly payments at its incremental borrowing rate or interest rate stated or implied within the leases.

The lease rate, term and ending lease liability are as follows:

	Interest Rate	Lease Term in Years	Ending Balance
Governmental activities			
Computer equipment	3.97% - 4.07%	3 - 4	\$ 44,450
Equipment	4.07%	5 - 5.3	64,728
Total governmental activities			<u>\$ 109,178</u>
Business-type activities			
Equipment	4.07%	5	\$ 6,160
Total business-type activities			<u>\$ 6,160</u>
Discretely presented component unit			
Buildings	4.07%	10	\$ 70,976
Total discretely presented component unit			<u>\$ 70,976</u>

City of Buda, Texas

Notes to the Financial Statements

The future principal and interest payments as of fiscal year end are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 35,886	\$ 4,159	\$ 40,045	\$ 1,248	\$ 228	\$ 1,476	\$ 70,976	\$ 1,366	\$ 72,342
2027	34,072	2,710	36,782	1,300	176	1,476	-	-	-
2028	14,841	1,333	16,174	1,354	122	1,476	-	-	-
2029	15,456	718	16,174	1,410	66	1,476	-	-	-
2030	8,923	121	9,044	848	12	860	-	-	-
Totals	<u>\$ 109,178</u>	<u>\$ 9,041</u>	<u>\$ 118,219</u>	<u>\$ 6,160</u>	<u>\$ 604</u>	<u>\$ 6,764</u>	<u>\$ 70,976</u>	<u>\$ 1,366</u>	<u>\$ 72,342</u>

Note 4. Other Information

A. Pension Information

Plan Description

The City of Buda participates in one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plans administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

The 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:

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, AnyAge/20
Updated service credit	100% Repeating transfers
Retiree cost of living adjustment	70% of CPI repeating
Supplemental death benefit to active employees and retirees	Yes

City of Buda, Texas

Notes to the Financial Statements

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	125
Active employees	150
	<hr/>
	310
	<hr/>

Contributions

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

Employees for the City of Buda were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Buda were 13.43%, 12.80 % and 14.17% for calendar years 2025, 2024, and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$1,366,470 and 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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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 in order to satisfy the short-term and long-term funding needs of TMRS.

City of Buda, Texas

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments 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 arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	6.70%
Core fixed income	6.0%	4.70%
Non-core fixed income	20.0%	8.00%
Other public and private markets	12.0%	8.00%
Real estate	12.0%	7.60%
Hedge funds	5.0%	6.40%
Private equity	10.0%	11.60%
Total	100%	

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	\$ 22,111,085	\$ 19,480,042	\$ 2,631,043
Changes for the year			
Service cost	1,962,164	-	1,962,164
Interest	1,536,048	-	1,536,048
Difference between expected and actual experience	589,490	-	589,490
Contributions - employer	-	1,366,470	(1,366,470)
Contributions - employee	-	747,288	(747,288)
Net investment income	-	2,036,639	(2,036,639)
Benefit payments, including refunds of employee contributions	(671,802)	(671,802)	-
Administrative expense	-	(12,981)	12,981
Other changes	-	(304)	304
Net changes	3,415,900	3,465,310	(49,410)
Balance at December 31, 2024	\$ 25,526,985	\$ 22,945,352	\$ 2,581,633
Plan fiduciary net position as a percentage of total pension liability		89.89%	

City of Buda, Texas

Notes to the Financial Statements

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 6,906,555	\$ 2,581,633	\$ (878,996)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$112,221.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 557,959	\$ 59,590
Changes in actuarial assumptions	-	37,414
Difference between projected and actual investment earnings	-	302,402
Contributions subsequent to the measurement date	1,127,320	-
Totals	\$ 1,685,279	\$ 399,406

\$1,127,320 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e. recognized in the City's financial statements September 30, 2026). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Years Ended December 31,	
2025	\$ 167,423
2026	296,271
2027	(160,797)
2028	(144,344)
Thereafter	-
Totals	\$ 158,553

City of Buda, Texas

Notes to the Financial Statements

B. Other Postemployment Benefits

Plan Descriptions

Texas Municipal Retirement System (TMRS) - Supplemental Death Benefits Plan

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

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

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

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	21
Active employees	150
	<hr/>
	200
	<hr/> <hr/>

Contributions

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

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

The contribution rates to the SDBF for the City was 0.17%, 0.23%, and 0.26% for calendar years 2025, 2024 and 2023, respectively.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

City of Buda, Texas

Notes to the Financial Statements

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	4.08%
Retiree's share of benefit-related costs	\$ 0

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%. For calculating the actuarial liability and the retirement contribution rates for disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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 to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation.

The discount rate used to measure the Total OPEB Liability was 4.08% and was based on the Bond Buyer "20-Bond GO Index" rate as of December 31, 2024.

Changes in Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at December 31, 2023	\$ 199,664
Changes for the year:	
Service cost	19,216
Interest on total OPEB liability	7,789
Difference between expected and actual experience	3,386
Changes of assumptions or other inputs	(12,822)
Benefit payments	<u>(5,338)</u>
Net changes	<u>12,231</u>
Balance at December 31, 2024	<u>\$ 211,895</u>

City of Buda, Texas

Notes to the Financial Statements

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	\$ 257,274	\$ 211,895	\$ 177,269

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$15,634. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,842	\$ 9,304
Changes in actuarial assumptions and other inputs	26,837	66,791
Contributions subsequent to the measurement date	14,453	-
Totals	\$ 44,132	\$ 76,095

\$14,453 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2026. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Years Ending December 31	
2025	\$ (9,263)
2026	(8,609)
2027	(13,477)
2028	(13,849)
2029	(868)
Thereafter	(350)
Totals	\$ (46,416)

C. Related Party Transactions

Each year the City pays a portion of its sales tax to EDC in accordance with a Definitive Agreement (in accordance with state laws governing 4B development corporations). The City remitted approximately \$4.5 million in sales taxes during the fiscal year ended September 30, 2025. The remitted amount represents 0.5% of the total tax rate of 1.5%.

City of Buda, Texas

Notes to the Financial Statements

In accordance with a Definitive Agreement, the City, EDC, and Hays County remit a portion of sales tax collections to LGC, earned from businesses operating within the TIRZ-1, in accordance with the Development Agreement entered into among the City, EDC, Hays County, and LGC for the construction of the Cabela's retail facility. The sales tax and hotel tax received by LGC is used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. During the year ended September 30, 2025, the LGC received the following amounts:

Revenue received from:		
Sales tax - City	\$	329,474
Sales tax - EDC		250,047
Sales tax - Hays County		96,941
Hotel/motel taxes - City		<u>158,178</u>
	\$	<u><u>834,640</u></u>

In accordance with the Development Agreement among the City, EDC, Hays County, and LGC, the following amounts are receivable from related parties:

Due from:		
EDC	\$	40,252
City (hotel and sales tax)		211,215
Hays County (sales tax)		<u>22,575</u>
	\$	<u><u>274,042</u></u>

The taxes are used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. In accordance with the Development Agreement, LGC has serviced the Contract Revenue Bonds, Series 2004 and has paid Cabela's approximately \$19.7 million since inception for additional liabilities incurred under the Development Agreement.

D. 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; injuries to employees; and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will re-insure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of re-insurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded overall coverage in any of the past three fiscal years.

City of Buda, Texas

Notes to the Financial Statements

E. Litigation and Other Contingencies

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

F. Cabela's Project

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's related to the construction of a Cabela's retail facility in Buda, Texas. In addition to the retail facility, the Development Agreement called for the construction and development of public museum facilities and public infrastructure ("public facilities"). LGC issued bonds in 2004 in the total principal amount of \$31,725,000 to pay the projected costs of the public facilities and the cost of the issuance of the bonds. LGC was to finance or reimburse the developer, Cabela's Inc., for the costs of the public facilities from the proceeds of the bonds. The bonds constitute valid, legally binding, and enforceable special revenue obligations of LGC. Such bonds shall be payable only from pledged revenue received from tax increments (TIRZ-1 revenues), which are generated in the TIRZ-1 and from certain grant revenues paid by the City, EDC, and Hays County, subject to annual appropriations, pursuant to grant agreements among these entities, and LGC. The holders of the bonds shall never have the right to demand payment out of money raised or to be raised by taxation, other than from the pledged revenues.

Upon completion of the construction, the City accepted ownership of the public facilities. The City maintains the public infrastructure and has a management agreement with Cabela's for the management of the public museum facilities and related common areas. The management fees are deferred until such time Cabela's exercises its option to purchase the public museum facilities from the City, which may occur upon the earlier of the (1) 25th anniversary of the completion date or (2) the repayment of all outstanding public facilities bonds.



Required Supplementary Information



City of Buda, Texas

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Fiscal Year Ended September 30, 2025

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,890,965	\$ 2,884,414	\$ 2,888,263	\$ 3,849
Sales and use taxes	8,712,419	8,795,489	8,826,387	30,898
Franchise taxes	1,562,628	1,648,034	1,668,922	20,888
Mixed beverage tax	175,000	175,000	168,531	(6,469)
Fines and forfeitures	131,443	127,606	132,416	4,810
Licenses and permits	2,266,220	1,908,499	1,791,084	(117,415)
Fees and charges for services	1,614,570	1,117,952	1,030,248	(87,704)
Grants and contributions	85,016	344,500	302,467	(42,033)
Investment earnings	700,000	1,000,000	1,521,198	521,198
Miscellaneous	24,000	238,692	358,309	119,617
Total revenues	18,162,261	18,240,186	18,687,825	447,639
EXPENDITURES				
Current:				
General government	5,925,622	5,836,302	6,187,872	(351,570)
Community services	1,274,057	1,177,349	1,168,634	8,715
Parks and recreation	2,699,625	2,875,190	2,596,140	279,050
Building and development	1,744,751	1,682,915	1,416,926	265,989
Public works	2,913,185	2,973,182	2,871,474	101,708
Public safety	4,779,250	4,800,665	5,027,426	(226,761)
Debt service:				
Principal	-	8,525	283,157	(274,632)
Interest and other charges	-	-	8,273	(8,273)
Capital outlay:	1,405,547	1,665,818	1,484,327	181,491
Total expenditures	20,742,037	21,019,946	21,044,229	(24,283)
Excess (deficiency) of revenues over expenditures	(2,579,776)	(2,779,760)	(2,356,404)	423,356
OTHER FINANCING SOURCES				
Issuance of subscriptions and leases	-	-	1,113,222	1,113,222
Transfers in	916,707	1,243,065	1,323,082	80,017
Transfers out	(327,097)	(1,206,362)	(1,026,379)	179,983
Total other financing sources	589,610	36,703	1,409,925	1,373,222
Net change in fund balance	(1,990,166)	(2,743,057)	(946,479)	1,796,578
Fund balance, beginning of year	14,124,016	14,124,016	14,124,016	-
FUND BALANCE, END OF YEAR	\$ 12,133,850	\$ 11,380,959	\$ 13,177,537	\$ 1,796,578

The Notes to Required Supplementary Information are an integral part of this schedule.

City of Buda, Texas

Schedule of Changes in the City's Net Pension Liability and Related Ratios - Texas Municipal Retirement System Last Ten Measurement Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 1,962,164	\$ 1,625,819	\$ 1,623,999	\$ 1,471,641
Interest	1,536,048	1,362,307	1,226,420	1,068,656
Differences between expected and actual experience	589,490	139,758	(157,279)	243,290
Changes of assumptions	-	(73,220)	-	-
Benefit payments, including refunds of employee contributions	(671,802)	(625,977)	(735,847)	(309,208)
Net change in total pension liability	3,415,900	2,428,687	1,957,293	2,474,379
Total pension liability - beginning	22,111,085	19,682,398	17,725,105	15,250,726
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 25,526,985</u>	<u>\$ 22,111,085</u>	<u>\$ 19,682,398</u>	<u>\$ 17,725,105</u>
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 1,366,470	\$ 1,295,719	\$ 1,228,744	\$ 1,053,581
Contributions - employee	747,288	640,086	601,481	535,977
Net investment income	2,036,639	1,897,671	(1,202,775)	1,750,400
Benefits payments, including refunds of employee contributions	(671,802)	(625,977)	(735,847)	(309,208)
Administrative expense	(12,981)	(11,990)	(10,354)	(8,064)
Other	(304)	(84)	12,356	55
Net change in plan fiduciary net position	3,465,310	3,195,425	(106,395)	3,022,741
Plan fiduciary net position - beginning	19,480,042	16,284,617	16,391,012	13,368,271
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 22,945,352</u>	<u>\$ 19,480,042</u>	<u>\$ 16,284,617</u>	<u>\$ 16,391,012</u>
NET PENSION LIABILITY - ENDING (a)-(b)	<u>\$ 2,581,633</u>	<u>\$ 2,631,043</u>	<u>\$ 3,397,781</u>	<u>\$ 1,334,093</u>
Plan fiduciary net position as a percentage of total pension liability	89.89%	88.10%	82.74%	92.47%
Covered payroll	\$ 10,675,539	\$ 9,144,090	\$ 8,592,590	\$ 7,656,819
Net pension liability as a percentage of covered payroll	24.18%	28.77%	39.54%	17.42%

*The amounts presented for the fiscal year were determined as of the Plan's previous fiscal year end (measurement year) December 31.

2020	2019	2018	2017	2016	2015
\$ 1,374,115	\$ 1,160,535	\$ 1,059,303	\$ 943,901	\$ 804,605	\$ 693,940
911,678	785,291	674,143	581,349	497,905	426,750
253,438	(89,642)	72,333	-	70,772	201,662
-	137,673	-	(13,837)	-	61,713
(215,571)	(240,921)	(178,600)	(210,170)	(203,287)	(115,633)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2,323,660	1,752,936	1,627,179	1,301,243	1,169,995	1,268,432
12,927,066	11,174,130	9,546,951	8,245,708	7,075,713	5,807,281
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 15,250,726	\$ 12,927,066	\$ 11,174,130	\$ 9,546,951	\$ 8,245,708	\$ 7,075,713
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,006,807	\$ 862,919	\$ 840,197	\$ 724,153	\$ 573,284	\$ 385,256
512,183	433,266	397,168	343,237	292,888	263,617
854,663	1,365,963	(239,889)	869,695	355,470	6,962
(215,571)	(240,921)	(178,600)	(210,170)	(203,287)	(115,633)
(5,509)	(7,690)	(4,625)	(4,501)	(4,009)	(4,239)
(215)	(230)	(242)	(228)	(217)	(210)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2,152,358	2,413,307	814,009	1,722,186	1,014,129	535,753
11,215,913	8,802,606	7,988,597	6,266,411	5,252,282	4,716,529
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 13,368,271	\$ 11,215,913	\$ 8,802,606	\$ 7,988,597	\$ 6,266,411	\$ 5,252,282
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,882,455	\$ 1,711,153	\$ 2,371,524	\$ 1,558,354	\$ 1,979,297	\$ 1,823,431
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
87.66%	86.76%	78.78%	83.68%	76.00%	74.23%
\$ 7,316,906	\$ 6,189,521	\$ 5,673,824	\$ 4,903,380	\$ 4,184,115	\$ 3,759,157
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
25.73%	27.65%	41.80%	31.78%	47.31%	48.51%

City of Buda, Texas

Schedule of the City Contributions -
Texas Municipal Retirement System
Last Ten Fiscal Years *

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ 1,544,998	\$ 1,342,049	\$ 1,244,134	\$ 1,199,622
Contributions in relation to the actuarially determined contribution	<u>(1,544,998)</u>	<u>(1,342,049)</u>	<u>(1,244,134)</u>	<u>(1,199,622)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,764,765	\$ 10,188,730	\$ 8,758,136	\$ 8,474,739
Contributions as a percentage of covered payroll	13.13%	13.17%	14.21%	14.16%

*The amounts presented for the fiscal year were determined as of the City's fiscal year end September 30.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,031,310	\$ 947,638	\$ 859,385	\$ 796,380	\$ 686,294	\$ 422,556
<u>(1,031,310)</u>	<u>(947,638)</u>	<u>(859,385)</u>	<u>(796,380)</u>	<u>(686,294)</u>	<u>(422,556)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,494,982	\$ 6,865,214	\$ 6,069,928	\$ 5,375,639	\$ 4,724,298	\$ 4,239,326
13.76%	13.80%	14.16%	14.81%	14.53%	9.97%

City of Buda, Texas

Schedule of Changes in the City's OPEB Liability and Related Ratios Texas Municipal Retirement System Last Eight Measurement Years *

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY								
Service cost	\$ 19,216	\$ 15,545	\$ 28,356	\$ 26,033	\$ 21,219	\$ 12,998	\$ 12,482	\$ 9,316
Interest on total OPEB liability	7,789	7,164	4,704	4,489	4,609	4,670	4,186	3,887
Difference between expected and actual experience	3,386	(640)	(5,347)	(6,295)	(1,631)	(8,972)	(6,765)	-
Changes of assumptions or other inputs	(12,822)	10,305	(96,933)	8,236	31,770	29,904	(9,577)	9,895
Benefit payments	(5,338)	(3,658)	(2,578)	(2,297)	(732)	(1,238)	(1,135)	(981)
Net change in total OPEB liability	12,231	28,716	(71,798)	30,166	55,235	37,362	(809)	22,117
Total OPEB liability - beginning	199,664	170,948	242,746	212,580	157,345	119,983	120,792	98,675
TOTAL OPEB LIABILITY - ENDING	\$ 211,895	\$ 199,664	\$ 170,948	\$ 242,746	\$ 212,580	\$ 157,345	\$ 119,983	\$ 120,792
Covered-employee payroll	\$10,675,539	\$ 9,144,090	\$8,592,590	\$7,656,819	\$7,316,906	\$6,189,521	\$5,673,824	\$4,903,380
OPEB liability as a percentage of covered-employee payroll	1.98%	2.18%	1.99%	3.17%	2.91%	2.54%	2.11%	2.46%

*The amounts presented for the fiscal year were determined as of the Plan's previous fiscal year end (measurement year) December 31. GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. Until a full 10-year trend is compiled, the City will present information for those years which information is available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule. There are no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

City of Buda, Texas

Notes to Required Supplementary Information

Note 1. Budget

A. Budgetary Information

The basis of budgeting for the City is the same as GAAP. The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures and revenues may not legally exceed budgeted appropriations at the fund level. Expenditure and revenue requests, which would require an increase or decrease in the total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget. Activities of the general, debt service, water, wastewater, sanitation, capital project funds, and special revenue funds such as hotel/motel tax are included in the City's annual appropriated budget. Capital project funds are budgeted for project length. There is no budget required for Persimmon PID 1 and Persimmon PID Major because the budget was adopted in September of 2024 which was before the PIDs were established.



APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[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 BUDA, TEXAS,
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$28,100,000***

AS BOND COUNSEL FOR THE CITY OF BUDA, TEXAS (the "City") in connection with the issuance of the Bonds described above (the "Bonds"), we have examined the legality and validity of the Bonds, which bear interest from the dates 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 December 2, 2025 and the Pricing Certificate executed by the City's duly authorized Pricing Officer on the date of sale of the Bonds, which collectively with such ordinance authorize the issuance of the Bonds authorizing the issuance of the Bonds (collectively, 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 the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; that the 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; and that 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 limits 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 thereof 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 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 the verification report of Public Finance Partners LLC and on certain representations, the accuracy of which we have not independently verified, and assume

* Preliminary, subject to change.



compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails 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 policies issued with respect to the payments due for the 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,