

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

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

Dated June 30, 2026

NEW ISSUE - Book-Entry-Only

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

\$15,000,000*
CITY OF KIRBY, TEXAS
(Bexar County, Texas)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: July 15, 2026

Due: March 1, as shown on inside cover

Interest to accrue from Delivery Date

PAYMENT TERMS . . . Interest on the \$15,000,000* City of Kirby, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"), will accrue from the Delivery Date and will be payable March 1 and September 1 of each year commencing March 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. (See "THE CERTIFICATES - Book-Entry-Only System" herein.) The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. (See "THE CERTIFICATES - Paying Agent/Registrar.")

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Kirby, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and a pledge of the surplus revenues of the City's waterworks and sewer system, all as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). See "THE OBLIGATIONS - Authority for Issuance of the Certificates" and "THE OBLIGATIONS - Security and Source of Payment".

PURPOSE . . . Proceeds from the sale of the Certificates will be used to pay, in whole or in part, contractual obligations incurred to (i) renovate, improve and equip existing municipal buildings and facilities housing the governmental functions of the City, including the City Hall, municipal court, and utilities administrative facilities, (ii) acquire, construct, improve, repair and equip municipal court facilities and facilities physically attached thereto, including administrative facilities and an emergency command center, (iii) acquire, construct, improve, repair and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, and lighting improvements, (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) acquire, construct, improve, repair, expand, and equip improvements to the City's Waterworks and Sewer System, (vi) acquire vehicles and equipment for various City departments, including the police department, the fire department and public works, (vii) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements, and (viii) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance. (See "THE CERTIFICATES - Use of Proceeds.")

CUSIP PREFIX: 497314
MATURITY SCHEDULE, INTEREST RATES,
INITIAL PRICE OR YIELD, AND
9 DIGIT CUSIP NUMBER
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (See APPENDIX C, "Form of Bond Counsel's Opinion."). Certain legal matters will be passed upon for the Underwriter by its counsel, Ronald Green & Associates PLLC

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on Tuesday, August 4, 2026.

CABRERA CAPITAL MARKETS LLC

BOK FINANCIAL SECURITIES, INC.

* Preliminary, subject to change.

**MATURITY SCHEDULE, INTEREST RATES, INITIAL PRICE
OR YIELD, AND CUSIP NUMBERS***

CUSIP Prefix: 497314⁽¹⁾

Principal Amount	Stated Maturity (March 1)	Interest Rate	Initial Price or Yield	CUSIP Number Suffix ⁽¹⁾	Principal Amount	Stated Maturity (March 1)	Interest Rate	Initial Price or Yield	CUSIP Number Suffix ⁽¹⁾
\$ 200,000	2027				\$ 475,000	2042			
215,000	2028				500,000	2043			
225,000	2029				525,000	2044			
235,000	2030				550,000	2045			
250,000	2031				580,000	2046			
265,000	2032				600,000	2047			
280,000	2033				635,000	2048			
310,000	2034				670,000	2049			
325,000	2035				705,000	2050			
350,000	2036				740,000	2051			
365,000	2037				780,000	2052			
385,000	2038				820,000	2053			
410,000	2039				865,000	2054			
425,000	2040				910,000	2055			
450,000	2041				955,000	2056			

(Interest accrues from Delivery Date)

(1) CUSIP® numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter, the City, or the Financial Advisors are responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES – Optional Redemption.") Any Certificates structured as Term Certificates (defined herein) will be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES – Mandatory Sinking Fund Redemption.")

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

This Official Statement, which includes the cover page 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, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been provided by sources other than the City that the City believes is reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. (See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.)

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

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

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

NEITHER THE CITY, THE FINANCIAL ADVISOR NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

This Official Statement contains “Forward-Looking” Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements. (See “OTHER INFORMATION – Forward Looking Statements Disclaimer.”)

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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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 Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY The City of Kirby (the “City”) is a political subdivision and home-rule municipal corporation of the State of Texas (the “State”), located in Bexar County. The City covers approximately 1.87 square miles and has an estimated population of 8,221. (See “INTRODUCTION - Description of the City.”)

THE CERTIFICATES..... The Certificates are issued as \$15,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial certificates maturing 2027 through 2056, unless the Underwriter designates two or more consecutive maturities as a “Term Certificate”. (See “THE CERTIFICATES - Description of the Certificates.”)

PAYMENT OF INTEREST Interest on the Certificates accrues from the Delivery Date, and is payable March 1, 2027, and each September 1 and March 1 thereafter until maturity or prior redemption. (See “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption.”)

AUTHORITY FOR

ISSUANCE The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an Ordinance adopted by the City Council of the City. (See "THE CERTIFICATES - Authority for Issuance.")

SECURITY FOR THE

CERTIFICATES..... The Certificates constitute direct obligations of the City payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and a pledge of the surplus revenues of the City's waterworks and sewer system (see "THE OBLIGATIONS - Security and Source of Payment for the Certificates").

REDEMPTION..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Certificates structured as “Term Certificates” will be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Optional Redemption.”)

TAX EXEMPTION..... In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “FEDERAL TAX MATTERS” herein.

* Preliminary, subject to change.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used to pay, in whole or in part, contractual obligations incurred to (1) renovate, improve and equip existing municipal buildings and facilities housing the governmental functions of the City, including the City Hall, municipal court, and utilities administrative facilities, (ii) acquire, construct, improve, repair and equip municipal court facilities and facilities physically attached thereto, including administrative facilities and an emergency command center, (iii) acquire, construct, improve, repair and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, and lighting improvements, (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) acquire, construct, improve, repair, expand, and equip improvements to the City’s Waterworks and Sewer System, (vi) acquire vehicles and equipment for various City departments, including the police department, the fire department and public works, (vii) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements, and (viii) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance..

RATINGS..... The Certificates are rated “A+” by S&P Global Ratings, without regard to credit enhancement. (See “OTHER INFORMATION - Ratings.”)

BOOK-ENTRY-ONLY

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

PAYMENT RECORD The City has not defaulted in payment of its tax supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed		Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
			Valuation	Tax Debt			
2022	8,709	\$ 426,207,544	\$ 48,939	\$ 5,935,000	\$ 681	1.39%	100.22%
2023	8,087	520,128,079	64,317	5,655,000	699	1.09%	98.01%
2024	8,039	567,644,077	70,611	5,365,000	667	0.95%	99.11%
2025	8,104	604,362,200	74,576	5,065,000	625	0.84%	92.60%
2026	8,221	618,858,767 ⁽³⁾	75,278	15,750,000 ⁽³⁾	1,916	2.55%	92.48% ⁽⁴⁾

(1) Source: The City.

(2) As reported by the Bexar County Appraisal District on City’s Certified Roll; subject to change during the ensuing year.

(3) Includes the Certificates. Preliminary, subject to change. Excludes self-supporting debt.

(4) Collections through April 15, 2026.

CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Net Assets	\$ 15,235,571	\$ 14,649,088	\$ 12,312,159	\$ 11,548,802	\$ 10,034,755
Total Revenue	7,538,712	5,904,147	7,272,890	5,112,201	6,013,209
Total Expenditures	(7,369,973)	(5,917,664)	(5,485,961)	(4,765,769)	(5,099,162)
Transfers	673,163	600,000	550,000	416,925	600,000
Prior Period Adjustment	(231,561)	-	-	-	-
Ending Net Assets	<u>\$ 15,845,912</u>	<u>\$ 15,235,571</u>	<u>\$ 14,649,088</u>	<u>\$ 12,312,159</u>	<u>\$ 11,548,802</u>

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	\$ 2,710,696	\$ 2,870,605	\$ 3,091,674	\$ 2,740,063	\$ 2,155,150
Prior Period Adjustment	-	-	-	-	-
Total Revenue	5,769,277	4,554,750	5,444,501	4,580,741	5,416,403
Total Expenditures	(6,680,741)	(5,316,244)	(6,434,129)	(4,658,364)	(5,295,769)
Other Sources (Uses)	552,097	601,585	768,559	429,234	464,279
Net Funds Available	(359,367)	(159,909)	(221,069)	351,611	584,913
Ending Balance	<u>\$ 2,351,329</u>	<u>\$ 2,710,696</u>	<u>\$ 2,870,605</u>	<u>\$ 3,091,674</u>	<u>\$ 2,740,063</u>

For additional information regarding the City, please contact:

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City Manager
City of Kirby
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Kirby, Texas 78219
Telephone: (210) 661-3198
citymanager@cityofkirby.org

or

Ms. Anne Burger Entrekin
Hilltop Securities Inc.
70 N.E. Loop 410, Suite 750
San Antonio, Texas 78216
Telephone: (210) 308-2200
anne.burgerentrekin@hilltopsecurities.com

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CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Janeshia Grider, CMO Mayor	5.5 Years	May, 2027	Instructor
Sylvia Apodaca Mayor Pro-Tem	6 Years	May, 2026	Business Owner
Mike Grant Councilperson	20 Years	May, 2026	Retired
Joe Molina Councilperson	3 Years	May, 2027	Retired
Maria Lozano Councilperson	3 Years	May, 2027	Social Worker
Englan Sanchez Councilperson	2 Years	May, 2026	Representative
Susan Street Councilperson	3 Years	May, 2027	Retired

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>	<u>Total Government Service</u>
Brain Rowland, Ph.D., MBA, CMO	City Manager	2 Years	15 Years
Le Ann Piatt	Director of Finance	3 Years	25 Years
Christine Wilson	City Secretary	1.5 Years	1.5 Years

CONSULTANTS AND ADVISORS

Auditors Armstrong, Vaughn & Associates, P.C.
Universal City, Texas

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

Financial Advisor Hilltop Securities Inc.
San Antonio and Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$15,000,000*
CITY OF KIRBY, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$15,000,000* City of Kirby, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance of the City of Kirby Texas (the "City") to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the Official Statement will be electronically deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State" or "Texas"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1955, and first adopted its Home Rule Charter by election on May 7, 1988, and most recently amended on May 1, 2021. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years, with the terms of the Mayor and three of the Councilmembers' terms expiring in odd numbered years, and the terms of the other three Councilmembers expiring in even numbered years. 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, health and social services, culture recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 8,142, while the estimated 2026 population is 8,221. The City Covers approximately 1.87 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated July 15, 2026 (the "Dated Date"), and mature on March 1 in each of the years and in the amounts shown on page 2. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on September 1 and March 1, commencing March 1, 2027, until maturity or earlier redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. (See "THE CERTIFICATES - Book-Entry-Only System" herein.)

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

* Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a subordinate lien pledge of surplus revenues not to exceed \$1,000 of the City's Waterworks and Sewer System, as provided in the Ordinance.

USE OF PROCEEDS . . . Proceeds from the sale of the Certificates will be used to pay, in whole or in part, contractual obligations incurred to (1) renovate, improve and equip existing municipal buildings and facilities housing the governmental functions of the City, including the City Hall, municipal court, and utilities administrative facilities, (ii) acquire, construct, improve, repair and equip municipal court facilities and facilities physically attached thereto, including administrative facilities and an emergency command center, (iii) acquire, construct, improve, repair and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, and lighting improvements, (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) acquire, construct, improve, repair, expand, and equip improvements to the City's Waterworks and Sewer System, (vi) acquire vehicles and equipment for various City departments, including the police department, the fire department and public works, (vii) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements, and (viii) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance..

TAX RATE LIMITATION . . . The City operates under a home-rule charter as authorized by Article XI, Section 5 of the Constitution of the State. The Constitution of the State and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed \$2.50 for each \$100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the \$2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from \$1.50 of the foregoing \$2.50 maximum rate calculated at 90% collection. The issuance of the Certificates does not violate the constitutional restriction, City Charter provision, or the Texas Attorney General's administrative policy.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 1, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) will determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption given, such Certificate (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION. . . Two or more consecutive maturities of the Certificates aggregated into a single maturity (the "Term Certificates"), if any, by the Underwriter will be subject to mandatory sinking fund redemption.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City must cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed prior to maturity, 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 WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF WILL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, 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 Certificates 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 Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

AMENDMENTS . . . The City may amend, change, or modify the Ordinance without the consent of or notice to any registered owners, as may be required (i) by the provisions of the Ordinance; (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein; or (iii) in connection with any other change which is not to the prejudice of the registered owners. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding and affected thereby, amend, change, modify, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, change, modification, or rescission may (i) change the date specified as the date on which the principal of or any installment of interest on the Certificates is due and payable, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, redemption price, or interest on the Certificates; (ii) give any preference to any Certificates over any other Certificates; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the respective aggregate principal amount of Certificates required for consent to any amendment, change, modification, or rescission.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with an authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities (hereinafter defined) to be of such maturities and interest payment dates and to bear interest at such rates as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (likewise to be held in trust and committed, except as hereinafter provided), be sufficient to make such payment. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and/or (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas. Authorized City officials can further restrict the scope of such eligible defeasance securities in connection with the sale of the Certificates. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City money in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners shall be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to take any action amending the terms of the Certificates are extinguished.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Certificates is to be transferred and how the principal and interest on the Certificates are to be paid to and credited by DTC, New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P Global Ratings rating of "AA+" (stable outlook). The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

PAYMENT RECORD . . . The City has never defaulted on its revenue bonds. It has not defaulted on its debt payable from ad valorem taxes since 1937 when all bonds were refunded at par at a reduced rate of interest.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, 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 Certificates are duly paid and any successor Paying Agent/Registrar must be a

commercial bank or trust company or financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice must also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE, AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and 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 Certificates registered and delivered in an exchange or transfer will be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. (See "THE CERTIFICATES - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.) Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption, in whole or in part, prior to maturity within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

REPLACEMENT OBLIGATIONS. . . If any outstanding Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, damaged, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated or damaged Certificate. In the case of any Certificate issued in lieu of and substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the person to whom interest is payable on the Certificates on any interest payment date means the close of business on the 15th 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 must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for 30 days after the City has received written notice of such defaults, 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 Certificates 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 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, the Ordinance provides that Certificateholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders 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.

USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:

Par Amount	
Accrued Interest	
Net Premium	
Total Sources of Funds	\$ -

Uses of Funds:

Deposit to Project Construction Fund	
Costs of Issuance	
Underwriter's Discount	
Total Uses of Funds	\$ -

AD VALOREM TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

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

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

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

Unless extended by the Legislature, 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 million dollars (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 (collectively, the “Appraisal Cap”). 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. For the 2026 tax year, the maximum property value was increased to \$5,320,000.

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

STATE MANDATED HOMESTEAD EXEMPTIONS... State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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 at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

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

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 reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

CHAPTER 380 AGREEMENTS... Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”) to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

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

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

“unused increment rate” means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2023 through 2025 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.

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

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

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

City'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.

City and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the

CITY 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 \$15,000.

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

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

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

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

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

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

The City has not adopted a tax abatement policy.

The City has not taken action to implement the tax freeze on the residence homestead of the disabled or persons 65 years of age or older.

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TABLE 1 - VALUATION, EXEMPTIONS, AND TAX DEBT

2025/2026 Market Valuation Established by Bexar County Appraisal District (excluding totally exempt property)		\$ 679,974,095
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	7,245,900	
Circuit Breaker Limitation	2,021,028	
Disabled Veterans	18,127,934	
Over 65	11,826,346	
Charitable Housing	3,692,000	
Leased Vehicles	1,095,981	
Freeport	385,500	
Personal Property Vehicle	18,000	
Totally Exempt	15,608,589	
Productivity Loss	<u>1,094,050</u>	<u>61,115,328</u>
2025/2026 Net Taxable Assessed Valuation		<u>\$ 618,858,767</u> ⁽¹⁾
General Obligation Debt Payable from Ad Valorem Taxes as of April 30, 2026		
General Obligation Bonds	\$4,750,000	
The Certificates ⁽²⁾	<u>15,000,000</u>	
Less: Self-Supporting Debt		
Waterworks and Sewer System General Obligation Bond Debt		<u>\$ 4,000,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 15,750,000</u> ⁽²⁾
General Obligation Interest and Sinking Fund as of June 29, 2026		\$ 263,000 ⁽²⁾
Ratio Net General Obligation Tax Debt to 2025/2026 Net Taxable Assessed Valuation		2.55%
2026 Estimated Population - 8,221 Per Capita 2025/2026 Net Taxable Assessed Valuation - \$75,278 Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,916		

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

(2) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 472,495,308	69.49%	\$ 477,364,483	69.51%	\$ 471,716,740	68.69%
Real, Residential, Multi-Family	12,506,900	1.84%	14,914,920	2.17%	15,308,740	2.23%
Real, Vacant Lots/Tracts	6,861,160	1.01%	6,749,253	0.98%	6,342,340	0.92%
Real, Acreage (Land Only)	1,119,332	0.16%	1,005,922	0.15%	917,522	0.13%
Real, Farm and Ranch Improvement	654,288	0.10%	606,178	0.09%	578,111	0.08%
Real, Commercial and Industrial	92,566,535	13.61%	86,051,913	12.53%	85,658,755	12.47%
Real and Tangible Personal, Utilities	2,358,627	0.35%	1,866,736	0.27%	1,799,307	0.26%
Tangible Personal, Business	58,518,066	8.61%	60,719,636	8.84%	46,396,828	6.76%
Tangible Personal, Industrial	985,167	0.14%	677,218	0.10%	828,295	0.12%
Tangible Personal, Mobile Homes	9,225,840	1.36%	9,504,810	1.38%	9,885,850	1.44%
Special Inventory	1,400,360	0.21%	1,161,010	0.17%	1,243,740	0.18%
Totally Exempt Property	21,282,512	3.13%	26,135,342	3.81%	21,687,106	3.16%
Total Appraised Value Before Exem	\$ 679,974,095	<u>100.00%</u>	\$ 686,757,421	<u>100.00%</u>	\$ 662,363,334	<u>#####</u>
Less: Total Exemptions/Reductions	61,115,328		82,395,221		94,719,257	
Adjustments	-		-		-	
Taxable Assessed Value	<u>\$ 618,858,767</u> ⁽¹⁾		<u>\$ 604,362,200</u>		<u>\$ 567,644,077</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 429,386,981	64.83%	\$ 353,001,397	57.71%
Real, Residential, Multi-Family	13,583,600	2.05%	9,706,790	1.59%
Real, Vacant Lots/Tracts	4,833,110	0.73%	4,364,440	0.71%
Real, Acreage (Land Only)	840,912	0.13%	474,630	0.08%
Real, Farm and Ranch Improvement	552,721	0.08%	393,430	0.06%
Real, Commercial & Industrial	76,785,293	11.59%	57,379,700	9.38%
Real and Tangible Personal, Utilities	1,826,356	0.28%	1,725,029	0.28%
Tangible Personal, Business	52,222,033	7.88%	34,701,025	5.67%
Tangible Personal, Industrial	804,471	0.12%	871,498	0.14%
Tangible Personal, Mobile Homes	9,057,280	1.37%	5,772,700	0.94%
Special Inventory	1,166,980	0.18%	677,880	0.11%
Totally Exempt Property	20,598,303	3.11%	18,871,881	3.09%
Total Appraised Value Before Exem	\$ 611,658,040	<u>100.00%</u>	\$ 487,940,400	<u>100.00%</u>
Less: Total Exemptions/Reductions	91,529,961		61,732,856	
Adjustments	-		-	
Taxable Assessed Value	<u>\$ 520,128,079</u>		<u>\$ 426,207,544</u>	

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

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TABLE 3 - VALUATION AND TAX DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2022	8,709	\$426,207,544	\$48,939	\$5,935,000	1.39%	\$681
2023	8,087	520,128,079	64,317	5,655,000	1.09%	699
2024	8,039	567,644,077	70,611	5,365,000	0.95%	667
2025	8,104	604,362,200	74,576	5,065,000	0.84%	625
2026	8,221	618,858,767 ⁽³⁾	75,278	15,750,000 ⁽³⁾	2.55%	1,916

(1) Source: The City.

(2) As reported by the Bexar County Appraisal District on the City's Certified Roll; subject to change during the ensuing year.

(3) Includes the Certificates. Preliminary, subject to change. Excludes self-supporting debt.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$0.6857	\$0.5687	\$0.1170	\$3,033,726	99.89%	100.22%
2023	0.6141	0.5171	0.0970	3,172,085	96.88%	98.01%
2024	0.5912	0.5041	0.0872	3,346,095	99.11%	99.11%
2025	0.5798	0.4991	0.0807	3,654,690	92.60%	92.60%
2026	0.6009	0.5185	0.0824	3,588,137 ⁽¹⁾	91.33% ⁽¹⁾	92.48% ⁽¹⁾

(1) Collections as of April 15, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
HEB Grocery Company	Real Estate	\$44,041,980	7.12%
Americold San Antonio PropCo LLC	Personal and Real Property	23,979,220	3.87%
Yes Springfield Meadows LLC	Personal and Real Property	12,010,640	1.94%
Kirby County Oaks LLC	Commercial	9,300,000	1.50%
True Vision Baptist Church	Event Venue	8,303,830	1.34%
Siddons Holdings LLC	Personal and Real Property	4,455,150	0.72%
AJC Rental Corporation	Commercial	4,443,500	0.72%
Fortiline Inc	Utility	3,573,380	0.58%
Maritime Park LLC	Industrial Park	2,663,059	0.43%
Rosalie Y. Chan 2012	Retail Store	2,279,960	0.37%
		<u>\$115,050,719⁽¹⁾</u>	<u>18.22%</u>

TABLE 6 - TAX ADEQUACY

2026 Principal and Interest Requirements	\$ 484,425
\$0.0799 Tax Rate at 98% Collection Produces	\$ 484,425
Average Annual Principal and Interest Requirements, 2026-2036	\$ 904,792
\$0.1492 Tax Rate at 98% Collection Produces	\$ 904,871
Maxium Annual Principal and Interest Requirements, 2036	\$ 1,221,163
\$0.2014 Tax Rate at 98% Collection Produces	\$ 1,221,163

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 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	2025/26 Net Taxable Assessed Value	2025/26 Tax Rate ⁽¹⁾	Total G.O. Tax Debt As of 5/31/2026	Estimated % Applicable	City's Overlapping G.O. Tax Debt As of 5/31/2026	Authorized But Unissued Debt As Of 5/31/2026
Kirby, City	\$ 618,858,767	\$0.5798	\$ 15,750,000 ⁽²⁾	100.00%	\$15,750,000 ⁽²⁾	\$ -
Alamo Community College Distr	269,847,098,917	0.1490	811,895,000	0.17%	1,380,222	764,000,000
Bexar County	243,661,069,540	0.3000	2,152,210,000	0.17%	3,658,757	-
Bexar County Hospital District	249,833,327,595	0.2760	1,184,305,000	0.17%	2,013,319	-
Judson ISD	13,974,664,631	1.0350	775,769,038	2.78%	21,566,379	-
Total Direct and Overlapping G.O. Tax Debt					<u>\$ 44,368,676</u>	
Ratio of Direct and Overlapping G.O. Tax Debt to Freeze Adjusted Equivalent Taxable Assessed Valuation					7.17%	
Per Capita Overlapping G.O. Tax Debt					\$ 5,397	

(1) Includes the Certificates; preliminary, subject to change.

(2) Excludes self-supporting debt, includes the Certificates; Preliminary, subject to change.

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TAX DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service			The Certificates ⁽¹⁾			Less:	Total	% of
	Principal	Interest	Total	Principal	Interest	Total	Self-Supporting	Tax-Supported	Principal Retired
							Debt Service	Debt Service	
2026	\$ 315,000	\$ 169,425	\$ 484,425	\$ -	\$ -	\$ -	\$ -	\$ 484,425	
2027	325,000	156,625	481,625	200,000	783,467	983,467	263,881	1,201,211	
2028	340,000	145,025	485,025	215,000	764,010	979,010	263,580	1,200,455	
2029	350,000	132,925	482,925	225,000	752,570	977,570	265,330	1,195,165	
2030	365,000	120,450	485,450	235,000	740,610	975,610	261,950	1,199,110	6.55%
2031	375,000	109,350	484,350	250,000	728,000	978,000	263,440	1,198,910	
2032	385,000	97,950	482,950	265,000	714,610	979,610	264,670	1,197,890	
2033	400,000	85,675	485,675	280,000	700,440	980,440	265,640	1,200,475	
2034	410,000	72,256	482,256	310,000	685,100	995,100	261,480	1,215,876	
2035	425,000	57,900	482,900	325,000	668,590	993,590	262,190	1,214,300	15.37%
2036	440,000	42,763	482,763	350,000	651,040	1,001,040	262,640	1,221,163	
2037	460,000	26,438	486,438	365,000	632,450	997,450	262,830	1,221,058	
2038	475,000	8,906	483,906	385,000	612,950	997,950	262,760	1,219,096	
2039	-	-	-	410,000	592,280	1,002,280	262,430	739,850	
2040	-	-	-	425,000	570,570	995,570	261,840	733,730	28.27%
2041	-	-	-	450,000	547,820	997,820	265,860	731,960	
2042	-	-	-	475,000	523,770	998,770	264,490	734,280	
2043	-	-	-	500,000	498,420	998,420	262,860	735,560	
2044	-	-	-	525,000	471,770	996,770	260,970	735,800	
2045	-	-	-	550,000	443,820	993,820	263,690	730,130	44.93%
2046	-	-	-	580,000	414,440	994,440	261,020	733,420	
2047	-	-	-	600,000	383,760	983,760	262,960	720,800	
2048	-	-	-	635,000	351,650	986,650	264,380	722,270	
2049	-	-	-	670,000	317,720	987,720	265,280	722,440	
2050	-	-	-	705,000	281,970	986,970	265,660	721,310	66.20%
2051	-	-	-	740,000	244,400	984,400	265,520	718,880	
2052	-	-	-	780,000	204,880	984,880	264,860	720,020	
2053	-	-	-	820,000	163,280	983,280	263,680	719,600	
2054	-	-	-	865,000	119,470	984,470	261,980	722,490	
2055	-	-	-	910,000	73,320	983,320	264,630	718,690	93.63%
2056	-	-	-	955,000	24,830	979,830	261,630	718,200	100.00%
	<u>\$ 5,065,000</u>	<u>\$ 1,225,688</u>	<u>\$ 6,290,688</u>	<u>\$ 15,000,000</u>	<u>\$ 14,662,007</u>	<u>\$ 29,662,007</u>	<u>\$ 7,904,131</u>	<u>\$ 28,048,563</u>	

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

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026	\$ 484,425
Interest and Sinking Fund, 9/30/2025	\$ 206,756
Interest and Sinking Fund Tax Levy @ 98% Collection	486,425
	<u>693,181</u>
Estimated Balance, 9/30/2026	<u>\$ 208,756</u>

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TABLE 10 - AUTHORIZED BUT UNISSUED TAX DEBT

The City does not have any authorized but unissued voter-approved Tax Debt.

TABLE 11 – OTHER OBLIGATIONS

Primary Government

Other obligations payable at September 30, 2025, are as follows:

\$204,623 Note Payable for a 2022 Zipper equipment not payable in annual installments of \$47,292 through 2027; interest rate of 4.95%. The Zipper is included in the Capital Assets for a cost of \$204,623 with accumulated depreciation of \$29,232.

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

OTHER POST-EMPLOYMENT BENEFITS . . . Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The 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.

The City's contributions to the TMRS SDBF for the year ended September 30, 2025 were \$398,903, and were equal to the required contributions.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
REVENUES:					
Program Revenues:					
Taxes	\$ 4,455,029	\$ 4,489,226	\$ 4,214,665	\$ 4,114,583	\$ 3,682,777
Charges for Services	1,665,356	625,367	634,043	583,741	1,571,241
Operating Grants and Contributions	1,015,248	65,152	879,020	337,135	13,544
Capital Grants and Contributions	263,192	502,446	1,182,994	9,210	699,081
Interest and Investment Earnings	99,405	176,828	350,730	63,447	15,832
Gain on Sale of Property and Equipment	-	-	-	-	-
Miscellaneous	40,482	45,128	11,438	4,085	30,734
Total Revenues	<u>\$ 7,538,712</u>	<u>\$ 5,904,147</u>	<u>\$ 7,272,890</u>	<u>\$ 5,112,201</u>	<u>\$ 6,013,209</u>
EXPENSES:					
City Council	\$ 28,828	\$ 18,561	\$ 22,776	\$ 15,860	\$ 9,973
City Administration	482,819	419,483	370,724	334,277	355,901
Police Protection	1,782,492	1,662,593	1,543,778	1,287,190	1,394,533
Municipal Court	118,853	89,928	81,851	87,051	75,801
Fire/EMS Protection	1,462,155	1,588,210	1,569,965	1,330,004	1,622,088
Animal Services	162,099	135,905	125,450	118,457	139,857
Parks and Pools	265,253	235,295	192,220	178,142	138,442
Streets and Shops	312,324	223,689	311,531	212,199	316,060
Crime Control	124,549	127,224	48,944	95,157	27,651
Senior Center	196,697	-	-	-	-
Capital Outlay	-	-	-	-	-
General City Administration	2,251,229	1,222,317	1,026,331	904,008	803,949
Interest on Long-Term Debt	182,675	194,459	192,391	203,424	214,907
Total Expenditures	<u>\$ 7,369,973</u>	<u>\$ 5,917,664</u>	<u>\$ 5,485,961</u>	<u>\$ 4,765,769</u>	<u>\$ 5,099,162</u>
Transfers (Out)	\$ 673,163	\$ 600,000	\$ 550,000	\$ 416,925	\$ 600,000
Change in Net Position	841,902	586,483	2,336,929	763,357	1,514,047
Beginning Net Position	15,235,571	14,649,088	12,312,159	11,548,802	10,034,755
Prior Period Entries	(231,561)	-	-	-	-
Ending Net Position	<u>\$ 15,845,912</u>	<u>\$ 15,235,571</u>	<u>\$ 14,649,088</u>	<u>\$ 12,312,159</u>	<u>\$ 11,548,802</u>

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TABLE 12 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
REVENUES					
Taxes	\$3,477,992	\$3,403,646	\$3,129,858	\$3,044,360	\$2,704,654
Franchise Fees	375,828	377,446	398,003	431,611	375,998
Licenses and Fees	212,676	123,468	190,987	266,115	427,648
Intergovernmental	10,818	10,065	12,584	10,649	10,478
Fines and Penalties	185,083	152,019	155,560	194,016	211,534
Charges for Services	304,638	285,174	305,728	265,405	964,828
Grants	1,072,905	59,110	1,172,885	335,695	701,652
Miscellaneous	129,337	143,822	78,896	32,890	19,611
Total Revenues	\$5,769,277	\$4,554,750	\$5,444,501	\$4,580,741	\$5,416,403
EXPENDITURES					
Current Expenditures:					
City Council	\$ 28,829	\$ 18,561	\$ 22,777	\$ 15,860	\$ 9,974
City Administration	482,316	412,000	360,637	362,091	359,319
Police Protection	1,741,827	1,571,670	1,408,499	1,242,260	1,334,924
Municipal Court	126,288	90,009	81,271	67,541	75,813
Fire/EMS Protection	1,415,515	1,485,099	1,374,567	1,196,583	1,496,232
Animal Services	169,631	132,503	119,854	101,348	128,576
Parks and Pool	270,863	240,149	184,101	181,052	140,176
Streets and Shops	404,935	284,822	378,282	278,723	313,766
General City Administration	814,048	755,598	566,444	477,127	428,950
Capital Projects/Outlay	1,179,199	221,887	1,833,752	679,126	914,390
Debt Service:					
Principal Retirement	40,936	93,963	90,491	51,739	86,198
Interest and Fiscal Charges	6,354	9,983	13,454	4,914	7,451
Total Expenditures	\$6,680,741	\$5,316,244	\$6,434,129	\$4,658,364	\$5,295,769
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES					
	\$ (911,464)	\$ (761,494)	\$ (989,628)	\$ (77,623)	\$ 120,634
OTHER FINANCING SOURCES (USES)					
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from Issuance of Debt	-	-	204,623	-	-
Proceeds from Sale of Assets	-	1,585	-	-	23,503
Operating Transfers In	552,097	600,000	563,936	612,309	600,000
Operating Transfers Out	-	-	-	(183,075)	(159,224)
Total Other Financing Sources (Uses)	\$ 552,097	\$ 601,585	\$ 768,559	\$ 429,234	\$ 464,279
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	\$ (359,367)	\$ (159,909)	\$ (221,069)	\$ 351,611	\$ 584,913
FUND BALANCES AT BEGINNING OF YEAR					
	\$2,710,696	\$2,870,605	\$3,091,674	\$2,740,063	\$2,155,150
FUND BALANCES AT END OF YEAR					
	\$2,351,329	\$2,710,696	\$2,870,605	\$3,091,674	\$2,740,063

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds of which are credited to the General Fund and are not pledged to the payment of the Certificates. In addition, the City imposes an additional one-fourth percent (1/4%) sales tax for street maintenance and repair that went into effect on October 1, 2003. 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. The total local sales tax is 2%. Net collections on fiscal year basis are as follows:

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2022	577,135	19.02%	\$ 0.1354	\$ 66.27
2023	774,996	24.43%	0.1490	95.83
2024	691,714	20.67%	0.1219	86.04
2025	714,487	19.55%	0.1182	88.16
2026	417,114 ⁽³⁾	11.62%	0.0674	50.74

(1) Source: City Audited Financials and Comptroller of Public Accounts, State of Texas.

(2) Based on estimated City population provided by the City.

(3) As of April 15, 2026.

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

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%.

The sales tax breakdown for the City is as follows:

City Sales and Use Tax	0.0125¢
San Antonio MTA Tax	0.0050¢
City Crime Control	0.0025¢
State Sales and Use Tax	<u>0.0625¢</u>
Total	<u>0.0825¢</u>

FINANCIAL POLICIES

The General Fund: Is the general operating fund of the city and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

The City’s current consensus is to maintain a General Fund reserve balance equivalent to three (3) months of budgeted expenditures.

INVESTMENTS

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

LEGAL INVESTMENTS... Under Texas 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 of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (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; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(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 investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker- dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted by the Public Funds Investment Act, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) 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; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted

maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA 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.

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

ADDITIONAL PROVISIONS... Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument 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 relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with 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 (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) 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 in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's

investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; 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.

TABLE 14 - CURRENT INVESTMENTS ⁽¹⁾

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

Description	% of Portfolio	Book Value
Schertz Bank Demand Deposits	21.00%	\$ 1,194,103
Schertz Bank CD's	24.00%	1,350,000
TexPool	55.00%	3,066,377
	<u>100.00%</u>	<u>\$ 5,610,480</u>

As of such date, 76% of the City's investment portfolio is available within one week. The market value of the investment portfolio was approximately 100% of its purchase price.

(1) Unaudited

TAX MATTERS

OPINION. . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, 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 Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. (See "Appendix C -- Form of Bond Counsel's Opinion.")

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the project financed with the Certificate proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders 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 Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates 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 Certificates 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 Certificates 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 Certificates. 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 and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE

PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates 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 Certificates 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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will file with EMMA annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in Appendix B. The City will update and provide this information within 180 days after the end of each fiscal year ending in and after 2026.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificate, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Certificate, if material; (8) Certificate calls, if material, and (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of 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 financial obligation of the City, any of which reflect financial difficulties. (Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement or credit enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Commission and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Additionally, the City intends the words used in the preceding paragraphs (15) and (16) and the definition of "financial obligation" in these paragraphs to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell

Certificates in the offering described herein in compliance with Rule 15c-12, taking into account any amendments or interpretations of Rule 15c-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Certificates are rated "A+" by S&P Global Ratings, without regard to credit enhancement. An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. A rating is not a recommendation to buy, hold or sell securities. There is no assurance that such rating will continue for any given period of time or it will not be revised downward or withdrawn entirely by of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Certificates.

LITIGATION

It is the opinion of the City Attorney and City staff that there is no pending litigation against the City that would have a material adverse financial impacts upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER INFORMATION - Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any

public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Certificates. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Certificates are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i) based upon an examination of such transcript, the Certificates are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Certificates may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement (except any financial, statistical, or technical information) under the captions "THE CERTIFICATES," (except for the subcaptions "BOOK-ENTRY-ONLY SYSTEM," "CERTIFICATEHOLDERS' REMEDIES," and "USE OF CERTIFICATE PROCEEDS"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "COMPLIANCE WITH PRIOR UNDERTAKINGS"), "OTHER INFORMATION – LEGAL MATTERS," (except for the second to last sentence of the first paragraph thereof), "OTHER INFORMATION – REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE," and "OTHER INFORMATION – LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and the information in APPENDIX C to determine that the information relating to the Certificates and the Ordinance contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The applicable legal opinion will accompany the Certificates deposited with DTC or will be printed on or attached to the Certificates in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Ronald Green & Associates PLLC, Houston, Texas. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from 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.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with

respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of \$ _____. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriter.

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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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.

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AUTHORIZATION OF THE OFFICIAL STATEMENT

The Official Statement will be authorized and approved by the City in the Ordinance, and the Underwriter will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City. The Ordinance also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the City, and authorized its further use in the reoffering of the Certificates by the Underwriter. This Official Statement will be approved by the City for distribution in accordance with the provisions of the Rule.

/s/

Mayor
City of Kirby, Texas

ATTEST:

/s/

City Secretary
City of Kirby, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

LOCATION

The City of Kirby is located adjacent to and northeast of San Antonio, approximately eight (8) miles from downtown San Antonio in Bexar County. The City is a residential/light commercial center serving the greater Randolph Air Force Base area. It also acts as a suburban community for many metropolitan San Antonio area employees.

TRANSPORTATION

Farm-to-Market Road 78 passes through the City offering easy access to Interstate Highway 35, to Interstate Highway 10 and to Loop 410 around the City of San Antonio. Three railroads (3) and thirty (30) truck lines serve the area. The San Antonio International Airport, 8 ½ miles from Kirby, provides air service. VIA bus service provides travel to many areas throughout Bexar County.

EDUCATION

Judson Independent School District serves the City and the surrounding area with approximately 3,522 employees. The District consists of twenty-two elementary schools, eight junior high schools, five high schools and two learning academy.

Enrollment				
<u>2025-2026</u>	<u>2024-2025</u>	<u>2023-2024</u>	<u>2022-2023</u>	<u>2021-2022</u>
20,350	20,402	21,261	22,112	20,876

Higher education is offered through the following institutions which are located in Bexar County:

JUNIOR COLLEGES

- Palo Alto College
- San Antonio College
- St. Phillip's College
- Northeast Lakeview College

SENIOR COLLEGES

- | | |
|------------------------------------|--|
| Incarnate Word College | University of Texas Institute of Texan Cultures |
| Our Lady of the Lake University | University of Texas Health Science Center at San Antonio (5 divisions) |
| St. Mary's University | University of Mexico at San Antonio |
| Trinity University | Oblate School of Theology |
| University of Texas at San Antonio | Texas Lutheran College |
| Texas A&M University San Antonio | Wayland Baptist University |

LABOR FORCE STATISTICS FOR THE BEXAR COUNTY⁽¹⁾⁽²⁾

	<u>2026⁽²⁾</u>	<u>2025⁽³⁾</u>	<u>2024⁽³⁾</u>	<u>2023⁽³⁾</u>	<u>2022⁽³⁾</u>
Civilian Labor Force	1,048,246	1,046,353	1,033,952	1,011,587	985,648
Total Employed	1,004,538	1,004,525	994,101	973,296	948,805
Total Unemployed	43,708	41,828	39,851	38,291	36,843
Unemployment Rate	4.2%	4.0%	3.9%	3.8%	3.7%
% Unemployed (Texas)	4.3%	4.2%	4.1%	4.0%	3.9%
% Unemployed (U.S.)	4.1%	4.3%	4.0%	3.6%	3.6%

(1) Source: Texas Employment Commission.
 (2) As of May 2026.
 (3) Average Annual Statistics

APPENDIX B

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

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



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matters - Change in Accounting Principle and Additional Fund

As discussed in Note N to the financial statements, the City implemented GASB Statement 101 related to compensated absences as of October 1, 2024. Our opinion has not been modified with respect to this matter. Additionally, the City absorbed the Senior Citizen Center and it is included in the report as a non-major fund.

Responsibilities of Management for the Financial Statements

City of Kirby'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 of Kirby, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kirby, Texas'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 of Kirby, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and net other post-employment benefits liability, 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kirby, Texas’s primary government basic financial statements. The comparative financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section 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 misstatement of the other information exists, we are required to describe it in our report.

Respectfully,



Armstrong, Vaughan & Associates, P.C.
March 23, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Kirby’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

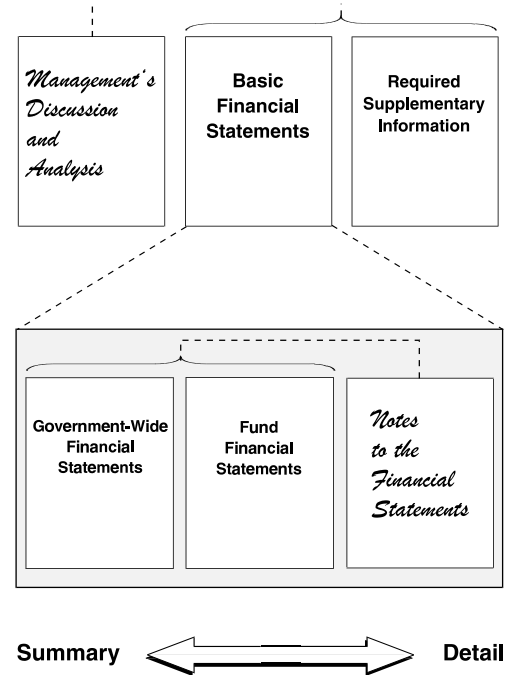
- The City’s total combined net position was approximately \$21.2 million at September 30, 2025.
- During the year, the City’s governmental activities expenses were \$684 thousand less than the \$7.5 million generated in taxes, other revenues for governmental activities, grants, and transfers.
- The General Fund reported a fund balance of \$2.4 million at the end of the fiscal year which represents a \$359 thousand decrease from the previous fiscal year.
- The City’s Waterworks/Sewer Fund reported a \$198 thousand decrease in net position over the previous fiscal year. Net position at September 30, 2025 was \$5.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer.
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City’s basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes, sales taxes, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The total cost of all programs and services was \$9.5 million. Of these costs, 78% were for primary government activities, while the Water/Sewer utility accounted for the remaining balance.

Net Position: The City’s combined net position was \$21.2 million at September 30, 2025. (See Table A-1).

Table A-1
City's Net Position

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2025	2024	2025	2024	2025	2024	Change
							2025-2024
<i>Assets:</i>							
Current Assets	\$ 4,540,709	\$ 7,413,657	\$ 1,267,889	\$ 2,863,404	\$ 5,808,598	\$ 10,277,061	-43.5%
Non-Current Assets	18,958,674	16,655,253	4,843,890	3,405,114	23,802,564	20,060,367	18.7%
<i>Total Assets</i>	<u>\$ 23,499,383</u>	<u>\$ 24,068,910</u>	<u>\$ 6,111,779</u>	<u>\$ 6,268,518</u>	<u>\$ 29,611,162</u>	<u>\$ 30,337,428</u>	<u>-2.4%</u>
<i>Deferred Outflows:</i>							
Deferred Pension/OPEB							
Related Outflows	231,608	420,686	62,172	106,341	293,780	527,027	-44.3%
<i>Liabilities:</i>							
Current Liabilities	2,234,866	2,750,683	477,264	452,734	2,712,130	3,203,417	-15.3%
Long-Term Liabilities	5,526,181	6,335,054	143,999	166,738	5,670,180	6,501,792	-12.8%
<i>Total Liabilities</i>	<u>7,761,047</u>	<u>9,085,737</u>	<u>621,263</u>	<u>619,472</u>	<u>8,382,310</u>	<u>9,705,209</u>	<u>-13.6%</u>
<i>Deferred Inflows:</i>							
Deferred Pension/OPEB							
Related Inflows	124,032	168,288	34,848	39,232	158,880	207,520	-23.4%
<i>Net Position:</i>							
Invested in Capital Assets	13,630,634	12,638,566	4,843,890	3,405,114	18,474,524	16,043,680	15.2%
Restricted	590,811	590,366	-	-	590,811	590,366	0.1%
Unrestricted	1,624,467	2,006,639	673,950	2,311,041	2,298,417	4,317,680	-46.8%
<i>Total Net Position</i>	<u>\$ 15,845,912</u>	<u>\$ 15,235,571</u>	<u>\$ 5,517,840</u>	<u>\$ 5,716,155</u>	<u>\$ 21,363,752</u>	<u>\$ 20,951,726</u>	<u>2.0%</u>

Changes in net position. The City's total revenues were \$10.0 million. A significant portion 32.2%, of the City's revenue comes from property taxes, 38.9% comes from charges for services (Water, Court, EMS, etc.), 14.0% comes from grant and contribution, 12.4% relates to Franchise and Sales taxes, while only 2.5% comes from investment earnings and miscellaneous.

Governmental Activities

- Property tax rates decreased from \$0.591244 to \$0.579799.
- Property tax revenue decreased by \$70 thousand. Although there was a decrease property tax rate and the valuation of taxable property increased, the collection rates decreased from the prior year.
- The cost of all governmental activities this year was approximately \$7.4 million. The amount that taxpayers paid for these activities through property taxes was \$3.2 million. Some of the cost was paid by those who directly benefited from the programs in the amount of \$1.7 thousand and an additional \$1.3 million by grants and contributions. The remaining revenue came from sales tax, franchise tax and miscellaneous income.

Business-Type Activities

- Operating revenues not including transfers from other funds of the City's Water & Sewer business-type activities decreased to \$2.4 million in the current year, with a decrease of \$100 thousand or 4.0%. Operating expenses not including transfers to other funds increased to \$2.0 million in the current year, with a decrease of \$84 thousand or 4.3%.

Table A-2
Changes in City of Kirby's Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2025-2024
	2025	2024	2025	2024	2025	2024	
Primary Government:							
City Council	\$ 29	\$ 19	\$ -	\$ -	\$ 29	\$ 19	52.6%
City Administration	483	419	-	-	483	419	15.3%
Police Protection	1,782	1,663	-	-	1,782	1,663	7.2%
Municipal Court	119	90	-	-	119	90	32.2%
Fire/EMS Protection	1,462	1,588	-	-	1,462	1,588	-7.9%
Animal Services	162	136	-	-	162	136	19.1%
Parks and Pool	265	235	-	-	265	235	12.8%
Streets and Shops	312	224	-	-	312	224	39.3%
Crime Control	124	127	-	-	124	127	-2.4%
Crime Control	197	-	-	-	197	-	100.0%
General City Operations	2,251	1,222	-	-	2,251	1,222	84.2%
Water/Sewer Utility	-	-	1,968	1,957	1,968	1,957	0.6%
Interest on Long-Term Debt	183	194	-	-	183	194	-5.7%
Total Government Activities	7,369	5,917	1,968	1,957	9,337	7,874	347.3%
Program Revenues:							
Charges for Services	1,665	625	2,213	2,301	3,878	2,926	32.5%
Operating Grants & Contributions	1,015	65	-	-	1,015	65	1461.5%
Capital Grants & Contributions	263	502	123	123	386	625	-38.2%
General Revenues:							
General Property Tax	3,218	3,288	-	-	3,218	3,288	-2.1%
Sales Taxes	861	824	-	-	861	824	4.5%
Franchise Taxes	376	377	-	-	376	377	-0.3%
Investment Earning	99	177	104	118	203	295	-31.2%
Miscellaneous	41	45	2	-	43	45	-4.4%
Total Revenues and Transfers	7,538	5,903	2,442	2,542	9,980	8,445	1422.4%
INCREASE IN NET POSITION BEFORE TRANSFERS	169	(14)	474	585	643	571	12.7%
Transfers In (Out)	673	600	(673)	(600)	-	-	0.0%
CHANGE IN NET POSITION	842	586	(198)	(15)	643	571	12.7%
BEGINNING NET POSITION	15,235	14,649	5,716	5,731	20,951	20,380	2.8%
Prior Period Adjustment	(231)	-	-	-	(231)	-	100.0%
ENDING NET POSITION	\$ 15,846	\$ 15,235	\$ 5,518	\$ 5,716	\$ 21,364	\$ 20,951	2.0%

Table A-3 presents the cost of each of the City’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
 Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of			Net Cost of		
	Services		% Change	Services		% Change
	2025	2024	2025-2024	2025	2024	2025-2024
General Government	\$ 512	\$ 438	16.9%	\$ (1,249)	\$ 442	-382.6%
Police Protection & Court	1,901	1,753	8.4%	1,697	1,561	8.7%
Fire/EMS Protection	1,462	1,588	-7.9%	1,136	1,189	-4.5%
Animal Services	162	136	19.1%	149	128	16.4%
Parks and Recreation	265	235	12.8%	184	184	0.0%
Highways and Streets	312	224	39.3%	(49)	173	-128.3%
Crime Control	125	127	-1.6%	125	127	-1.6%
General City Operations	2,251	1,222	84.2%	2,251	726	210.1%
Water and Sewer	1,968	1,957	0.6%	369	467	-21.0%
Debt Service - Interest & Fiscal Charges	183	194	-5.7%	183	194	-5.7%

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$7.5 million for the current year vs. \$5.9 million in the prior year, an increase of \$1.6 million. Expenditures from governmental fund types totaled \$7.6 million for the current year vs \$5.9 million for the prior year. The increase is due to capital projects funded in the current year. The general fund balance decreased by \$381 thousand from \$2.6 million in the prior year to \$2.2 million in the current year. Of this amount \$1.6 million is unassigned and represents 3 months of average operating in reserve. Long term debt and notes payable paid during the year totaled \$341 thousand in principal and \$190 thousand in interest.

General Fund Budgetary Highlights

The city revised its original budget with no net increase in the budget. Expenditures for the year were \$149.5 thousand more than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the City had invested \$49.2 million in a broad range of capital assets, including land, equipment, buildings, vehicles, infrastructure, software and construction in progress (See Table A-4). This amount represents a net increase of \$4.6 million or 10.4% over last year.

Table A-4
City's Capital Assets
(In thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2025	2024	2025	2024	2025	2024	Change
							2025-2024
Land	\$ 836	\$ 836	\$ 7	\$ 7	\$ 843	\$ 843	0.0%
Buildings and Improvements	6,280	5,233	-	-	6,280	5,233	20.0%
Vehicles and Equipment	4,344	4,211	879	879	5,223	5,090	2.6%
Infrastructure	18,071	17,376	-	-	18,071	17,376	4.0%
Construction in Progress	8,748	7,648	2,169	553	10,917	8,201	33.1%
Utility Plant	-	-	8,022	7,962	8,022	7,962	0.8%
Totals at Historical Cost	38,279	35,304	11,077	9,401	49,356	44,705	10.4%
Total Accumulated Depreciation	(19,321)	(18,649)	(6,233)	(5,995)	(25,554)	(24,644)	3.7%
Net Capital Assets	<u>\$ 18,958</u>	<u>\$ 16,655</u>	<u>\$ 4,844</u>	<u>\$ 3,406</u>	<u>\$ 23,802</u>	<u>\$ 20,061</u>	<u>18.6%</u>

The city purchased various pieces of equipment regarding the police department, fire department, streets reconstruction, and waterworks department. Detailed information about the City's capital assets is presented in the note to the financial statements.

Long Term Debt

At year-end the City had \$5.68 million in bonds and Notes Payable outstanding shown in Table A-5. Detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(In thousands dollars)

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2025	2024	2025	2024	2025	2024	Change
							2025-2024
Bonds Payable and Notes Payable	\$ 5,329	\$ 5,683	\$ -	\$ -	\$ 5,329	\$ 5,683	-6.2%
Total Bonds & Notes Payable	<u>\$ 5,329</u>	<u>\$ 5,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,329</u>	<u>\$ 5,683</u>	<u>-6.2%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2025/2026 property tax rate increased from 0.579799/100 to 0.600903/100 as a result of the approved budget. This will result in approximately \$3,185,000 of projected property tax revenues for the General Fund. General Fund Revenues (includes transfer from other funds and use of fund balance for 2025/2026 total \$7,777,452). General Fund Expenditures budgeted for 2025/2026 total \$7,777,452.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (210) 661-3198.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<i>Current Assets:</i>			
Cash and Investments	\$ 2,982,661	\$ 1,160,501	\$ 4,143,162
Receivables (net of allowances for uncollectibles)			
Taxes	326,078	-	326,078
Accounts	196,586	287,365	483,951
EMS Charges	78,590	-	78,590
Due from Other Governments	157,367	-	157,367
Internal Balances	518,649	(518,649)	-
Inventories	66,861	22,299	89,160
Prepaid Items	44,437	25,270	69,707
Restricted Assets:			
Cash and Investments	169,480	291,103	460,583
<i>Total Current Assets</i>	<u>4,540,709</u>	<u>1,267,889</u>	<u>5,808,598</u>
<i>Capital Assets:</i>			
Land	836,120	7,005	843,125
Buildings & Improvements	6,279,724	-	6,279,724
Utility Plant and Easements	-	8,021,781	8,021,781
Transportation & Equipment	4,344,246	878,564	5,222,810
Infrastructure	18,071,072	-	18,071,072
Construction in Progress	8,748,197	2,169,485	10,917,682
Accumulated Depreciation and Amortization	(19,320,685)	(6,232,945)	(25,553,630)
<i>Total Capital Assets</i>	<u>18,958,674</u>	<u>4,843,890</u>	<u>23,802,564</u>
TOTAL ASSETS	<u>23,499,383</u>	<u>6,111,779</u>	<u>29,611,162</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Other Post Employment Benefit Outflows	2,431	608	3,039
Deferred Pension Related Outflows	229,177	61,564	290,741
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 231,608</u>	<u>\$ 62,172</u>	<u>\$ 293,780</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable and Other Current Liabilities	\$ 1,239,721	\$ 263,344	\$ 1,503,065
Accrued Vacation Leave Payable	363,435	6,540	369,975
Accrued Interest Payable	14,644	-	14,644
Unearned Revenue	245,605	-	245,605
<i>Payable from Restricted Assets:</i>			
Customer Deposits	-	207,380	207,380
Due within One Year	371,461	-	371,461
<i>Total Current Liabilities</i>	<u>2,234,866</u>	<u>477,264</u>	<u>2,712,130</u>
<i>Long-Term Liabilities:</i>			
Due in more than One Year	4,956,579	-	4,956,579
Net Other Post Employment Benefits Liability	105,480	26,370	131,850
Net Pension Liability	464,122	117,629	581,751
<i>Total Long-Term Liabilities:</i>	<u>5,526,181</u>	<u>143,999</u>	<u>5,670,180</u>
TOTAL LIABILITIES	<u>7,761,047</u>	<u>621,263</u>	<u>8,382,310</u>
DEFERRED INFLOWS OF RESOURCES			
<i>Deferred Other Post Employment Benefit Inflows</i>			
	19,426	4,856	24,282
<i>Deferred Pension Related Inflows</i>	<u>104,606</u>	<u>29,992</u>	<u>134,598</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>124,032</u>	<u>34,848</u>	<u>158,880</u>
NET POSITION			
Net Investment in Capital Assets	13,630,634	4,843,890	18,474,524
<i>Restricted for:</i>			
Debt Service Fund	231,944	-	231,944
PEG Capital Fees	208,680	-	208,680
Public Safety	150,187	-	150,187
Unrestricted	<u>1,624,467</u>	<u>673,950</u>	<u>2,298,417</u>
TOTAL NET POSITION	<u>\$ 15,845,912</u>	<u>\$ 5,517,840</u>	<u>\$ 21,363,752</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
City Council	\$ 28,828	\$ -	\$ -	\$ -
City Administration	482,819	954,419	806,682	-
Police Protection	1,782,492	175,366	17,665	-
Municipal Court	118,853	11,487	-	-
Fire/EMS Protection	1,462,155	320,798	-	5,161
Animal Services	162,099	13,240	-	-
Parks and Pool	265,253	81,750	-	-
Streets and Shops	312,324	103,533	-	258,031
Crime Control	124,549	-	-	-
Senior Center	196,697	4,763	190,901	-
General City Operations	2,251,229	-	-	-
Interest on Long-Term Debt	182,675	-	-	-
<i>Total Governmental Activities</i>	<u>7,369,973</u>	<u>1,665,356</u>	<u>1,015,248</u>	<u>263,192</u>
Business-Type Activities				
Water/Sewer Utility	1,967,889	2,213,226	-	123,440
<i>Total Business-Type Activities</i>	<u>1,967,889</u>	<u>2,213,226</u>	<u>-</u>	<u>123,440</u>
Total Primary Government	<u>\$ 9,337,862</u>	<u>\$ 3,878,582</u>	<u>\$ 1,015,248</u>	<u>\$ 386,632</u>
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustments				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position
 Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (28,828)	\$ -	\$ (28,828)
1,278,282	-	1,278,282
(1,589,461)	-	(1,589,461)
(107,366)	-	(107,366)
(1,136,196)	-	(1,136,196)
(148,859)	-	(148,859)
(183,503)	-	(183,503)
49,240	-	49,240
(124,549)	-	(124,549)
(1,033)	-	(1,033)
(2,251,229)	-	(2,251,229)
(182,675)	-	(182,675)
<u>(4,426,177)</u>	<u>-</u>	<u>(4,426,177)</u>
-	368,777	368,777
-	368,777	368,777
<u>(4,426,177)</u>	<u>368,777</u>	<u>(4,057,400)</u>
3,217,750	-	3,217,750
375,828	-	375,828
861,451	-	861,451
99,405	103,916	203,321
40,482	2,155	42,637
<u>4,594,916</u>	<u>106,071</u>	<u>4,700,987</u>
<u>673,163</u>	<u>(673,163)</u>	<u>-</u>
841,902	(198,315)	643,587
15,235,571	5,716,155	20,951,726
(231,561)	-	
<u>\$ 15,845,912</u>	<u>\$ 5,517,840</u>	<u>\$ 21,595,313</u>

CITY OF KIRBY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Major Fund General Fund	Major Fund Debt Service	Major Fund Capital Projects Fund
ASSETS			
Cash and Investments	\$ 2,686,575	\$ 205,963	\$ -
Receivables (net of allowances for uncollectibles):			
Property Taxes	286,246	39,832	-
EMS Charges	78,590	-	-
Accounts	119,746	-	-
Restricted Cash	169,376	-	104
Due from Other Governments	135,505	-	-
Due from Other Funds	108,251	793	581,982
Prepaid Items	36,680	-	-
Inventory of Supplies, At Cost	66,861	-	-
	<u>\$ 3,687,830</u>	<u>\$ 246,588</u>	<u>\$ 582,086</u>
TOTAL ASSETS			
	<u>\$ 3,687,830</u>	<u>\$ 246,588</u>	<u>\$ 582,086</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 274,808	\$ -	\$ 545,286
Accrued Expenditures	387,127	-	-
Unavailable Revenues	245,605	-	-
Due to Other Funds	64,125	-	36,800
<i>Total Liabilities</i>	<u>971,665</u>	<u>-</u>	<u>582,086</u>
<i>Deferred Inflow of Resources:</i>			
Unavailable EMS Revenues	78,590	-	-
Unavailable Tax Revenues	286,246	39,832	-
<i>Total Deferred Inflow of Resources</i>	<u>364,836</u>	<u>39,832</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable:			
Prepaid Items	36,680	-	-
Inventory	66,861	-	-
Restricted for:			
PEG Capital Fees	208,680	-	-
Court Security	57,557	-	-
Debt Service	-	206,756	-
Crime Control	-	-	-
Unassigned	1,981,551	-	-
<i>Total Fund Balances</i>	<u>2,351,329</u>	<u>206,756</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,687,830</u>	<u>\$ 246,588</u>	<u>\$ 582,086</u>

See accompanying notes to basic financial statements.

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 90,123	\$ 2,982,661
-	326,078
-	78,590
76,840	196,586
-	169,480
21,862	157,367
-	691,026
7,757	44,437
-	66,861
<u>\$ 196,582</u>	<u>\$ 4,713,086</u>
\$ 27,112	\$ 847,206
5,388	392,515
-	245,605
<u>71,452</u>	<u>172,377</u>
<u>103,952</u>	<u>1,657,703</u>
-	78,590
-	326,078
-	404,668
7,757	44,437
-	66,861
-	208,680
-	57,557
-	206,756
84,873	84,873
-	1,981,551
<u>92,630</u>	<u>2,650,715</u>
<u>\$ 196,582</u>	<u>\$ 4,713,086</u>

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 2,650,715
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.		18,958,674
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		404,668
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(363,435)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		(5,328,040)
Net pension liabilities (and related deferred outflows and inflows of resources) do not provide current financial resources and are not reported in the funds.		
Net Pension Liability	(464,122)	
Pension Related Deferred Outflows	229,177	
Pension Related Deferred Inflows	<u>(104,606)</u>	(339,551)
Net Other Post Employment Benefit (OPEB) Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.		
Net OPEB Liability	(105,480)	
OPEB Related Deferred Outflows	2,431	
OPEB Related Deferred Inflows	<u>(19,426)</u>	(122,475)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(14,644)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 15,845,912</u>

See accompanying notes to basic financial statements.



CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Debt Service	<u>Major Fund</u> Capital Projects Fund
REVENUES			
Taxes	\$ 3,477,992	\$ 471,626	\$ -
Franchise Fees	375,828	-	-
Licenses and Permits	212,676	-	-
Intergovernmental	10,818	-	-
Fines and Penalties	185,083	-	-
Charges for Services	304,638	-	-
Donations and Grants	1,072,905	-	-
Miscellaneous	129,337	286	9,145
TOTAL REVENUES	<u>5,769,277</u>	<u>471,912</u>	<u>9,145</u>
EXPENDITURES			
<i>Current:</i>			
City Council	28,829	-	-
City Administration	482,316	-	-
Police Protection	1,741,827	-	-
Municipal Court	126,288	-	-
Fire\EMS Protection	1,415,515	-	-
Animal Services	169,631	-	-
Parks and Pool	270,863	-	-
Streets and Shops	404,935	-	-
Crime Control	-	-	-
Senior Citizen Center			
General City Operations	814,048	-	-
Capital Projects/Outlay	1,179,199	-	1,795,997
<i>Debt Service:</i>			
Principal	40,936	300,000	-
Interest and Fiscal Charges	6,354	183,675	-
TOTAL EXPENDITURES	<u>6,680,741</u>	<u>483,675</u>	<u>1,795,997</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (911,464)</u>	<u>\$ (11,763)</u>	<u>\$ (1,786,852)</u>

See accompanying notes to basic financial statements.

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 129,583	\$ 4,079,201
-	375,828
-	212,676
-	10,818
-	185,083
4,763	309,401
194,717	1,267,622
1,113	139,881
<u>330,176</u>	<u>6,580,510</u>
-	28,829
-	482,316
-	1,741,827
-	126,288
-	1,415,515
-	169,631
-	270,863
-	404,935
124,549	124,549
196,697	196,697
-	814,048
-	2,975,196
-	340,936
-	190,029
<u>321,246</u>	<u>9,281,659</u>
<u>\$ 8,930</u>	<u>\$ (2,701,149)</u>

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Debt Service	<u>Major Fund</u> Capital Projects Fund
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 552,097	\$ -	\$ 121,066
TOTAL OTHER FINANCING SOURCES (USES)	<u>552,097</u>	<u>-</u>	<u>121,066</u>
Net Change in Fund Balance	(359,367)	(11,763)	(1,665,786)
Fund Balances at Beginning of Year	<u>2,710,696</u>	<u>218,519</u>	<u>1,665,786</u>
Fund Balances at End of Year	<u>\$ 2,351,329</u>	<u>\$ 206,756</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 673,163
<u>-</u>	<u>673,163</u>
8,930	(2,027,986)
<u>83,700</u>	<u>4,678,701</u>
<u><u>\$ 92,630</u></u>	<u><u>\$ 2,650,715</u></u>

CITY OF KIRBY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,027,986)

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

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

Capital Outlay	2,279,676	
Depreciation Expense	<u>(671,775)</u>	2,303,421

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (21,326)

The issuance of long-term-debt (e.g. bonds and notes payable) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term-debt and related items.

Repayment of Principal	300,000	
Amortization of Bond Premium	13,502	
Repayment of Note Payable Principal	<u>40,936</u>	354,438

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense. 288,286

Governmental funds report required contributions to Other Post Employment Benefits (OPEB) as expenditures. However, in the Statement of Activities the expense for the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined OPEB expense. 4,307

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:

Compensated Absences	(60,238)	
Accrued Interest	<u>1,000</u>	<u>(59,238)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 841,902



CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2025

	Business-Type Activities
	Waterworks\Sewer Fund
ASSETS	
<i>Current Assets:</i>	
Cash and Investments	\$ 1,160,501
Receivables (net of allowances for uncollectibles):	
Accounts	287,365
Inventories	22,299
Prepaid Items	25,270
Due From Other Funds	63,333
<i>Total Current Assets</i>	1,558,768
 <i>Restricted Assets:</i>	
Cash and Investments	291,103
<i>Total Restricted Assets</i>	291,103
 <i>Capital Assets:</i>	
Land	7,005
Utility Plant and Easements	8,021,781
Transportation & Equipment	878,564
Accumulated Depreciation	(6,232,945)
<i>Capital Assets, net of accumulated depreciation</i>	4,843,890
TOTAL ASSETS	6,693,761
 DEFERRED OUTFLOWS	
Deferred Other Post Employment Benefit Outflows	608
Deferred Pension Related Outflows	61,564
TOTAL DEFERRED OUTFLOWS	\$ 62,172

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2025

	Business-Type Activities Waterworks\Sewer Fund
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 263,344
Accrued Compensated Absences	6,540
Due to Other Funds	581,982
<i>Total Current Liabilities</i>	851,866
 <i>Current Liabilities Payable from Restricted Assets:</i>	
Customer Deposits	207,380
<i>Total Current Liabilities Payable from Restricted Assets</i>	207,380
 <i>Noncurrent Liabilities:</i>	
Net Other Post Employment Benefits Liability	26,370
Net Pension Liability	117,629
<i>Total Noncurrent Liabilities</i>	143,999
TOTAL LIABILITIES	1,203,245
 DEFERRED INFLOWS	
Deferred Other Post Employment Benefit Inflows	4,856
Deferred Pension Related Inflows	29,992
TOTAL DEFERRED INFLOWS	34,848
 NET POSITION	
Net Investment in Capital Assets	4,843,890
Unrestricted	673,950
TOTAL NET POSITION	\$ 5,517,840

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities
	Waterworks\Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 2,213,226
TOTAL OPERATING REVENUES	2,213,226
 OPERATING EXPENSES	
Salaries and Benefits	512,976
Supplies	82,310
Maintenance and Repairs	256,073
Contractual Services	861,503
Miscellaneous	17,245
Depreciation	237,782
TOTAL OPERATING EXPENSES	1,967,889
 OPERATING INCOME (LOSS)	245,337
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	103,916
Capital Improvement Fee	123,440
TOTAL NONOPERATING REVENUES (EXPENSES)	229,511
 Net Income (Loss) Before Contributions and Transfers	474,848
 Transfers In (Out)	(673,163)
 CHANGE IN NET POSITION	(198,315)
 NET POSITION AT BEGINNING OF YEAR	5,716,155
 NET POSITION AT END OF YEAR	\$ 5,517,840

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities
	Waterworks\Sewer Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 2,453,005
Cash Paid for Employee Wages & Benefits	(493,585)
Cash Paid to Suppliers for Goods & Services	(1,207,387)
Net Cash Provided (Used) by Operating Activities	752,033
Cash Flows From Noncapital Financing Activities:	
Customer Deposits Received (Returned)	4,830
Interfund Payables (Receivables)	(1,330,361)
Transfers From (To) Other Funds	(673,163)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,998,694)
Cash Flows From Capital and Related Financing Activities:	
Purchase/Construction of Capital Assets	(1,676,558)
Capital Improvement Fee	123,440
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,550,963)
Cash Flows From Investing Activities:	
Investment Interest Received	103,916
Net Cash Provided (Used) by Investing Activities	103,916
Net Increase (Decrease) in Cash and Investments	(2,693,708)
Cash and Investments at Beginning of Year:	
Cash and Investments	3,865,956
Restricted Cash and Investments	279,356
	4,145,312
Cash and Investments at End of Year:	
Cash and Investments	1,160,501
Restricted Cash and Investments	291,103
	\$ 1,451,604

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities
	Waterworks\Sewer Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 245,337
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	237,782
(Increase) Decrease in Operating Assets:	
Accounts Receivable, Net	239,779
Inventory	(271)
Prepaid Items	(7,340)
Deferred Pension Related Outflows	44,511
Deferred Other Post Employment Benefit Outflows	(342)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	17,355
Accrued Wages & Benefits	2,345
Deferred Other Post Employment Benefit Inflows	2,564
Deferred Pension Related Inflows	(4,896)
Net Other Post Employment Benefits Liability	512
Net Pension Liability	(25,303)
Total Adjustments to Reconcile Operating Activities	506,696
 Net Cash Provided (Used) by Operating Activities	 \$ 752,033

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kirby, Texas (“City”), was incorporated in May 1955. The City Charter was adopted in May 1988, under the provisions of the Home Rule Charter Act of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The City has two component units, the Kirby Senior Center and the Kirby Crime Control District.

Component Units

The Board of the Kirby Senior Center is appointed by the City of Kirby, Texas’, City Council. The center was established to provide senior citizens with educational, recreational, health and nourishment programs. The City of Kirby, Texas, provides some maintenance to help maintain the facility. The Center was in the process of dissolving and moving into the City as of September 30, 2025. The Center was shown as a fund in these financial statements. The Center was completely dissolved after September 30, 2025.

The Kirby Crime Control and Prevention District, an entity legally separate from the City, was created pursuant to Section 363.051, et. Seq, of the Crime Control District Act. The District was created in November 2014, to act on behalf of Kirby for promotion, development and enhancement of crime control and prevention within the City of Kirby. The District was reauthorized by voters in May 2019. For financial reporting purposes, the District is reported as if it were part of the City’s operations because its purpose is to benefit the citizens of the City. The District is governed by a 7 member board appointed by council.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government wide statements.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Debt Service Fund, and Capital Projects Fund meet the criteria of a **major governmental fund**. These funds are reflected in a separate column in the Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unearned revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured, and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

The Debt Service Fund is used to account for the revenues specifically restricted by law for debt retirement (i.e.: ad valorem).

The Capital Projects Fund is used to account for all funds collected and disbursed for street, sidewalk, and drainage improvements and other capital projects.

The City has the following non-major funds: Crime Control District and the Senior Citizen Center.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Sewer Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses, and benefit payments, which are not received or paid until the subsequent year, are accrued.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

2. (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

Certain cash balances (such as debt service collections) are restricted for specific purposes. Unless that purpose is narrower than the purpose of the fund, cash is reported as unrestricted.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair value in accordance with Governmental Accounting Standards Board (GASB) No. 72, *Fair Value Measurement and Application*.

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ACCOUNTS RECEIVABLE (Continued)

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

8. INVENTORIES

Inventories of consumable supplies are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the first in, first out method.

9. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources”.

10. RESTRICTED ASSETS

Certain resources are set aside for customer meter deposits, deposits are classified as restricted assets on the balance sheet because they may be refunded at a point in time if the customer is in good standing with the waterworks/sewer department.

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements.

Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility system in service	10 to 50 years
Machinery and equipment	5 to 25 years
Software	5 years

12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: deferred pension and OPEB related outflows reported on the government-wide and proprietary statements. The deferred pension and OPEB related outflows result from contributions made after the measurement date and changes in assumptions.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The deferred pension related inflows result from differences between expected and actual experiences and differences in between expected and actual investment return.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service: 10 days leave for year 1, plus 1 additional day per year for each year of service (i.e. 11 days for year two, 12 days for year three, etc.) up to a maximum of 30 days per year. Annual leave will not be carried over, except with City Manager approval.

Employees earn sick leave at the rate of 1 day per month starting on date of employment. A maximum of 60 days of sick leave can be accrued. No sick leave days are paid when an employee leaves city employment and a liability is reported for unpaid sick leave if it is more likely than not to be taken.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities are more likely than not to be taken. Compensated absences are accrued in the government-wide statements.

14. UNAVAILABLE REVENUE/UNEARNED REVENUE

Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of reporting. Unavailable revenues from EMS and property taxes are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. EMS and property tax revenues not expected to be available for the current period are reflected as unavailable revenue as an inflow of resources in the period the amounts become available.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and other revenues received in advance of expenses/expenditures are reflected as unearned revenue.

15. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the bond.

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

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

The Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense, have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

17. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose because of a highest formal action by the City Council (ordinance). Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

19. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

20. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Waterworks/Sewer (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the general fund.

21. USE OF ESTIMATES

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

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Deposits

At September 30, 2025, all of the City's deposits were fully collateralized. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had a pledged letter of credit having a value of \$4,200,000 as collateral for the City's deposits.

2. Investments

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act with the exception of one item. One of the investment officers did obtain the public funds investment act training within a two year period. The training was completed as of the date of this report. Additionally, investment practices of the City were in accordance with local policies.

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

3. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Fair Value Measurement (Continued)

As of September 30, 2025, the City’s recurring net asset value measurement assets consist of Texas Local Government Investment Pools. These investments are valued using prices quoted in active markets for those securities (Level 1).

The following table summarizes the assets for which net asset values are determined on a recurring basis as of September 30, 2025:

	Net Asset Value	Maturity in Days
TexPool	\$ 2,238,809	20
Total Investments	\$ 2,238,809	

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2025, the City’s investments were all in TexPool a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name.

At year end, the City was not exposed to custodial credit risk.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

4. Analysis of Specific Deposit and Investment Risks (Continued)

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

5. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

6. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act in all material respects. Additionally, investment practices of the City were in accordance with local policies.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE C -- RECEIVABLES

Receivables as of year-end for the government’s individual major funds and enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Fund	Total
	General Fund	Debt Service	Non-Major Fund	Waterworks\ Sewer Fund	
<i>Receivables:</i>					
Property Taxes	\$ 300,339	\$ 41,793	\$ -	\$ -	\$ 342,132
Less Allowance for Uncollectibles	(14,093)	(1,961)	-	-	(16,054)
Franchise Taxes	81,767	-	-	-	81,767
EMS Services	855,354	-	-	-	855,354
Less Allowance for Uncollectibles	(776,764)	-	-	-	(776,764)
Customer Accounts	-	-	-	417,837	417,837
Less Allowance for Uncollectibles	-	-	-	(130,472)	(130,472)
Other	37,979	-	76,840	-	114,819
Net Total Receivables	<u>\$ 484,582</u>	<u>\$ 39,832</u>	<u>\$ 76,840</u>	<u>\$ 287,365</u>	<u>\$ 888,619</u>

NOTE D -- RESTRICTED CASH

Cash is reported as restricted when it has restrictions on its use narrower than the purpose of the fund in which it is reported. As of September 30, 2025, restricted cash consists of \$169,376 of public, educational, and governmental fees held for return to franchise entity, \$291,103 of customer meter deposits, and \$104 of funds restricted for capital projects.

NOTE E -- PROPERTY TAX CALENDAR

The City’s property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was \$586 million (i.e., market value less exemptions). The estimated market value was \$646 million, making the taxable value 87.6% of the estimated market value.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE E -- PROPERTY TAX CALENDAR (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2025, was \$0.579799 per \$100 of assessed value, which means that the City has a tax margin of \$1.920201 for each \$100 value and could increase its annual tax levy by approximately \$10.8 million based upon the present assessed valuation of \$564 million before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the no new tax rate to a referendum election, if petitioned by registered voters, when the no new revenue rate increases is more than three and a half percent (3.5%) of the previous year's effective tax rate.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE F -- INTERFUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2025, balances of interfund amounts receivable or payable have been recorded as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water Sewer Fund	\$ 63,333	Reimbursement
Non Major Fund	General Fund	71,452	Reimbursement
General Fund	Debt Service Fund	793	Reimbursement
Water Sewer Fund	Capital Project Fund	581,982	Reimbursement
Capital Project Fund	General Fund	36,800	Reimbursement
		<u>\$ 754,360</u>	

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
Land	\$ 836,120	\$ -	\$ -	\$ 836,120
Buildings and Improvements	5,233,379	1,046,345	-	6,279,724
Transportation & Equipment	4,211,392	132,854	-	4,344,246
Infrastructure	17,375,552	-	695,520	18,071,072
Construction in Progress	7,647,720	1,795,997	(695,520)	8,748,197
	<u>35,304,163</u>	<u>2,975,196</u>	<u>-</u>	<u>38,279,359</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,786,763)	(186,219)	-	(2,972,982)
Transportation & Equipment	(3,123,036)	(257,637)	-	(3,380,673)
Infrastructure	(12,739,111)	(227,919)	-	(12,967,030)
	<u>(18,648,910)</u>	<u>(671,775)</u>	<u>-</u>	<u>(19,320,685)</u>
Governmental Capital Assets, Net	<u>\$ 16,655,253</u>	<u>\$ 2,303,421</u>	<u>\$ -</u>	<u>\$ 18,958,674</u>
 <u>Business-Type Activities</u>				
Land	\$ 7,005	\$ -	\$ -	\$ 7,005
Utility Plant	7,962,006	59,775	-	8,021,781
Transportation & Equipment	878,564	-	-	878,564
Construction in Progress	552,702	1,616,783	-	2,169,485
Totals at Historical Cost	<u>9,400,277</u>	<u>1,676,558</u>	<u>-</u>	<u>11,076,835</u>
Less Accumulated Depreciation				
Buildings and Improvements	(160,590)	(13,252)	-	(173,842)
Utility Plant	(5,021,035)	(194,389)	-	(5,215,424)
Transportation & Equipment	(813,538)	(30,141)	-	(843,679)
	<u>(5,995,163)</u>	<u>(237,782)</u>	<u>-</u>	<u>(6,232,945)</u>
Business-Type Capital Assets, Net	<u>\$ 3,405,114</u>	<u>\$ 1,438,776</u>	<u>\$ -</u>	<u>\$ 4,843,890</u>

Land and Construction in Progress are not depreciated.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

City Administration	\$	26,370
Fire Protection\EMS		137,829
Police Protection		130,495
Public Works		376,710
Animal Services		371
Total Depreciation Expense - Governmental Activities	\$	671,775

NOTE H -- LONG-TERM DEBT

Primary Government

Long-term debt and obligations payable at September 30, 2025, comprise the following individual issues:

\$204,623 Note Payable for a 2022 Zipper equipment note payable in annual installments of \$47,292 through 2027; interest rate of 4.95%. The Zipper is included in the Capital Assets for a cost of \$204,623 with accumulated depreciation of \$29,232. \$ 87,528

\$6,715,000 General Obligation Bonds, Series 2018 payable in annual installments of \$250,000 to \$475,000 through 2038; interest at 3.00% to 4.00%. This general obligation is not a direct placement. 5,065,000

Total Governmental Long-Term Obligations \$ 5,152,528

The annual requirements to amortize all long-term bonded debt and obligations outstanding as of September 30, 2025, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 315,000	\$ 169,425	\$ 484,425
2027	325,000	156,625	481,625
2028	340,000	145,025	485,025
2029	350,000	132,925	482,925
2030	365,000	120,450	485,450
2031-2035	1,995,000	423,131	2,418,131
2036-2038	1,375,000	78,107	1,453,107
	\$ 5,065,000	\$ 1,225,688	\$ 6,290,688

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE H -- LONG-TERM DEBT (Continued)

Future payments under the notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	\$ 42,960	\$ 4,332	\$ 47,292
2027	44,568	2,206	46,774
Total	<u>\$ 87,528</u>	<u>\$ 6,538</u>	<u>\$ 94,066</u>

Changes in Long-Term Liabilities

<u>Governmental Activities</u>	*Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
General Obligation Bonds, 2018	\$ 5,365,000	\$ -	\$ (300,000)	\$ 5,065,000	\$ 315,000
Premium	189,011	-	(13,499)	175,512	13,501
Note Payable	128,462	-	(40,934)	87,528	42,960
Compensated Absences	71,643	291,792	-	363,435	363,435
Net Pension Liability	897,636	-	(433,514)	464,122	-
Net OPEB Liability	109,379	8,704	(12,603)	105,480	-
Total Governmental Activities	<u>\$ 7,824,493</u>	<u>\$ 300,496</u>	<u>\$ (800,550)</u>	<u>\$ 6,261,077</u>	<u>\$ 734,896</u>
 <u>Business-Type Activities</u>					
Compensated Absences	\$ 6,540	\$ 6,540	\$ (6,540)	\$ 6,540	\$ 6,540
Net Pension Liability	142,932	51,255	(76,558)	117,629	-
Net OPEB Liability	23,806	12,673	(10,109)	26,370	-
Total Business-Type Activities	<u>234,818</u>	<u>70,468</u>	<u>(93,207)</u>	<u>150,539</u>	<u>6,540</u>
Total Primary Government	<u>\$ 8,059,311</u>	<u>\$ 370,964</u>	<u>\$ (893,757)</u>	<u>\$ 6,411,616</u>	<u>\$ 741,436</u>

*Beginning Balances for Compensated Absences have been restated for a prior period adjustment

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS

Texas Municipal Retirement System

1. Plan Description

The City participates as one of over 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan 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 Service Code. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at www.tmr.com.

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

2. 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 payment 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 City of Kirby has a 7% employee deposit rate and a 2 to 1 matching ratio. Military service credit effective date was March 1999. They have no buy back election. The City of Kirby plan provisions have a 5 year vesting period. An employee is eligible to retire after 5 year of service at the age of 60 or after 20 years of service at any age. The statutory maximum percentage is 13.5%.

At the December 31, valuations and measurement dates, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	44	44
Inactive employees entitled to but not yet receiving benefits	134	129
Active employees	54	41
	232	214

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

3. 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.

For the year ending September 30, 2025, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.6% and 14.35% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$398,903, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) or Asset 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.

5. Actuarial Assumptions

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

Inflation	2.50% per year
Salary Increases	2.75%, including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

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 table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

5. Actuarial Assumptions (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. In determining their best estimated of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
	<u>100.00%</u>	

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

6. 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.

7. Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 11,877,924	\$ 10,837,357	\$ 1,040,567
Changes for the year:			
Service Cost	455,603	-	455,603
Interest	797,964	-	797,964
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(6,811)	-	(6,811)
Changes of Assumptions	-	-	-
Contributions - Employer	-	408,906	(408,906)
Contributions - Employee	-	182,647	(182,647)
Net Investment Income	-	1,121,411	(1,121,411)
Benefit Payments, Including Refunds of Employee Contributions	(568,064)	(568,064)	-
Administrative Expense	-	(7,222)	7,222
Other Changes	-	(170)	170
Net Changes	678,692	1,137,508	(458,816)
Balance at December 31, 2024	\$ 12,556,616	\$ 11,974,865	\$ 581,751

8. Discount Rate Sensitivity Analysis

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 2,377,862	\$ 581,751	\$ (874,381)

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

9. 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 at www.tmr.com.

10. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$169,246. Also, as of 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	\$ -	\$ 16,038
Changes in Actuarial Assumptions	-	3,480
Differences Between Projected and Actual Investment Earnings	-	115,080
Contributions Subsequent to the Measurement Date	290,741	-
	\$ 290,741	\$ 134,598

Deferred outflows of resources in the amount of \$290,741 is related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,	
2025	\$ (11,628)
2026	126,773
2027	(171,765)
2028	(77,978)
	\$ (134,598)

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE J -- OTHER POST EMPLOYMENT BENEFIT

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s annual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Membership in the plan at December 31, the valuations and measurement dates, consisted of:

	2024	2023
Inactive Employees or Beneficiaries Currently Receiving Benefits	25	25
Inactive Employees Entitled to but Not Yet Receiving Benefits	11	11
Active Employees	54	41
Total	90	77

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2025	0.26%	0.15%
2024	0.28%	0.12%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2017 to December 31, 2021. They were adopted in 2022 and first used in the December 31, 2022 actuarial valuation. For calculating the OPEB liability and OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. These assumptions are summarized below:

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- OTHER POST EMPLOYMENT BENEFIT (Continued)

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disables for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Other Information:	No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.
Note:	The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2024, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 133,185
Changes for the year:	
Service Cost	5,590
Interest on Total OPEB Liability	5,069
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(1,487)
Changes of Assumptions or Other Inputs	(7,458)
Benefit Payments	(3,049)
Net Changes	(1,335)
Balance at December 31, 2024	\$ 131,850

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- OTHER POST EMPLOYMENT BENEFIT (Continued)

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

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability	\$ 158,190	\$ 131,850	\$ 111,440

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,097 and 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	\$ -	\$ 5,845
Changes in Assumptions and Other Inputs	-	18,437
Contributions Subsequent to the Measurement Date	3,039	-
	\$ 3,039	\$ 24,282

Deferred outflows of resources in the amount of \$3,039 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year ended December 31,	
2025	\$ (7,181)
2026	(12,507)
2027	(3,455)
2028	(1,139)
2029	-
Thereafter	-
	\$ (24,282)

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE K -- TRANSFERS

Transfers during the year ended September 30, 2025, were as follows:

	Transfers	Purpose
Primary Government:		
General Fund/Water Sewer Fund	\$ 600,000	Transfer in Lieu of Taxes
Capital Project Fund/General Fund	47,903	Supplement Capital Projects
Capital Project Fund/Water Sewer Fund	73,163	Supplement Capital Projects
	\$ 721,066	

NOTE L -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Grants

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

NOTE M -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts.

CITY OF KIRBY, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE N -- CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT

As of October 1, 2024, the City implemented GASB Statement 101 related to compensated absences. Previously, only accumulated leave that was paid out on termination was included in the liability for compensated absences. Now, all leave that accumulates and is more likely than not to be taken as time off or paid out is included in the liability. This primarily added a portion of accumulated sick leave. The change required a prior period adjustment in the governmental activities and business-type activities as follows:

	Governmental Activities
Beginning Net Position, as Previously Reported	\$ 15,235,571
Change in Accounting Principle	
Increase in Accrued Compensated Absences	(231,561)
Beginning Net Position, Restated	\$ 15,004,010

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Post Employment Benefit Liability and Related Ratios

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget Amounts		2025	Variance	2024
	Original	Final	Actual	Favorable	Actual
			Amounts	(Unfavorable)	Amounts
REVENUES					
Taxes	\$ 3,634,751	\$ 3,634,751	\$ 3,477,992	\$ (156,759)	\$ 3,403,646
Franchise Fees	388,500	388,500	375,828	(12,672)	377,446
Licenses and Fees	245,550	245,550	212,676	(32,874)	123,468
Intergovernmental Revenues	11,000	11,000	10,818	(182)	10,065
Charges for Services	350,800	350,800	304,638	(46,162)	285,174
Grants and Donations	560,500	560,500	1,072,905	512,405	59,110
Fines and Penalties	148,050	148,050	185,083	37,033	152,019
Miscellaneous	85,150	85,150	129,337	44,187	143,822
TOTAL REVENUES	5,424,301	5,424,301	5,769,277	344,976	4,554,750
EXPENDITURES:					
<i>City Council:</i>					
Salaries/Expenses	16,500	16,500	11,391	5,109	9,282
Supplies	7,100	7,100	2,218	4,882	6,919
Meeting and Travel	17,000	17,000	15,220	1,780	2,360
<i>Total City Council</i>	40,600	40,600	28,829	11,771	18,561
<i>City Administration:</i>					
Salaries & Benefits	493,612	493,612	439,851	53,761	375,095
Maintenance	15,000	15,000	17,133	(2,133)	13,922
Contract Services	21,500	21,500	13,830	7,670	17,292
Miscellaneous	13,000	13,000	11,502	1,498	5,691
<i>Total City Administration</i>	543,112	543,112	482,316	60,796	412,000
<i>Police Protection:</i>					
Salaries & Benefits	1,619,664	1,609,664	1,492,659	117,005	1,348,603
Supplies	73,500	73,500	81,812	(8,312)	61,956
Maintenance	105,351	105,351	149,227	(43,876)	145,717
Contract Services	9,000	9,000	2,142	6,858	6,599
Miscellaneous	13,000	13,000	15,987	(2,987)	8,795
<i>Total Police Protection</i>	\$ 1,820,515	\$ 1,810,515	\$ 1,741,827	\$ 68,688	\$ 1,571,670

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget Amounts		2025	Variance	2024
	Original	Final	Actual Amounts	Favorable (Unfavorable)	Actual Amounts
EXPENDITURES (CONTINUED)					
<i>Municipal Court:</i>					
Salaries & Benefits	\$ 59,165	\$ 79,165	\$ 76,338	\$ 2,827	\$ 43,497
Supplies	1,000	1,000	2,113	(1,113)	452
Maintenance	13,000	13,000	12,863	137	12,864
Contract Services	31,000	31,000	34,974	(3,974)	33,196
<i>Total Municipal Court</i>	<u>104,165</u>	<u>124,165</u>	<u>126,288</u>	<u>(2,123)</u>	<u>90,009</u>
<i>Fire/EMS Protection:</i>					
Salaries & Benefits	1,234,389	1,224,389	1,140,686	83,703	1,196,101
Supplies	107,000	107,000	103,394	3,606	99,623
Maintenance	93,000	93,000	93,666	(666)	76,798
Contract Services	161,000	161,000	63,602	97,398	98,610
Miscellaneous	15,275	15,275	14,167	1,108	13,967
<i>Total Fire/EMS Protection</i>	<u>1,610,664</u>	<u>1,600,664</u>	<u>1,415,515</u>	<u>185,149</u>	<u>1,485,099</u>
<i>Animal Services:</i>					
Salaries & Benefits	123,425	123,425	131,186	(7,761)	84,952
Supplies	22,900	22,900	22,530	370	22,437
Maintenance	18,150	18,150	5,796	12,354	12,451
Contract Services	16,500	16,500	8,485	8,015	10,933
Miscellaneous	4,000	4,000	1,634	2,366	1,730
<i>Total Animal Services</i>	<u>184,975</u>	<u>184,975</u>	<u>169,631</u>	<u>15,344</u>	<u>132,503</u>
<i>Parks and Pools:</i>					
Salaries & Benefits	114,380	114,380	115,254	(874)	108,540
Supplies	26,200	26,200	21,753	4,447	24,442
Maintenance	55,500	55,500	72,160	(16,660)	53,672
Contract Services	67,000	67,000	61,696	5,304	53,495
Miscellaneous	1,000	1,000	-	1,000	-
<i>Total Parks and Pools</i>	<u>\$ 264,080</u>	<u>\$ 264,080</u>	<u>\$ 270,863</u>	<u>\$ (6,783)</u>	<u>\$ 240,149</u>

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget Amounts		2025	Variance	2024
	Original	Final	Actual Amounts	Favorable (Unfavorable)	Actual Amounts
EXPENDITURES (CONTINUED)					
<i>Streets and Shop:</i>					
Salaries & Benefits	\$ 184,523	\$ 184,523	\$ 192,676	\$ (8,153)	\$ 163,711
Supplies	57,000	57,000	35,202	21,798	23,706
Maintenance	194,000	194,000	111,585	82,415	67,764
Contract Services	25,000	25,000	65,389	(40,389)	29,641
Miscellaneous	5,000	5,000	83	4,917	-
<i>Total Streets and Shop</i>	<u>465,523</u>	<u>465,523</u>	<u>404,935</u>	<u>60,588</u>	<u>284,822</u>
<i>General City Operations:</i>					
Supplies	62,500	62,500	110,306	(47,806)	62,874
Maintenance	32,000	32,000	23,960	8,040	24,438
Contract Services	634,500	634,500	621,787	12,713	581,569
Miscellaneous	47,222	47,222	57,995	(10,773)	86,717
<i>Total General City Operations</i>	<u>776,222</u>	<u>776,222</u>	<u>814,048</u>	<u>(37,826)</u>	<u>755,598</u>
<i>Capital Outlay</i>	<u>674,000</u>	<u>674,000</u>	<u>1,179,199</u>	<u>(505,199)</u>	<u>221,887</u>
<i>Debt Service:</i>					
Principal	40,936	40,936	40,936	-	93,963
Interest	6,356	6,356	6,354	2	9,983
<i>Total Debt Service</i>	<u>47,292</u>	<u>47,292</u>	<u>47,290</u>	<u>2</u>	<u>103,946</u>
TOTAL EXPENDITURES	<u>6,531,148</u>	<u>6,531,148</u>	<u>6,680,741</u>	<u>(149,593)</u>	<u>5,316,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,106,847)</u>	<u>(1,106,847)</u>	<u>(911,464)</u>	<u>195,383</u>	<u>(761,494)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	700,000	700,000	552,097	(147,903)	600,000
Proceeds from Sale of Assets	-	-	-	-	1,585
TOTAL OTHER FINANCING SOURCES (USES)	<u>700,000</u>	<u>700,000</u>	<u>552,097</u>	<u>(147,903)</u>	<u>601,585</u>
Net Change in Fund Balance	<u>(406,847)</u>	<u>(406,847)</u>	<u>(359,367)</u>	<u>47,480</u>	<u>(159,909)</u>
Fund Balance - Beginning of Year	<u>2,710,696</u>	<u>2,710,696</u>	<u>2,710,696</u>	<u>-</u>	<u>2,870,605</u>
Fund Balance - End of Year	<u>\$ 2,303,849</u>	<u>\$ 2,303,849</u>	<u>\$ 2,351,329</u>	<u>\$ 47,480</u>	<u>\$ 2,710,696</u>

CITY OF KIRBY, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2025

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Debt Service Fund and Crime Control Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. As of September 30, 2025 the City expenditures exceeded appropriations in total in the departments of Municipal Court, Parks and Recreation and Non Departmental. .

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.



CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS

	Total Pension Liability			
	2015	2016	2017	2018
Service Cost	\$ 307,109	\$ 330,096	\$ 350,481	\$ 383,357
Interest (on the Total Pension Liability)	469,554	500,963	537,217	575,534
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	107,091	(47,866)	2,495	(43,290)
Change of Assumptions	41,761	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(231,052)	(215,438)	(297,135)	(380,836)
Net Change in Total Pension Liability	694,463	567,755	593,058	534,765
Total Pension Liability - Beginning	6,669,886	7,364,349	7,932,104	8,525,162
Total Pension Liability - Ending	<u>\$ 7,364,349</u>	<u>\$ 7,932,104</u>	<u>\$ 8,525,162</u>	<u>\$ 9,059,927</u>
	Plan Fiduciary Net Position			
	2015	2016	2017	2018
Contributions - Employer	\$ 245,466	\$ 249,282	\$ 287,066	\$ 310,406
Contributions - Employee	128,421	133,103	140,032	150,589
Net Investment Income	8,470	397,848	893,686	(223,682)
Benefit Payments, Including Refunds of Employee Contributions	(231,052)	(215,438)	(297,135)	(380,836)
Administrative Expense	(5,159)	(4,492)	(4,630)	(4,321)
Other	(255)	(242)	(235)	(226)
Net Change in Plan Fiduciary Net Position	145,891	560,061	1,018,784	(148,070)
Plan Fiduciary Net Position - Beginning	5,739,937	5,885,828	6,445,889	7,464,673
Plan Fiduciary Net Position - Ending	<u>\$ 5,885,828</u>	<u>\$ 6,445,889</u>	<u>\$ 7,464,673</u>	<u>\$ 7,316,603</u>
Net Pension Liability (Asset) - Ending	\$ 1,478,521	\$ 1,486,215	\$ 1,060,489	\$ 1,743,324
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.92%	81.26%	87.56%	80.76%
Covered Employee Payroll	\$ 1,834,580	\$ 1,901,472	\$ 2,000,460	\$ 2,151,275
Net Pension Liability as a Percentage of Covered Employee Payroll	80.59%	78.16%	53.01%	81.04%

Note: Information for this schedule is being accumulated prospectively until a ten-year period is available.

Total Pension Liability					
2019	2020	2021	2022	2023	2024
\$ 450,986	\$ 468,310	\$ 406,703	\$ 380,415	\$ 399,788	\$ 455,603
615,384	662,885	696,147	729,897	777,622	797,964
-	-	-	-	-	-
(43,979)	(132,218)	(64,706)	109,195	(277,467)	(6,811)
44,497	-	-	-	(73,084)	-
<u>(337,240)</u>	<u>(406,409)</u>	<u>(544,410)</u>	<u>(505,597)</u>	<u>(538,722)</u>	<u>(568,064)</u>
729,648	592,568	493,734	713,910	288,137	678,692
9,059,927	9,789,575	10,382,143	10,875,877	11,589,787	11,877,924
<u>\$ 9,789,575</u>	<u>\$ 10,382,143</u>	<u>\$ 10,875,877</u>	<u>\$ 11,589,787</u>	<u>\$ 11,877,924</u>	<u>\$ 12,556,616</u>

Plan Fiduciary Net Position					
2019	2020	2021	2022	2023	2024
\$ 366,423	\$ 382,574	\$ 331,633	\$ 289,064	\$ 315,564	\$ 408,906
175,092	181,315	160,209	145,992	153,934	182,647
1,131,048	656,155	1,232,598	(775,248)	1,129,393	1,121,411
(337,240)	(406,409)	(544,410)	(505,597)	(538,722)	(568,064)
(6,391)	(4,246)	(5,703)	(6,714)	(7,204)	(7,222)
(193)	(166)	40	8,012	(50)	(169)
<u>1,328,739</u>	<u>809,223</u>	<u>1,174,367</u>	<u>(844,491)</u>	<u>1,052,915</u>	<u>1,137,509</u>
<u>7,316,603</u>	<u>8,645,342</u>	<u>9,454,565</u>	<u>10,628,932</u>	<u>9,784,441</u>	<u>10,837,356</u>
<u>\$ 8,645,342</u>	<u>\$ 9,454,565</u>	<u>\$ 10,628,932</u>	<u>\$ 9,784,441</u>	<u>\$ 10,837,356</u>	<u>\$ 11,974,865</u>

\$ 1,144,233	\$ 927,578	\$ 246,945	\$ 1,805,346	\$ 1,040,568	\$ 581,751
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88.31%	91.07%	97.73%	84.42%	91.24%	95.37%
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\$ 2,501,311	\$ 2,590,212	\$ 2,288,706	\$ 2,085,606	\$ 2,199,056	\$ 2,541,010
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45.75%	35.81%	10.79%	86.56%	47.32%	22.89%
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<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 367,832	\$ 346,726	\$ 289,947	\$ 320,864	\$ 346,864	\$ 398,903
<u>367,832</u>	<u>346,726</u>	<u>289,947</u>	<u>320,864</u>	<u>346,864</u>	<u>398,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,495,407	\$ 2,379,120	\$ 2,063,745	\$ 2,257,939	\$ 2,439,445	\$ 2,779,813
14.74%	14.57%	14.05%	14.21%	14.22%	14.35%

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES –TOTAL OTHER POST EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
LAST EIGHT CALENDAR YEARS

	Total OPEB Liability				
	2017	2018	2019	2020	2021
Service Cost	\$ 5,401	\$ 6,669	\$ 7,004	\$ 9,584	\$ 9,841
Interest on Total OPEB Liability	2,983	3,186	3,566	3,698	3,373
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	-	(1,811)	1,693	(3,445)	2,835
Change in Assumptions or Other Inputs	8,622	(7,868)	25,293	25,296	6,726
Benefit Payments	(200)	(430)	(500)	(518)	(1,602)
Net Change in Total OPEB Liability	16,806	(254)	37,056	34,615	21,173
Total OPEB Liability - Beginning	76,320	93,126	92,872	129,928	164,543
Total OPEB Liability - Ending	<u>\$ 93,126</u>	<u>\$ 92,872</u>	<u>\$ 129,928</u>	<u>\$ 164,543</u>	<u>\$ 185,716</u>
Covered Employee Payroll	\$ 2,000,460	\$ 2,151,275	\$ 2,590,212	\$ 2,590,212	\$ 2,288,706
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.66%	4.32%	5.02%	6.35%	8.11%

	Total OPEB Liability		
	2022	2023	2024
Service Cost	\$ 10,011	\$ 5,718	\$ 5,590
Interest on Total OPEB Liability	3,496	4,957	5,069
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(7,633)	(3,111)	(1,487)
Change in Assumptions or Other Inputs	(69,273)	7,403	(7,458)
Benefit Payments	(1,460)	(2,639)	(3,049)
Net Change in Total OPEB Liability	(64,859)	12,328	(1,335)
Total OPEB Liability - Beginning	185,716	120,857	133,185
Total OPEB Liability - Ending	<u>\$ 120,857</u>	<u>\$ 133,185</u>	<u>\$ 131,850</u>
Covered Employee Payroll	\$ 2,085,606	\$ 2,199,056	\$ 2,541,010
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.79%	6.06%	5.19%

Note: Information for this schedule is being accumulated prospectively until a ten-year period is available.

CITY OF KIRBY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES –TOTAL OTHER POST EMPLOYMENT BENEFIT LIABILITY AND
 RELATED RATIOS
 LAST SIX CALENDAR YEARS

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disables for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

Note:

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

August ___, 2026

**CITY OF KIRBY, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
DATED AS OF JULY 15, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF KIRBY, TEXAS (the "**City**") in connection with the issuance of the certificates of obligation described above (the "**Certificates**"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the "**Ordinance**"), (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the ordinance) received by the City from the ownership and operation of the City's Waterworks and Sewer System have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates 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, certain representations, the accuracy of which we have not independently



verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates 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 upon a failure by the City to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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 Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, 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.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates 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 Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. 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. 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and 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 Certificates has been limited as described therein.

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 a 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 Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

Respectfully,