

PRELIMINARY OFFICIAL STATEMENT

Dated June 30, 2026

Ratings:

S&P: "AAA"

See ("OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

THE CITY EXPECTS TO DESIGNATE THE CERTIFICATES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$7,585,000*
CITY OF ALAMO HEIGHTS, TEXAS
(Bexar County)
COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

Dated Date: July 1, 2026
(Interest accrues from Date of Delivery)

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the \$7,585,000* City of Alamo Heights, Texas Combination Tax and Revenue Certificates of Obligation Series 2026 (the "Certificates") will accrue from the date of initial delivery thereof and will be payable on February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts to 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 U.S. Bank National Association, Houston, 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"), particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Alamo Heights, Texas (the "City") on July 13, 2026. The Certificates are direct obligations of 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 (see "THE CERTIFICATES - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used to pay, in whole or in part, contractual obligations incurred to: (i) finance the construction, acquisition, and equipping of improvements to the City's waterworks and sewer system, and (ii) pay legal, fiscal and engineering fees in connection with such projects.

CUSIP PREFIX: 011320
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the "Initial Purchaser" (defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Austin, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on Tuesday, August 11, 2026.

BIDS DUE MONDAY, JULY 13, 2026, AT 11:00 AM, CENTRAL

* Preliminary, subject to change.

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

MATURITY SCHEDULE*

CUSIP Number Prefix: 011320⁽¹⁾

Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Price or Yield	Cusip Number Suffix ⁽¹⁾	Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Price or Yield	Cusip Number Suffix ⁽¹⁾
\$ 80,000	2027				\$ 385,000	2037			
245,000	2028				405,000	2038			
260,000	2029				425,000	2039			
275,000	2030				445,000	2040			
285,000	2031				465,000	2041			
300,000	2032				490,000	2042			
315,000	2033				510,000	2043			
330,000	2034				530,000	2044			
350,000	2035				550,000	2045			
365,000	2036				575,000	2046			

(Interest accrues from Date of Delivery)

(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.

REDEMPTION PROVISIONS. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). The Certificates may also be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more of the consecutive maturities as one or more term certificates. Any such term certificates will be described in the final Official Statement (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

* Preliminary, subject to change.

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USE OF INFORMATION

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "Rule"), this document constitutes an official statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

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.

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

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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 STATEMENT.

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

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 Alamo Heights, Texas (the “City”) is a political subdivision and home-rule municipal corporation of the State, located in Bexar County, Texas. The City covers approximately 2.10 square miles and has an established population of 7,601 for 2026 (see "INTRODUCTION - Description of City").
- THE CERTIFICATES** The Certificates are issued as \$7,585,000* Combination Tax and Revenue Certificates of Obligation, Series 2026. The Certificates are issued as serial certificates maturing on August 15 in the years 2027 through 2046, unless the Initial Purchaser of the Certificates (the "Initial Purchaser") designate one or more consecutive maturities as a term certificates (see "THE CERTIFICATES - Description of the Certificates ").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the date of initial delivery and is payable on February 15, 2027, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates " and "The Certificates - Optional Redemption").
- 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 (the Certificate of Obligation Act of 1971), as amended, and an ordinance to be adopted by the City Council of the City on July 13, 2026 (the “Ordinance”) (see "THE CERTIFICATES - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City and a pledge of the surplus revenues of the City's waterworks and sewer system, all as provided in the ordinance (see "THE CERTIFICATES - Security and Source of Payment" and "Tax Rate Limitation").
- REDEMPTION** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). Additionally, any Term Certificates would be subject to mandatory sinking fund redemption prior to stated maturity (see "THE CERTIFICATES - Mandatory Sinking Fund Redemption").
- TAX MATTERS** In the opinion of Bond Counsel, the 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 "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used to pay, in whole or in part, contractual obligations incurred to: (i) finance the construction, acquisition, and equipping of improvements to the City's waterworks and sewer system, and (ii) pay legal, fiscal and engineering fees in connection with such projects.
- RATINGS** The Certificates are rated "AAA" by S&P Global Ratings (“S&P”) (see “OTHER INFORMATION – Ratings” herein).
- 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, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").
- PAYMENT RECORD** The City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Net Tax Debt ⁽³⁾	Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	8,668	\$ 1,988,968,069	\$229,461	\$ 17,247,390	\$ 1,990	0.87%	99.74%
2023	8,668	2,277,685,214	262,769	16,192,414	1,868	0.71%	99.73%
2024	7,557	2,439,799,549	322,853	15,063,676	1,993	0.62%	99.67%
2025	7,601	1,872,074,108	246,293	13,883,716	1,827	0.74%	99.38%
2026	7,692	2,526,402,014	328,445	21,310,000	2,770	0.84%	91.93% ⁽⁴⁾

- (1) Source: City of Alamo Heights, Texas.
- (2) As reported by the Bexar County Appraisal District on the City’s annual State Property Tax Board Reports, subject to change during the ensuing year.
- (3) Includes the Certificates but does not include self-supporting debt.
- (4) Collection as of May 31, 2026.

CHANGE IN NET ASSETS

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Net Assets	\$ 20,506,903	\$ 17,383,740	\$ 15,079,094	\$ 12,433,636	\$ 10,689,331
Total Revenue	19,480,318	16,863,381	15,821,772	14,676,236	12,551,970
Total Expenditures	15,371,159	13,832,966	13,609,874	12,101,579	10,878,466
Transfers	(199,185)	92,748	92,748	70,801	70,801
Prior Period Adjustment	-	-	-	-	-
Ending Net Assets	\$ 24,416,877 ⁽¹⁾	\$ 20,506,903	\$ 17,383,740	\$ 15,079,094	\$ 12,433,636

- (1) The revenue increase is due to recognizing \$1.5 mil of the ARPA funds as revenue and the charges of services increasing by \$790k with the majority coming from Solid Waste Revenues.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Beginning Balance	\$ 6,703,491	\$ 6,337,843	\$ 6,318,062	\$ 5,852,577	\$ 5,735,656
Total Revenue	14,673,183	13,781,541	12,635,394	11,819,788	10,976,176
Total Expenditures	12,450,834	11,885,495	10,970,023	10,214,728	9,644,225
Other Sources	(242,910)	(1,530,398)	(1,645,590)	(1,139,575)	(1,215,030)
Net Funds Available	1,979,439	365,648	19,781	465,485	116,921
Prior Period Adjustment	-	-	-	-	-
Ending Balance	\$ 8,682,930 ⁽¹⁾	\$ 6,703,491	\$ 6,337,843	\$ 6,318,062	\$ 5,852,577

- (1) Revenues exceeded expenditures mainly due to Solid Waste Charges going from \$361k to \$708k along with the increase of Property and Sales tax collections.

For additional information regarding the City, please contact:

Mr. Buddy Kuhn
City Manager
City of Alamo Heights
6116 Broadway
San Antonio, Texas 78209
210-882-1500 - Telephone
bkuhn@alamoheightstx.gov

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Hilltop Securities Inc.
70 Northeast Loop 410
Suite 750
San Antonio, Texas 78216
210-308-2200 - Telephone
anne.burgerentrekin@hilltopsecurities.com

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Al Honigblum Mayor	1 Year	May 2027	Real Estate Developer
Lawson Jessee Councilmember	11 Years	May 2027	Project Manager
Karl P. Baker Councilmember	3 years	May 2027	Attorney
Blake M. Bonner Councilmember	6 Years	May 2028	Commercial Real Estate Broker
Lynda Billa Burke Councilmember	12 Years	May 2028	Marketing
Trey Jacobson Councilmember	1.5 Years	May 2028	Consultant

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>	<u>Total Government Service</u>
Buddy Kuhn	City Manager	18 Years	34 Years
Phil Laney	Assistant City Manager	5 Years	18 Years
Jennifer Reyna	Assistant to City Manager	18 Years	20 Years
Kristine Horton	Finance Director	.5 Years	13.5 Years
Elsa T. Robles, TRMC	City Secretary	5 Years	13 Years
Frank Garza	City Attorney	7 Years	39 Years

CONSULTANTS AND ADVISORS

AuditorsABIP CPA
San Antonio, Texas

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

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$7,585,000*

CITY OF ALAMO HEIGHTS, TEXAS

(Bexar County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$7,585,000* City of Alamo Heights, 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 (defined below) to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Alamo Heights, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas and San Antonio, Texas, upon request by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1922, and first adopted its Home Rule Charter in 1954. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the three remaining 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), 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 7,357, while the estimated 2026 population is 7,692. The City covers approximately 2.10 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated July 1, 2026, and mature on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of delivery thereof to the Initial Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each February 15 and August 15, commencing February 15, 2027, until maturity or prior 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 owners thereof.** Principal of, premium, if any, 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 (the "Certificate of Obligation Act of 1971") and an ordinance to be approved on July 13, 2026 by the City Council, authorizing the Certificates or the "Ordinance".

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES. . . In the Ordinance, the City covenants that it will levy and collect an annual ad valorem tax, within the limitations prescribed by law, against all taxable property located within the City sufficient to meet the debt service requirements on the Certificates. Additionally, the Certificates are payable from and secured by a subordinate lien on and pledge of surplus revenues of the City's Waterworks and Sewer System, if any, as provided in the Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes.

* Preliminary, subject to change.

The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City will 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) shall 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) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event the Initial Purchaser designates one or more consecutive principal maturities of the Certificates to be combined into one or more term Certificates (the "Term Certificates"), each such Term Certificate will be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Certificate and continuing on August 15 in each year thereafter until the stated maturity date of that Term Certificate.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATES OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATES OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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 may restrict the scope of 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 of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Initial Purchaser 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). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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 Certificates ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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 Initial Purchaser.

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the 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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Houston, 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 shall 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 affected Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the book-entry-only system should be discontinued, 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 shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated 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 shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount and series as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall 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, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a 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 the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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

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.

CERTIFICATE HOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 30 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the 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 registered owners of the Certificates (the "Certificate holder(s)") 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) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, 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.

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).

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”), and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. 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 authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 of Certificates	\$ -
Reoffering Premium	-
Total Sources of Funds	<u><u>\$ -</u></u>

Uses of Funds:

Deposit to Construction Fund	\$ -
Costs of Issuance	-
Initial Purchasers' Discount	-
Total Uses of Funds	<u><u>\$ -</u></u>

AD VALOREM PROPERTY TAXATION

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

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

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

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

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 PROPERTY TAXATION – Issuer 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.

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

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

PERSONAL PROPERTY. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. 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.

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

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

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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.

For a discussion of how the various exemptions described above are applied by the City, see “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” herein. For the reduction in taxable value, if any, attributable to any of the above, see “Table 1-Valuation, Exemptions, and General Obligation Debt.”

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

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 \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “AD VALOREM PROPERTY TAXATION – 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 may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY APPLICATION OF TAX CODE . . . The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

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.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

The City does permit quarterly payments to residence homesteads, if before January 1 of the current tax year, the resident is over 65 or disabled.

The City does grant exemptions to Disabled American Veterans.

Ad valorem taxes are 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 Tax Assessor collects City taxes.

The City permits split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does 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 created a tax increment financing zone.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/2026 Market Valuation Established by Bexar County Appraisal District (excluding totally exempt property)		\$ 2,624,724,443
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap Adjustment	\$ 12,042,298	
23.231 Cap	6,413,158	
Disabled Veterans	69,171,230	
Leased Vehicle Exemption	<u>10,695,743</u>	<u>98,322,429</u>
2025/2026 Net Taxable Assessed Valuation		<u><u>\$ 2,526,402,014</u></u>
General Obligation Debt Payable from Ad Valorem Taxes as of March 31, 2026		
General Obligation Bonds	\$ 13,725,000	
The Certificates	<u>7,585,000</u> ⁽¹⁾	
General Obligation Debt Payable from Ad Valorem Taxes		\$ 21,310,000 ⁽¹⁾
Less: Self-Supporting General Obligation Debt		
Waterworks and Sewer System Supported Certificates of Obligation Debt	<u>\$ 7,890,000</u> ⁽¹⁾	<u>\$ 7,890,000</u> ⁽¹⁾
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 13,420,000 ⁽¹⁾
General Obligation Interest and Sinking Fund Balance as of June 30, 2026		\$ 783,274
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		0.53%

2026 Estimated Population - 7,692
Per Capita 2025/2026 Net Taxable Assessed Valuation - \$328,445
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$2,770
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,745

(1) Preliminary, subject to change.

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	\$ 2,255,746,233	87.00%	\$ 2,188,027,268	86.36%	\$ 2,117,517,715	85.91%
Real, Residential, Multi-Family	108,524,944	4.19%	119,758,355	4.73%	124,933,192	5.07%
Real, Vacant Lots/Tracts	37,356,780	1.44%	19,220,500	0.76%	17,554,430	0.71%
Real, Commercial and Industrial	155,113,756	5.98%	175,822,239	6.94%	173,471,649	7.04%
Real and Tangible Personal, Utilities	7,129,948	0.27%	6,906,424	0.27%	6,614,118	0.27%
Tangible Personal, Business	26,466,997	1.02%	23,698,257	0.94%	24,563,681	1.00%
Real Property, Inventory	2,452,000	0.09%	-	0.00%	-	0.00%
Special Inventory	90,850	0.00%	91,800	0.00%	96,240	0.00%
Total Appraised Value Before Exemptions	<u>\$ 2,592,881,508</u>	<u>100.00%</u>	<u>\$ 2,533,524,843</u>	<u>100.00%</u>	<u>\$ 2,464,751,025</u>	<u>100.00%</u>
Less: Total Exemptions/Reductions	66,479,494		17,147,199		24,951,476	
	<u>\$ 2,526,402,014</u>		<u>\$ 1,872,074,108</u>		<u>\$ 2,439,799,549</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,985,989,626	86.41%	\$ 1,729,098,976	86.24%
Real, Residential, Multi-Family	118,111,750	5.14%	96,110,330	4.79%
Real, Vacant Lots/Tracts	14,096,320	0.61%	10,517,390	0.52%
Real, Commercial & Industrial	149,538,820	6.51%	138,752,715	6.92%
Real and Tangible Personal, Utilities	6,141,472	0.27%	6,689,767	0.33%
Tangible Personal, Business	24,262,091	1.06%	23,644,905	1.18%
Real Property, Inventory	-	0.00%	-	0.00%
Special Inventory	90,440	0.00%	56,790	0.00%
Total Appraised Value Before Exemptions	<u>\$ 2,298,230,519</u>	<u>100.00%</u>	<u>\$ 2,004,870,873</u>	<u>100.00%</u>
Less: Total Exemptions/Reductions	20,545,305		15,902,804	
Taxable Assessed Value	<u>\$ 2,277,685,214</u>		<u>\$ 1,988,968,069</u>	

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.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2022	8,668	\$ 1,988,968,069	\$229,461	\$ 17,247,390	0.87%	\$ 1,990
2023	8,668	2,277,685,214	262,769	16,192,414	0.71%	1,868
2024	7,557	2,439,799,549	322,853	15,063,676	0.62%	1,993
2025	7,601	1,872,074,108	246,293	13,883,716	0.74%	1,827
2026	7,692	2,526,402,014	328,445	21,310,000	0.84%	2,770

(1) Source: City of Alamo Heights, Texas.

(2) As reported by the Bexar County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes the Certificates but does not include self-supporting debt. Preliminary, subject to change.

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	\$ 0.4044	\$ 0.3364	\$ 0.0680	\$ 7,365,000	99.23%	99.74%
2023	0.3881	0.3261	0.0620	7,748,000	99.19%	99.73%
2024	0.3710	0.3117	0.0592	8,008,000	99.14%	99.67%
2025	0.3701	0.3113	0.0588	8,196,000	99.38%	99.38%
2026	0.3701	0.3076	0.0626	9,351,401	91.93%	91.93%

(1) Collections as of May 31, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
REIF III-5500 Broadway LLC	Real Estate	\$ 43,250,000	1.71%
HEB Grocery Company	Grocery Store	18,251,190	0.72%
Alamo Heights Treehouse LTD	Apartments	14,469,750	0.57%
200 Austin HWY LTD	Business Offices	8,240,000	0.33%
Huddleston, H. Glenn	Individual	8,224,400	0.33%
Exchange 09 LLC	Real Estate	7,760,630	0.31%
Goldsbury, Christopher Jr.	Individual	7,021,400	0.28%
Stewart Center Inc.,	Retail Center	6,930,940	0.27%
Atwell Properties LTD	Real Estate/Land Development	6,815,180	0.27%
5307 Broadway LLC	Retail Center	6,000,000	0.24%
		<u>\$ 126,963,490</u>	<u>5.03%</u>

TABLE 6 - TAX ADEQUACY

2026 Principal and Interest Requirements.....	\$ 1,328,063
\$0.0537 Tax Rate at 98% Collection Produces	\$ 1,329,544
Average Annual Principal and Interest Requirements, 2021-2046 ⁽¹⁾	\$ 762,698
\$0.0309 Tax Rate at 98% Collection Produces	\$ 765,045
Maximum Annual Principal and Interest Requirements, 2032 ⁽¹⁾	\$ 1,399,142
\$0.0566 Tax Rate at 98% Collection Produces	\$ 1,401,345

(1) Includes the Certificates but does not include self-supporting debt. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("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. Further-more, 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	2025/26	Net	Estimated	City's	Authorized
	Taxable		G.O. Tax		Overlapping	
	Assessed	Tax	Debt As of	%	G.O. Tax	But Unissued
	Value	Rate	3/31/2026	Applicable	Debt As of	Debt As Of
					3/31/2026	3/31/2026
City of Alamo Heights	\$ 2,526,402,014	\$ 0.3701	\$ 13,420,000 ⁽¹⁾	100.00%	\$ 13,420,000 ⁽¹⁾	\$ - ⁽¹⁾
Alamo Community College District	269,847,098,917	0.1490	811,895,000	0.97%	7,875,382	764,000,000
Alamo Heights Independent School District	8,171,187,667	0.9570	322,225,000	23.76%	76,560,660	175,810,000
Bexar County	243,661,069,450	0.2790	2,152,210,000	0.97%	20,876,437	-
Bexar County Hospital District	249,217,605,896	0.2760	1,194,725,000	0.97%	11,588,833	-
Total Direct and Overlapping G. O. Tax Debt					\$ 130,321,311	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					5.16%	
Per Capita Overlapping G. O. Tax Debt					\$ 18,535	

(1) Includes the Certificates. Preliminary, subject to change.

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service ⁽¹⁾			The Certificates ⁽²⁾			Total Debt Service	Self-Supporting Debt Service	Total Net Tax-Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2026	\$ 1,175,000	\$ 315,263	\$ 1,490,263				\$ 1,490,263	\$ 162,200	\$ 1,328,063	
2027	1,215,000	285,063	1,500,063	\$ 80,000	\$ 356,619	\$ 436,619	1,936,682	597,819	1,338,863	
2028	1,095,000	253,863	1,348,863	245,000	348,700	593,700	1,942,563	593,700	1,348,863	
2029	1,135,000	228,063	1,363,063	260,000	336,450	596,450	1,959,513	596,450	1,363,063	
2030	1,170,000	201,313	1,371,313	275,000	323,450	598,450	1,969,763	598,450	1,371,313	31.21%
2031	1,210,000	175,131	1,385,131	285,000	309,700	594,700	1,979,831	594,700	1,385,131	
2032	1,250,000	149,142	1,399,142	300,000	295,450	595,450	1,994,592	595,450	1,399,142	
2033	340,000	126,241	466,241	315,000	280,450	595,450	1,061,691	595,450	466,241	
2034	345,000	119,732	464,732	330,000	264,700	594,700	1,059,432	594,700	464,732	
2035	355,000	112,765	467,765	350,000	248,200	598,200	1,065,965	598,200	467,765	55.04%
2036	360,000	105,328	465,328	365,000	230,700	595,700	1,061,028	595,700	465,328	
2037	370,000	97,331	467,331	385,000	212,450	597,450	1,064,781	597,450	467,331	
2038	375,000	88,819	463,819	405,000	193,200	598,200	1,062,019	598,200	463,819	
2039	380,000	79,966	459,966	425,000	172,950	597,950	1,057,916	597,950	459,966	
2040	390,000	70,831	460,831	445,000	151,700	596,700	1,057,531	596,700	460,831	73.35%
2041	400,000	61,450	461,450	465,000	129,450	594,450	1,055,900	594,450	461,450	
2042	410,000	51,319	461,319	490,000	106,200	596,200	1,057,519	596,200	461,319	
2043	420,000	40,425	460,425	510,000	86,600	596,600	1,057,025	596,600	460,425	
2044	430,000	29,269	459,269	530,000	66,200	596,200	1,055,469	596,200	459,269	
2045	445,000	17,784	462,784	550,000	45,000	595,000	1,057,784	595,000	462,784	95.17%
2046	455,000	5,972	460,972	575,000	23,000	598,000	1,058,972	598,000	460,972	100.00%
	<u>\$ 13,725,000</u>	<u>\$ 2,615,067</u>	<u>\$ 16,340,067</u>	<u>\$ 7,585,000</u>	<u>\$ 4,181,169</u>	<u>\$ 11,766,169</u>	<u>\$ 28,106,236</u>	<u>\$ 12,089,569</u>	<u>\$ 16,016,667</u>	

(1) Includes self-supporting debt.

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

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2026		\$ 1,328,063
Interest and Sinking Fund, 9/30/2025	\$ 276,610	
Interest and Sinking Fund Tax Levy @ 98% Collection	1,549,179	
Delinquent Taxes	<u>-</u>	<u>1,825,789</u>
Estimated Balance, 9/30/2026		<u>\$ 497,726</u>

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Waterworks and Sewer System Revenue Available as of 9/30/2025	\$ 1,519,525
Less: Requirements for Waterworks and Sewer System Revenue Bonds	<u>-</u>
Balance Available for Other Purposes	<u>\$ 1,519,525</u>
Requirements for Waterworks and Sewer System Supported General Obligation Debt	\$ 162,200
Percentage of Waterworks and Sewer System Supported General Obligation Debt Self-Supporting	100%

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds.

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

TABLE 12 – OTHER OBLIGATIONS

As of April 30, 2026 the City has the following requirements for capital leases.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 17,015	\$ 491	\$ 17,506
2027	236	15	251
2028	<u>240</u>	<u>8</u>	<u>248</u>
Total	<u>\$ 17,491</u>	<u>\$ 514</u>	<u>\$ 18,005</u>

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 #5.)

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 actual 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.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
REVENUES					
Taxes	\$ 9,532,860	\$ 9,216,697	\$ 9,032,367	\$ 8,717,621	\$ 8,213,982
Licenses and Permits	1,260,279	1,312,811	696,944	750,441	854,101
Intergovernmental	997,597	747,505	676,725	612,323	477,826
Charges for Services	1,738,415	1,355,458	1,313,828	1,254,195	1,118,478
Fines	277,793	242,114	211,272	206,225	224,972
Investment Earnings	755,882	808,122	580,671	192,882	12,881
Miscellaneous	110,357	98,834	123,587	86,101	73,936
Total Revenues	\$ 14,673,183	\$ 13,781,541	\$ 12,635,394	\$ 11,819,788	\$ 10,976,176
EXPENDITURES					
Current Expenditures:					
General Government	\$ 2,352,089	\$ 2,153,345	\$ 2,047,963	\$ 2,018,513	\$ 1,710,012
Public Safety	7,454,875	6,944,990	6,315,205	5,949,840	5,705,592
Streets	660,877	713,989	700,864	680,670	586,322
Sanitation	947,081	954,605	906,819	795,764	767,307
Planning and Development	610,266	650,048	444,171	445,629	575,320
Parks and Recreation	391,970	340,848	332,197	319,112	299,672
Capital Outlay	11,184	90,000	222,804	5,200	-
Debt Service	22,492	37,670	-	-	-
Total Expenditures	\$ 12,450,834	\$ 11,885,495	\$ 10,970,023	\$ 10,214,728	\$ 9,644,225
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 2,222,349	\$ 1,896,046	\$ 1,665,371	\$ 1,605,060	\$ 1,331,951
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 92,748	\$ 92,748	\$ 92,748	\$ 70,801	\$ 70,801
Operating Transfers Out	(345,607)	(1,660,816)	(1,738,338)	(1,210,376)	(1,285,831)
Other Financing Sources (Uses)	9,949	37,670	-	-	-
Total Other Financing Sources (Uses)	\$ (242,910)	\$ (1,530,398)	\$ (1,645,590)	\$ (1,139,575)	\$ (1,215,030)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 1,979,439	\$ 365,648	\$ 19,781	\$ 465,485	\$ 116,921
FUND BALANCES AT BEGINNING OF YEAR	\$ 6,703,491	\$ 6,337,843	\$ 6,318,062	\$ 5,852,577	\$ 5,735,656
PRIOR PERIOD ADJUSTMENT	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES AT END OF YEAR	\$ 8,682,930 ⁽¹⁾	\$ 6,703,491	\$ 6,337,843	\$ 6,318,062	\$ 5,852,577

(1) The increase from 2024 to 2025 is mainly due to revenue collections regarding Solid Waste Charges, and increased collection of Property and Sales tax.

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TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
REVENUES:					
Program Revenues:					
Charges for Services	\$ 4,406,118	\$ 3,615,951	\$ 3,051,674	\$ 2,873,120	\$ 2,564,120
Operating Grants and Contributions	1,691,713	62,046	236,543	581,177	64,251
Capital Grants and Contributions	-	-	-	-	-
General Revenues:					
Property Taxes	8,159,317	8,062,792	7,739,651	7,367,499	6,892,837
Sales Taxes	2,735,697	2,516,730	2,553,433	2,599,290	2,194,576
Franchise Taxes	667,092	685,901	732,204	738,938	623,915
Alcoholic Beverage Taxes	111,813	115,044	117,390	125,287	99,634
Unrestricted Investment Earnings	1,486,394	1,686,014	1,315,112	199,155	12,881
Gain (loss) on sale of assets	99,807	1,565	800	70,952	-
Miscellaneous	122,367	117,338	74,965	120,818	99,756
Total Revenues	\$ 19,480,318	\$ 16,863,381	\$ 15,821,772	\$ 14,676,236	\$ 12,551,970
EXPENSES:					
General Government	\$ 2,655,321	\$ 2,621,414	\$ 2,591,843	\$ 2,560,477	\$ 2,031,697
Public Safety	7,964,566	7,207,302	6,760,485	5,823,134	5,529,038
Streets	1,920,896	1,527,747	1,889,131	1,631,039	1,264,934
Sanitation	1,016,249	1,019,313	978,585	792,239	742,085
Community Development	922,374	673,396	570,887	541,601	555,975
Parks and Recreation	629,898	544,630	558,175	477,851	477,915
Interest and Other Fees	261,855	239,164	260,768	275,238	276,822
Total Expenditures	\$ 15,371,159	\$ 13,832,966	\$ 13,609,874	\$ 12,101,579	\$ 10,878,466
Increase in Net Assets Before Transfers	\$ 4,109,159	\$ 3,030,415	\$ 2,211,898	\$ 2,574,657	\$ 1,673,504
Transfers	(199,185)	92,748	92,748	70,801	70,801
Increase in Net Assets	\$ 3,909,974	\$ 3,123,163	\$ 2,304,646	\$ 2,645,458	\$ 1,744,305
Beginning Net Assets	20,506,903	17,383,740	15,079,094	12,433,636	10,689,331
Prior Period Entries	-	-	-	-	-
Ending Net Assets⁽¹⁾	\$ 24,416,877	\$ 20,506,903	\$ 17,383,740	\$ 15,079,094	\$ 12,433,636

(1) The increase from 2024 to 2025 is mainly due to recognizing \$1.5 mil of the ARPA funds as revenue and the charges of services increasing by \$790k with the majority coming from Solid Waste Revenues.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, 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 are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On November 4, 2008, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for street maintenance and repair. Collection for the additional tax went into effect on April 1, 2009. The voters reauthorized this ¼ cent sales and use tax in November 2012, 2016 and 2020. Voters also approved an additional ¼ cent sales and use tax in May 2017, for a current total of a ½ cent sales and use tax dedicated for street maintenance. In May 2021, the Alamo Heights voters approved the ½ cent dedicated street maintenance sales tax for an additional 4 years.

Fiscal Year Ended	Total	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽¹⁾
9/30	Collected	Tax Levy	Tax Rate	Capita ⁽¹⁾
2022	\$ 2,599,290	35.29%	\$ 0.1307	\$ 299.87
2023	2,553,433	32.96%	0.1121	294.58
2024	2,516,730	31.43%	0.1032	333.03
2025	2,735,697	33.38%	0.1461	359.91
2026	1,417,673 ⁽²⁾	15.16%	0.0561	186.51

(1) Based on population estimates provided by City officials.

(2) Collections through March 31, 2026.

The sales tax breakdown for the City is as follows:

City Sales & Use Tax	1.00¢
Street maintenance/repair	0.50¢
San Antonio MTA	0.50¢
State Sales & Use Tax	6.25¢
Total	<u>8.25¢</u>

FINANCIAL POLICIES

Basis of Accounting . . . Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property and sales taxes, utility franchises, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

General Fund Balance . . . In the general fund, the City strives to maintain an unassigned fund balance equal to 25% of expenditures. The City considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

Debt Service Fund Balance . . . A reasonable debt service fund balance is maintained in order to compensate for unforeseen events.

Budgetary Procedures . . . The City adopts a budget for the general fund, debt service fund, capital projects fund, capital replacement fund, street maintenance fund, comprehensive fund and the enterprise fund on an annual basis. Revenues are budgeted by fund, while expenditures are budgeted by department within the fund. The legal level of budgetary control (i.e., the level at which management must seek the approval of City Council before amending the budget) is the citywide level. This means that the City Manager has the authority to move amounts between line items within a department and from one department to another. These transfers cannot have the net effect of increasing total budgeted expenditures. Each department head is responsible for monitoring departmental expenditures on an ongoing basis. Formal reports with budget to actual comparisons are presented to the city council quarterly.

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 15 - CURRENT INVESTMENTS (UNAUDITED)

As of March 21, 2026, the City's investable funds were invested in the following categories:

Description	% of Portfolio	Investment Portfolio March 31, 2026
U.S. Agency Bonds	13.17%	5,000,000
Investment Pools	82.05%	31,142,413
Frost Bank Operating Account	4.78%	1,814,646
	<u>100.00%</u>	<u>\$ 37,957,059</u>

As of such date, 100% of the City's investment portfolio will mature within 18 months. The market value of the investment portfolio was approximately 100% of its purchase price.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a “AAAm” rating from Standard & Poor’s and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. LOGIC currently maintains a “AAAm” rating from Standard & Poor’s and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC. The City also utilizes Lone Star Investment Pool and TexPool.

TAX MATTERS

OPINION

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the 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 City 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 Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City’s federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the 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 facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No

assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the 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] [maturity 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, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 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 Certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

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

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

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 an “obligated person” with respect to the Certificates, within the meaning of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”). 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”).

ANNUAL REPORTS . . . Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the City's fiscal year. The City's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the City's audit reports to any certificateholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6, 8 through 15 and Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2026. The City will provide the updated information to the MSRB.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

NOTICE OF OCCURRENCE OF CERTAIN EVENTS . . . The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or change of name of the trustee, if material; (15) incurrence of a “Financial Obligation” of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves.

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

NOTICE OF FAILURE TO TIMELY FILE . . . The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

AVAILABILITY OF INFORMATION . . . Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of its EMMA system, at www.emma.msrb.org. EMMA is the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of 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 or beneficial owners 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 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the applicable provisions of the Ordinance in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must 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 information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City entered into continuing disclosure undertakings in relation to its General Obligation Refunding Bonds, Series 2016, General Obligation Refunding Bonds, Series 2020, and General Obligation Bonds, Taxable Series 2021 (the "Prior Undertakings"). Pursuant to the Prior Undertakings, the City agreed to update, within six months after the end of each fiscal year, all quantitative financial information and operating data with respect to the City of the general type included in each of the respective official statements under the tables numbered 1 through 6, 8 through 15 therein (the "Annual Operating Data"), and excerpts from the City's annual financial report attached to each respective official statement as Appendix B (the "Excerpts from Annual Financial Reports"). While the City timely filed each of its Excerpts from Annual Financial Reports in compliance with its Prior Undertakings, it did not file the Annual Operating Data. On June 29, 2026, the City filed: (1) a material event notice to disclose its failure to timely file its Annual Operating Data as required by its Prior Undertakings, and (2) the most recently available Annual Operating Data. The City has also engaged Hilltop Securities Inc. to provide services to assist with continuing disclosure requirements.

OTHER INFORMATION

RATINGS

The Certificates are rated "AAA" by S&P Global Ratings without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the 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 that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 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 impact 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 Initial Purchaser 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 Initial Purchaser'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) 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 of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that they 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 at least 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 a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be included in gross income for federal income tax purposes. Though it represents the Initial Purchaser and the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in this Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

The 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 that 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.

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.

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the inside cover page of the Official Statement at a price of par plus a cash premium of \$ _____. The initial reoffering yields shown on the inside cover page were provided to the City by the Initial Purchaser and will produce compensation to the Initial Purchaser of approximately \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the Initial Purchaser will be furnished a certificate, executed by a proper officer of the City acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Certificates, to restrain or enjoin the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates.

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.

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, ordinances and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, ordinances and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

/s/
Mayor
City of Alamo Heights, Texas

ATTEST:

/s/
City Secretary
City of Alamo Heights, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

LOCATION AND POPULATION

The City of Alamo Heights, Texas (the "City") is located in Bexar County, Texas, approximately 4.5 miles north of downtown San Antonio. The City is completely surrounded by the City of San Antonio, the seventh largest city in the United States, and is adjacent to the cities of Terrell Hills and Olmos Park. The City's 2020 census population was 7,357.

ECONOMY

The City's community development is limited to two main thoroughfares, and is based on a combination of specialty retail stores, professional offices, restaurants and banks. The City has no industrial activity.

TRANSPORTATION

The nearest airport facility is the San Antonio International Airport, located approximately four miles north of the City. The City is also included in the VIA Metropolitan Transit service area, a 418-bus fleet serving approximately 1,226.07 square miles in the Greater San Antonio area.

BEXAR COUNTY

Bexar County (the "County") was created in 1836. The County has a diversified economic base which is composed of agribusiness, manufacturing, construction, tourism, medicine and the military. The County's proximity to Mexico provides favorable conditions for international business relations with the country in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Industry ranges from the manufacturing of apparel, food products, aircraft, electronics and pharmaceuticals to iron and steel products and oil well equipment. San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association. Higher education is provided by 11 colleges and universities.

LABOR FORCE STATISTICS FOR BEXAR COUNTY⁽¹⁾

	Annual Averages				
	2026 ⁽³⁾	2025 ⁽²⁾	2024 ⁽²⁾	2023 ⁽²⁾	2022 ⁽²⁾
Civilian Labor Force	1,048,246	1,046,353	1,033,962	1,011,587	985,648
Total Employed	1,004,538	1,004,525	994,101	973,296	948,805
Unemployed	43,708	41,828	39,861	38,291	36,843
% Unemployment	4.2%	4.0%	3.9%	3.8%	3.7%
% Unemployed (Texas)	4.3%	4.2%	4.1%	4.0%	3.9%
% Unemployed (USA)	4.1%	4.3%	4.0%	3.6%	3.6%

(1) Source: Texas Employment Commission.

(2) As of May 2026.

APPENDIX B

EXCERPTS FROM THE
CITY OF ALAMO HEIGHTS, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Alamo Heights, 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.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Alamo Heights, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2025 and the respective changes in financial position and, where applicable, its cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of changes in other postemployment benefits (OPEB) liability and related ratios, and related schedules of contributions for net pension and OPEB liabilities 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor funds schedule of revenue, expenditures, and changes in fund balance-budget and actual, statistical section and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026 on our consideration of the City of Alamo Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

ABIP, PC

San Antonio, Texas
March 23, 2026



CITY OF ALAMO HEIGHTS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2025

As management of the City of Alamo Heights, Texas, (the City), readers are offered the City's financial statements, this narrative overview, and analysis of the City's financial activities for year ending September 30, 2025. The City encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- Property tax revenue was \$8,159,317 and increased by 1.20% from last year. The increase was due to an increase in the appraised property values.
- Investments of the City are governed by the Public Funds Investment Act and are limited to interest-earning bank accounts, mutual funds, obligations of the United States government, statewide investment pools, and certificates of deposit. Investment earnings for the year ended September 30, 2025 was \$1,486,394 as compared to \$1,683,548 for the year ended September 30, 2024.
- The City's change in net position, which includes all activity types, increased this year by \$5,165,139.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The statement of net position presents information on all of the City's assets and liabilities as well as deferred inflows and outflows. Net position is the difference between assets plus deferred outflow of resources and liabilities plus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements should distinguish functions of the City that are principally supported by the City's taxing units and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, sanitation, planning and development and parks and recreation. The business-type activity of the City is comprised of the utility operations. The City is the primary government and has no component units.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. Fund financial statements provide more information about the City's most significant funds – not the City as a whole.

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

Governmental Funds

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

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

The City maintains the following governmental funds: a general fund, American Rescue Plan Act (ARPA) grant fund, eight special revenue funds, a capital projects funds, a capital replacement fund, and a debt service fund. These funds are presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The City adopts an annual budget for the general fund, debt service fund, capital projects fund, street maintenance fund, comprehensive plan fund, and capital replacement fund. Budgetary comparison schedules have been provided as supplemental information to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the City's case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,637,601 at September 30, 2025. Of this amount, \$15,605,798 or approximately 41% represents unrestricted net position available to the City for operations.

The City's capital assets represent investments in land, buildings and improvements, furniture, office equipment, computers, infrastructure and the utility system. Approximately 32% of total assets represent capital assets. The City uses these capital assets to provide services to the taxing units and the citizens and property owners of Alamo Heights; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Further, at year end, the City ended with \$33,865,366, or approximately 49% of total assets, in unrestricted cash and cash equivalents and investments, which represent adequate liquidity compared to total assets of \$69,496,078. Long-term liabilities amounted to \$21,631,050, which represents net pension liability, other postemployment benefits liability, certificates of obligations, general obligations, premiums on bonds, lease, and amounts accrued for compensated absences.

Statement of Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
Assets						
Other assets	\$ 42,812,114	\$ 43,656,514	\$ 4,452,854	\$ 3,599,495	\$ 47,264,968	\$ 47,256,009
Capital assets	<u>12,195,911</u>	<u>10,434,300</u>	<u>10,035,199</u>	<u>9,753,939</u>	<u>22,231,110</u>	<u>20,188,239</u>
Total assets	<u>55,008,025</u>	<u>54,090,814</u>	<u>14,488,053</u>	<u>13,353,434</u>	<u>69,496,078</u>	<u>67,444,248</u>
Deferred outflows of resources	<u>1,200,023</u>	<u>1,766,229</u>	<u>122,300</u>	<u>251,011</u>	<u>1,322,323</u>	<u>2,017,240</u>
Liabilities						
Long-term liabilities						
Due within one year	1,234,316	1,181,979	168,355	160,064	1,402,671	1,342,043
Due in more than one year	18,573,047	20,317,632	927,340	1,165,126	19,500,387	21,482,758
Other liabilities	<u>457,268</u>	<u>2,254,373</u>	<u>270,724</u>	<u>276,895</u>	<u>727,992</u>	<u>2,531,268</u>
Total liabilities	<u>20,264,631</u>	<u>23,753,984</u>	<u>1,366,419</u>	<u>1,602,085</u>	<u>21,631,050</u>	<u>25,356,069</u>
Deferred inflows of resources	<u>11,526,540</u>	<u>11,596,156</u>	<u>23,210</u>	<u>36,801</u>	<u>11,549,750</u>	<u>11,632,957</u>
Net position						
Net investment in capital assets	11,739,571	11,636,003	9,724,687	9,295,671	21,464,258	20,931,674
Restricted	567,545	1,288,148	-	-	567,545	1,288,148
Unrestricted	<u>12,109,761</u>	<u>7,582,752</u>	<u>3,496,037</u>	<u>2,669,888</u>	<u>15,605,798</u>	<u>10,252,640</u>
Total net position	<u>\$ 24,416,877</u>	<u>\$ 20,506,903</u>	<u>\$ 13,220,724</u>	<u>\$ 11,965,559</u>	<u>\$ 37,637,601</u>	<u>\$ 32,472,462</u>

Statement of Activities

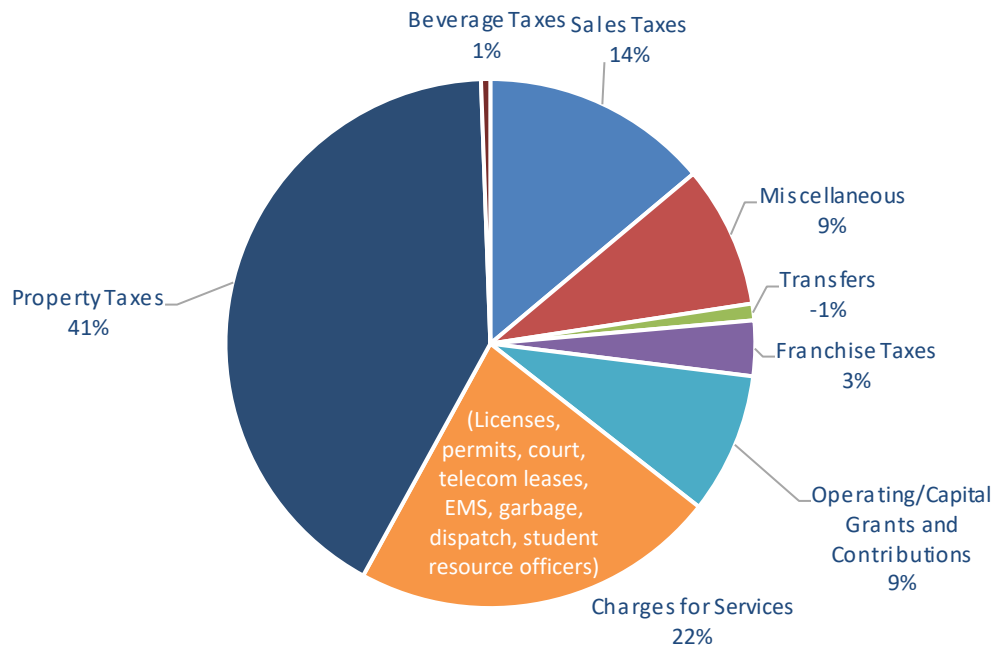
At September 30, 2025, the governmental activities ended with an overall increase in net position of \$3,909,974. Property taxes account for approximately 48% of governmental activities revenues and increased in the current year due to an increase in property tax valuations.

The net position in the business-type activities increased by \$1,255,165. The net position provides for the operation and maintenance of the City's water distribution and sanitary sewer systems and for the provision of water and sewer services to its customers.

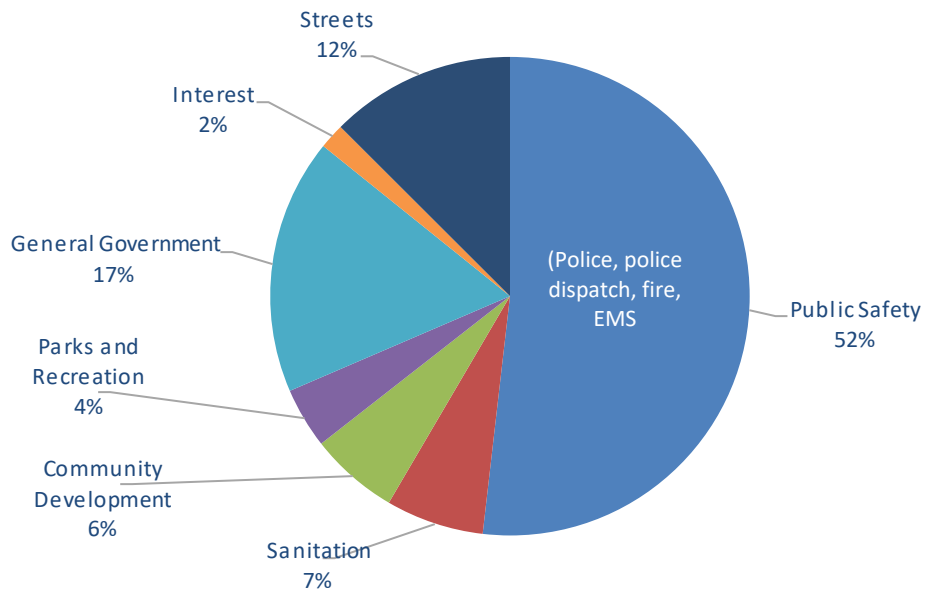
Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	\$ 4,406,118	\$ 3,615,951	\$ 5,012,480	\$ 4,488,109	\$ 9,418,598	\$ 8,104,060
Operating grants and contributions	1,691,713	62,046	-	-	1,691,713	62,046
General revenues:						
Property taxes	8,159,317	8,062,792	-	-	8,159,317	8,062,792
Sales taxes	2,735,697	2,516,730	-	-	2,735,697	2,516,730
Franchise taxes	667,092	685,901	-	-	667,092	685,901
Beverage taxes	111,813	115,044	-	-	111,813	115,044
Unrestricted investment earnings	1,486,394	1,686,014	62,763	31,771	1,549,157	1,717,785
Miscellaneous	122,367	117,338	7,862	10,410	130,229	127,748
Sale of capital assets	99,807	1,565	-	-	99,807	1,565
Total revenues	<u>19,480,318</u>	<u>16,863,381</u>	<u>5,083,105</u>	<u>4,530,290</u>	<u>24,563,423</u>	<u>21,393,671</u>
EXPENSES						
General government	2,655,321	2,621,414	-	-	2,655,321	2,621,414
Public safety	7,964,566	7,207,302	-	-	7,964,566	7,207,302
Streets	1,920,896	1,527,747	-	-	1,920,896	1,527,747
Sanitation	1,016,249	1,019,313	-	-	1,016,249	1,019,313
Community development	922,374	673,396	-	-	922,374	673,396
Parks and recreation	629,898	544,630	-	-	629,898	544,630
Interest and other fees	261,855	239,164	-	-	261,855	239,164
Utility	-	-	4,027,125	3,859,733	4,027,125	3,859,733
Total expenses	<u>15,371,159</u>	<u>13,832,966</u>	<u>4,027,125</u>	<u>3,859,733</u>	<u>19,398,284</u>	<u>17,692,699</u>
Increase (decrease) in net position before transfers	4,109,159	3,030,415	1,055,980	670,557	5,165,139	3,700,972
TRANSFERS	<u>(199,185)</u>	<u>92,748</u>	<u>199,185</u>	<u>(92,748)</u>	<u>-</u>	<u>-</u>
Change in net position	3,909,974	3,123,163	1,255,165	577,809	5,165,139	3,700,972
NET POSITION – BEGINNING	<u>20,506,903</u>	<u>17,383,740</u>	<u>11,965,559</u>	<u>11,387,750</u>	<u>32,472,462</u>	<u>28,771,490</u>
NET POSITION – ENDING	<u>\$ 24,416,877</u>	<u>\$ 20,506,903</u>	<u>\$ 13,220,724</u>	<u>\$ 11,965,559</u>	<u>\$ 37,637,601</u>	<u>\$ 32,472,462</u>

Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



Financial Analysis of the Governmental Funds

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

Governmental Funds

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

The general fund is the chief operating fund of the City. The primary source of revenue in the general fund consists of property taxes. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8,678,562 compared to \$6,593,651 in 2024, an increase of \$2,084,911. Tax revenues for the year increased primarily due to a 2.1% rise in certified property values from the previous year. The fund balance reflects a point in time and the effect of the tax cycle.

The City's capital projects fund had a change in fund balance of \$738,497 because of investment income and the City transferred \$80,000 from the general fund to assist with project costs.

The City's ARPA grant fund had investment revenue of \$38,040 and grant allowable capital outlay expenditures of \$1,246,972 and was subject to single audit in the current year. Although it does not meet the quantitative criteria, it is included as a major fund due to its qualitative importance in managing federal grant resources.

The City's other governmental funds decreased fund balance by \$1,529,819 during the fiscal year due primarily to capital outlay expenditures. At September 30, 2025, \$560,456 was restricted for various other governmental activities and \$4,645,634 was committed for capital replacement and the comprehensive plan.

Proprietary Funds

As reported earlier, the primary function of the proprietary funds of the City is the utility operation. Revenues for proprietary funds amounted to \$5,020,342, expenses were \$4,012,606, net transfers from other funds were \$199,185. This resulted in a \$1,255,165 increase in net position. The primary cause of the increase in net position was due to an increase in charges for services as a result of an increase in rates and consumption. Net position at year end was \$13,220,724.

General Fund Budgetary Highlights

The revision in the budget were amounts to increase transfer out.

Total revenues were over budget by \$1,223,790 and expenditures were under budget by \$406,934. The savings in expenditures are across departments and mainly attributable to a decrease in personnel spending. Significant budgetary variances during the period ended September 30, 2025 included the following:

- A majority of the positive expense budget variance was attributed to personnel expenses.

Capital Assets

At the end of 2025, the City's investment in capital assets for its governmental and business-type activities was (net of accumulated depreciation) \$12,195,911 and \$10,035,199, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, furniture, office equipment, computers, infrastructure and the utility system. Depreciation expense for the year was \$2,129,544 and \$449,026 for governmental and business-type activities, respectively. For more detail on capital assets, refer to note 3 of the financial statements.

Schedule of Change in Capital Assets

Capital Assets (Net of Depreciation)

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2025	2024	2025	2024	2025	2024
Land	\$ 1,479,580	\$ 1,479,580	\$ -	\$ -	\$ 1,479,580	\$ 1,479,580
Water rights	-	-	1,078,430	1,078,430	1,078,430	1,078,430
Construction in progress	154,582	221,419	1,007,852	598,999	1,162,434	820,418
Buildings	5,764,051	5,861,478	-	-	5,764,051	5,861,478
Infrastructure	2,182,693	1,527,900	-	-	2,182,693	1,527,900
Improvements other than buildings	749,524	937,707	-	-	749,524	937,707
Furniture, fixtures, and equipment	1,844,838	357,435	268,909	46,002	2,113,747	403,437
Right to use asset	20,643	48,781	-	-	20,643	48,781
Utility system	-	-	7,680,008	8,030,508	7,680,008	8,030,508
Totals	<u>\$ 12,195,911</u>	<u>\$ 10,434,300</u>	<u>\$ 10,035,199</u>	<u>\$ 9,753,939</u>	<u>\$ 22,231,110</u>	<u>\$ 20,188,239</u>

Long-Term Debt

The City's long-term debt consists of general obligation bonds and compensated absences.

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2025	2024	2025	2024	2025	2024
General obligation	\$ 13,420,000	\$ 14,410,000	\$ 305,000	\$ 450,000	\$ 13,725,000	\$ 14,860,000
Leases and subscriptions	17,491	38,929	-	-	17,491	38,929
Bond premium	418,419	463,768	16,907	25,361	435,326	489,129
Compensated absences	713,656	533,550	63,952	28,722	777,608	562,272
Total debt	<u>\$ 14,569,566</u>	<u>\$ 15,446,247</u>	<u>\$ 385,859</u>	<u>\$ 504,083</u>	<u>\$ 14,955,425</u>	<u>\$ 15,950,330</u>

Additional details about the City's long-term debt can be found in note 3 of the financial statements.

Economic Factors

The economy in Alamo Heights, Texas is very stable because property tax, franchise tax and sales tax revenue make up 65% of the General Fund revenue. Property valuations have steadily increased, and sales taxes are stable.

Request for Information

This annual comprehensive financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Kristine Horton, Director of Finance, 6116 Broadway, San Antonio, Texas, 78209.

BASIC FINANCIAL STATEMENTS



CITY OF ALAMO HEIGHTS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 25,178,983	\$ 3,686,383	\$ 28,865,366
Investments	5,000,000	-	5,000,000
Receivables - net of allowances for uncollectibles:			
Taxes	337,744	-	337,744
Accounts	900,423	724,800	1,625,223
Lease	11,390,596	-	11,390,596
Prepays	4,368	603	4,971
Restricted assets:			
Cash and cash equivalents	-	41,068	41,068
Capital assets not being depreciated			
Land	1,479,580	-	1,479,580
Water rights	-	1,078,430	1,078,430
Construction in progress	154,582	1,007,852	1,162,434
Capital assets - net of:			
Accumulated depreciation			
Buildings	5,764,051	-	5,764,051
Infrastructure	2,182,693	-	2,182,693
Improvements other than buildings	749,524	-	749,524
Utility system	-	7,680,008	7,680,008
Right to use assets	20,643	-	20,643
Furniture, fixtures, and equipment	<u>1,844,838</u>	<u>268,909</u>	<u>2,113,747</u>
 Total assets	 <u>55,008,025</u>	 <u>14,488,053</u>	 <u>69,496,078</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - loss on refunding	44,490	11,395	55,885
Deferred outflows related to TMRS pension	1,113,110	106,567	1,219,677
Deferred outflows related to TMRS OPEB	<u>42,423</u>	<u>4,338</u>	<u>46,761</u>
 Total deferred outflows of resources	 <u>1,200,023</u>	 <u>122,300</u>	 <u>1,322,323</u>

(continued)

(The accompanying notes are an integral part of these financial statements)

CITY OF ALAMO HEIGHTS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable	\$ 201,875	\$ 172,538	\$ 374,413
Other payables	-	22,243	22,243
Accrued payroll	203,190	28,940	232,130
Accrued interest	38,733	1,525	40,258
Unearned revenues	13,470	-	13,470
Payable from restricted assets:			
Customer deposits	-	41,068	41,068
Long-term liabilities:			
Long-term debt and liabilities due within one year	1,198,050	168,355	1,366,405
OPEB liability due within one year	36,266	4,410	40,676
Long-term debt and liabilities due in more than one year	13,371,516	217,504	13,589,020
Net pension liability	4,914,386	670,144	5,584,530
OPEB liability due in more than one year	287,145	39,692	326,837
Total liabilities	20,264,631	1,366,419	21,631,050
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS pension	423,326	12,506	435,832
Deferred inflows related to TMRS OPEB	78,489	10,704	89,193
Deferred inflows related to leases	11,024,725	-	11,024,725
Total deferred inflows of resources	11,526,540	23,210	11,549,750
NET POSITION			
Net investment in capital assets	11,739,571	9,724,687	21,464,258
Restricted for:			
Confiscated property	22,881	-	22,881
Court security	115,560	-	115,560
Community programs	14,922	-	14,922
Police training	34,290	-	34,290
Court technology	26,277	-	26,277
Street maintenance	35,972	-	35,972
Animal services	33,944	-	33,944
Debt service	276,610	-	276,610
ARPA	7,089	-	7,089
Unrestricted	12,109,761	3,496,037	15,605,798
Total net position	\$ 24,416,877	\$ 13,220,724	\$ 37,637,601

(The accompanying notes are an integral part of these financial statements)



CITY OF ALAMO HEIGHTS, TEXAS

STATEMENT OF ACTIVITIES

Year ended September 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary government			
Governmental activities:			
General government	\$ 2,655,321	\$ 2,390,994	\$ 1,687,733
Public safety	7,964,566	1,306,374	3,980
Streets	1,920,896	-	-
Sanitation	1,016,249	708,750	-
Community development	922,374	-	-
Parks and recreation	629,898	-	-
Interest	<u>261,855</u>	<u>-</u>	<u>-</u>
Total governmental activities	15,371,159	4,406,118	1,691,713
Business-type activities:			
Utility	<u>4,027,125</u>	<u>5,012,480</u>	<u>-</u>
Total government	<u>\$ 19,398,284</u>	<u>\$ 9,418,598</u>	<u>\$ 1,691,713</u>

General revenues

Taxes:

 Property taxes

 Sales taxes

 Franchise taxes

 Beverage taxes

Investment earnings

Miscellaneous

Gain on disposal of capital assets

Transfers

 Total general revenues and transfers

 Change in net position

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

(The accompanying notes are an integral part of these financial statements)

NET (EXPENSES) REVENUES AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
\$ 1,423,406	\$ -	\$ 1,423,406
(6,654,212)	-	(6,654,212)
(1,920,896)	-	(1,920,896)
(307,499)	-	(307,499)
(922,374)	-	(922,374)
(629,898)	-	(629,898)
<u>(261,855)</u>	<u>-</u>	<u>(261,855)</u>
(9,273,328)	-	(9,273,328)
-	<u>985,355</u>	<u>985,355</u>
<u>(9,273,328)</u>	<u>985,355</u>	<u>(8,287,973)</u>
8,159,317	-	8,159,317
2,735,697	-	2,735,697
667,092	-	667,092
111,813	-	111,813
1,486,394	62,763	1,549,157
122,367	7,862	130,229
99,807	-	99,807
<u>(199,185)</u>	<u>199,185</u>	<u>-</u>
<u>13,183,302</u>	<u>269,810</u>	<u>13,453,112</u>
3,909,974	1,255,165	5,165,139
<u>20,506,903</u>	<u>11,965,559</u>	<u>32,472,462</u>
<u>\$ 24,416,877</u>	<u>\$ 13,220,724</u>	<u>\$ 37,637,601</u>

CITY OF ALAMO HEIGHTS, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	<u>GENERAL FUND</u>	<u>ARPA GRANT</u>	<u>CAPITAL PROJECTS FUND</u>
ASSETS			
Cash and cash equivalents	\$ 8,287,458	\$ 22,399	\$ 11,802,052
Investments	-	-	5,000,000
Receivables - net of allowances for uncollectibles			
Taxes, net	156,899	-	-
Accounts, net	900,423	-	-
Prepays	4,368	-	-
Lease receivable	<u>11,390,596</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 20,739,744</u>	<u>\$ 22,399</u>	<u>\$ 16,802,052</u>
LIABILITIES			
Accounts payable	\$ 182,130	\$ 1,840	\$ -
Accrued liabilities	203,190	-	-
Unearned revenue	<u>-</u>	<u>13,470</u>	<u>-</u>
Total liabilities	<u>385,320</u>	<u>15,310</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes	148,976	-	-
Lease	11,024,725	-	-
Warrants	<u>497,793</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>11,671,494</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Non-spendable - prepaids	4,368	-	-
Restricted for:			
Confiscated property	-	-	-
Court security	-	-	-
Community programs	-	-	-
Police training	-	-	-
Court technology	-	-	-
Street maintenance	-	-	-
Animal services	-	-	-
Debt service	-	-	-
Capital projects	-	-	13,355,080
American Rescue Plan	-	7,089	-
Committed for:			
Capital projects	-	-	3,446,972
Comprehensive plan	-	-	-
Unassigned	<u>8,678,562</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,682,930</u>	<u>7,089</u>	<u>16,802,052</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,739,744</u>	<u>\$ 22,399</u>	<u>\$ 16,802,052</u>

(The accompanying notes are an integral part of these financial statements)

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 5,067,074	\$ 25,178,983
-	5,000,000
180,845	337,744
-	900,423
-	4,368
-	<u>11,390,596</u>
<u>\$ 5,247,919</u>	<u>\$ 42,812,114</u>
\$ 17,905	\$ 201,875
-	203,190
-	13,470
<u>17,905</u>	<u>418,535</u>
23,924	172,900
-	11,024,725
-	497,793
<u>23,924</u>	<u>11,695,418</u>
-	4,368
22,881	22,881
115,560	115,560
14,922	14,922
34,290	34,290
26,277	26,277
35,972	35,972
33,944	33,944
276,610	276,610
-	13,355,080
-	7,089
2,350,019	5,796,991
2,295,615	2,295,615
-	8,678,562
<u>5,206,090</u>	<u>30,698,161</u>
<u>\$ 5,247,919</u>	<u>\$ 42,812,114</u>

CITY OF ALAMO HEIGHTS, TEXAS

**RECONCILIATION OF BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2025

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$	30,698,161
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.		12,195,911
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		670,693
Accrued vacation leave payable is not due and payable in the current period and, therefore not reported in the funds.		(713,656)
Long-term liabilities, which includes certificates of obligation bonds, general obligation bonds, premiums and lease payable, are not due and payable in the current period and, therefore, not reported in the funds.		(13,855,910)
Deferred amounts on refunding bonds are deferred outflows of resources and, therefore, are not reported in the funds.		44,490
Net pension liability, other postemployment benefit liability, and related deferred inflows and outflows of resources are not due and payable in the current period and, therefore, not reported in the funds.		(4,584,079)
Accrued interest payable on certificates of obligation are not due and payable in the current period and, therefore, not reported in the funds.		<u>(38,733)</u>
Net position of governmental activities - statement of net position	\$	<u><u>24,416,877</u></u>

(The accompanying notes are an integral part of these financial statements)



CITY OF ALAMO HEIGHTS, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the year ended September 30, 2025

	GENERAL FUND	ARPA GRANT	CAPITAL PROJECTS FUND
REVENUES			
Taxes	\$ 9,532,860	\$ -	\$ -
Licenses and permits	1,260,279	-	-
Intergovernmental	997,597	1,500,865	-
Charges for services	1,738,415	-	-
Fines	277,793	-	-
Investment earnings	755,882	38,040	692,473
Miscellaneous	<u>110,357</u>	<u>-</u>	<u>-</u>
Total revenues	<u>14,673,183</u>	<u>1,538,905</u>	<u>692,473</u>
EXPENDITURES			
General government	2,352,089	-	-
Public safety	7,454,875	-	-
Streets	660,877	-	33,976
Sanitation	947,081	-	-
Planning and development	610,266	-	-
Parks and recreation	391,970	-	-
Capital outlay	11,184	1,246,972	-
Debt service:			
Principal	21,438	-	-
Interest and fiscal charges	<u>1,054</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>12,450,834</u>	<u>1,246,972</u>	<u>33,976</u>
Excess of revenues over expenditures	<u>2,222,349</u>	<u>291,933</u>	<u>658,497</u>
OTHER FINANCING SOURCES (USES)			
Gain on disposal of capital assets	9,949	-	-
Transfer out	(345,607)	(291,933)	-
Transfer in	<u>92,748</u>	<u>-</u>	<u>80,000</u>
Total other financing sources (uses)	<u>(242,910)</u>	<u>(291,933)</u>	<u>80,000</u>
Net change in fund balances	1,979,439	-	738,497
FUND BALANCES – BEGINNING	<u>6,703,491</u>	<u>7,089</u>	<u>16,063,555</u>
FUND BALANCES – ENDING	<u>\$ 8,682,930</u>	<u>\$ 7,089</u>	<u>\$ 16,802,052</u>

(The accompanying notes are an integral part of these financial statements)

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2,217,820	\$ 11,750,680
-	1,260,279
182,447	2,680,909
-	1,738,415
-	277,793
-	1,486,395
<u>12,010</u>	<u>122,367</u>
<u>2,412,277</u>	<u>19,316,838</u>
19,977	2,372,066
23,969	7,478,844
-	694,853
-	947,081
305,853	916,119
-	391,970
2,632,999	3,891,155
990,000	1,011,438
<u>324,763</u>	<u>325,817</u>
<u>4,297,561</u>	<u>18,029,343</u>
<u>(1,885,284)</u>	<u>1,287,495</u>
89,858	99,807
-	(637,540)
<u>265,607</u>	<u>438,355</u>
<u>355,465</u>	<u>(99,378)</u>
(1,529,819)	1,188,117
<u>6,735,909</u>	<u>29,510,044</u>
<u>\$ 5,206,090</u>	<u>\$ 30,698,161</u>

CITY OF ALAMO HEIGHTS, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2025

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 1,188,117

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. This is the amount by which depreciation expense (\$2,129,544) was less than capital outlay \$3,891,155. 1,761,611

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 63,671

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position. 990,000

The repayment of the principal of lease and subscription liabilities consumes the current financial resources of governmental funds but has no effect on net position. 21,438

The amortization of bond premium and losses on refunding do not require the use of current financial resources, and therefore, are not reported in the funds. 38,994

Change in net pension liability, other postemployment benefits liability, and related deferred inflows and outflows do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 23,773

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. (177,630)

Change in net position of governmental activities \$ 3,909,974

(The accompanying notes are an integral part of these financial statements)

CITY OF ALAMO HEIGHTS, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$	3,686,383
Investments		-
Receivables - net of allowance for uncollectibles		724,800
Restricted cash and cash equivalents:		
Customer deposits - restricted		41,068
Prepays		603
Total current assets		<u>4,452,854</u>

Noncurrent assets:

Capital assets:

Water rights		1,078,430
Construction in progress		1,007,852
Utility system		15,143,720
Furniture, fixtures, and equipment		1,095,098
Totals		<u>18,325,100</u>
Less: accumulated depreciation		<u>(8,289,901)</u>

Total capital assets - net of accumulated depreciation 10,035,199

Total noncurrent assets 10,035,199

Total assets 14,488,053

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow - loss on refunded debt		11,395
Deferred outflow - pension		106,567
Deferred outflow - OPEB		4,338
Total deferred outflows of resources		<u>122,300</u>

Total assets and deferred outflows of resources \$ 14,610,353

(The accompanying notes are an integral part of these financial statements)

CITY OF ALAMO HEIGHTS, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2025

LIABILITIES

Current liabilities:

Accounts payable	\$	172,538
Accrued payroll		28,940
Customer deposits payable - restricted		41,068
Accrued interest payable		1,525
Unearned revenue		22,243
Compensated absences		9,901
OPEB liability due within one year		4,410
Bonds payable due within one year		158,454
Total current liabilities		<u>439,079</u>

Noncurrent liabilities:

Net pension liability		670,144
OPEB liability		39,692
Compensated absences		54,051
Bonds payable due after one year		163,453
Total noncurrent liabilities		<u>927,340</u>

Total liabilities		<u>1,366,419</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflow - pension		12,506
Deferred inflow - OPEB		10,704
Total deferred inflows of resources		<u>23,210</u>

NET POSITION

Net investment in capital assets		9,724,687
Unrestricted		<u>3,496,037</u>
Total net position		<u>13,220,724</u>

Total liabilities, deferred inflows of resources, and net position	\$	<u>14,610,353</u>
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(The accompanying notes are an integral part of these financial statements)

CITY OF ALAMO HEIGHTS, TEXAS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the year ended September 30, 2025

OPERATING REVENUES	
Charges for services	\$ 5,012,480
Miscellaneous revenues	<u>7,862</u>
Total operating revenues	<u>5,020,342</u>
OPERATING EXPENSES	
Costs of sales and services	3,563,580
Depreciation	<u>449,026</u>
Total operating expenses	<u>4,012,606</u>
Operating income	<u>1,007,736</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	62,763
Interest expense	<u>(14,519)</u>
Total nonoperating revenues (expenses)	<u>48,244</u>
Income before transfers	1,055,980
TRANSFERS	
Transfer in	291,933
Transfer out	<u>(92,748)</u>
Total transfers	199,185
Change in net position	1,255,165
NET POSITION - BEGINNING	<u>11,965,559</u>
NET POSITION - ENDING	<u>\$ 13,220,724</u>

(The accompanying notes are an integral part of these financial statements)

CITY OF ALAMO HEIGHTS, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended September 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 5,074,959
Cash paid to suppliers	(2,245,092)
Cash paid to employees	<u>(1,318,488)</u>
Net cash provided by operating activities	<u>1,511,379</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	<u>199,185</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(730,286)
Payment of interest on debt	(64,471)
Payments on debt	<u>(145,000)</u>
Net cash used in financing activities	<u>(939,757)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investment interest	62,763
Sale of investments	<u>188,101</u>
Net cash provided in investing activities	<u>250,864</u>
Net increase in cash and cash equivalents	1,021,671
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,705,780</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,727,451</u>
CASH AND CASH EQUIVALENTS - UNRESTRICTED	\$ 3,686,383
CASH AND CASH EQUIVALENTS - RESTRICTED	<u>41,068</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,727,451</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income	<u>\$ 1,007,736</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	449,026
Increase in accounts receivable	82,552
Decrease in accounts payable	8,152
Increase in compensated absences	(35,230)
Decrease in unearned revenue	1,520
Increase in accrued payroll	(1,593)
Change in net pension liability	838
Change in OPEB liability	953
Decrease in customer deposits payable	<u>(2,575)</u>
Total adjustments	<u>503,643</u>
Net cash provided by operating activities	<u>\$ 1,511,379</u>
SCHEDULE OF NONCASH CAPITAL ACTIVITIES	
Actuarially determined change in:	
Net pension liability	\$ (110,958)
Other postemployment benefit liability	1,536

(The accompanying notes are an integral part of these financial statements)

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies

Reporting entity

The City of Alamo Heights, Texas, (the City) was incorporated in 1922 and adopted its home rule charter in 1954, pursuant to the laws of the State of Texas. The City operates under a mayor-council form of government with a mayor and five council members.

The financial statements of the City have been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP). The recognized standard setting body for governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation

Government-wide financial statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property and sales taxes, utility franchises, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under leases are reported as other financing sources.

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

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

The City reports the following major governmental funds:

General fund: The general fund is the City's primary operating fund. It is used to account for all activity not required to be accounted for in another type of governmental fund.

American Rescue Plan ACT (ARPA) Grant: The ARPA grant, a special revenue fund, accounts for the grant funding received from the American Rescue Plan for allowed expenses. Although the fund does not meet the quantitative thresholds to be considered a major fund, it is presented as a major fund in the financial statements due to its qualitative significance in managing federal grant resources.

Capital projects fund: The capital projects fund accounts for funding restricted and committed for capital projects of the City.

The City reports the following major proprietary fund:

Utility fund: The utility fund accounts for business-type activities of the City, where cost recovery and determination of net income are useful or necessary for sound fiscal management.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

For valuation purposes, investments with remaining maturities of one (1) year or less at time of purchase are accounted for at amortized cost. All other investments are reported on the financial statements at fair value. Fair value is defined as the price at which a security would be exchanged in a current transaction between willing parties. The City uses fair values as quoted in *The Wall Street Journal* or a comparable nationally recognized publication to determine fair value.

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

Receivables and payables

Allowance for doubtful accounts: The allowance for doubtful accounts is established as losses are estimated to have occurred though a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Property taxes: The City levies its property taxes on October 1 of each year based upon the assessed value as of January 1 (the lien date) of that year for all real and personal property located in the City. Taxes are due on October 1 (the statement and levy date) and become delinquent on February 1 of the subsequent year.

Other assets

Restricted assets: Cash received as security deposits from customers for utility service is reported as a restricted asset. These funds are maintained in a separate account with the City's depository and are not available for appropriation.

Capital assets

Capital assets used by the primary government are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two (2) years. Such assets are recorded at cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated acquisition value at the date of donation. Lease assets are recorded at the present value of their future minimum lease payments as of the inception date. Capital assets include land, buildings and improvements, furniture and equipment, infrastructure, and the utility system.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Capital assets (continued)

Infrastructure assets are those public domain assets that are immovable and have value only to the City, e.g., streets, sidewalks, traffic signs, and lights.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets acquired are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Records of all capital assets, including infrastructure capital assets, are maintained for both management and accountability purposes.

Depreciation of capital assets is charged as an expenditure/expense against operations. Accumulated depreciation is reported on the statement of net position. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

ASSET	YEARS
Buildings	40 years
Improvements other than buildings	40 years
Infrastructure	40 years
Furniture, fixtures, and equipment	3-10 years
Utility system	40 years
Right to use assets – equipment	3-5 years
Right to use assets – SBITA	3-5 years

Compensated absences

Each eligible, full-time City employee accrues vacation on a per pay period basis. The amount of time the employee accrues depends upon the employee’s length of service as follows:

Length of Service	Hours of Annual Leave Per Year
0<1 year	80
1<2 years	80
2<4 years	88
4<6 years	96
6<8 years	104
8<10 years	112
10<15 years	120
15<20 years	144
20<25 years	160
25+ years	176

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Compensated absences (continued)

The City also permits all nonexempt employees to accrue compensatory time at a rate of 1.5 hours for each hour over the standard number of hours in the employee's pay cycle. The majority of these have typically been liquidated from the general fund in previous years.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. Prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased.

Deferred inflows/outflows of resources

Pensions

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

Other postemployment benefits

The other postemployment benefit liability of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit Plan (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the other postemployment benefit (OPEB) liability and deferred outflows of resources related to the other postemployment benefits, (OPEB) expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. Contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

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 represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Fund balance

The City implemented GASB Statement 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts that can be used only for specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has by resolution (Fund Balance Policy) authorized the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

In the general fund, the City strives to maintain an unassigned fund balance equal to 25% of expenditures. The City considers a balance of less than 15% to be cause for concern, barring unusual or deliberate circumstances.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of significant accounting policies (continued)

Adoption of new accounting policies

During fiscal year ended September 30, 2025, the City adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes updated guidance for the recognition, measurement, and financial reporting of compensated absences. The requirements of GASB Statement 101 were applied retrospectively to all periods presented and the implementation did not have a material impact on the City's financial statements.

(2) Budgetary and legal compliance

An annual budget is legally adopted for the general fund, street maintenance fund, capital projects fund, comprehensive plan fund, capital replacement fund, and the debt service fund on a basis consistent with GAAP. All annual appropriations lapse at fiscal year end.

The budget preparation process begins in the last quarter of the fiscal year when the department heads meet with the city manager to discuss departmental needs. The city manager prepares a proposed budget for preliminary review by the mayor or his designee prior to the end of the fiscal year. After the mayor has approved the proposed budget, it is submitted to the City Council for approval. The budget is legally enacted by city council through passage of an ordinance.

Formal budgetary account integration is used to facilitate managerial control over expenditures during the course of the year. Expenditures are monitored at the department line item level for ongoing control purposes. On a monthly basis, comparative revenue and expenditure statements are presented to the city council. The City Manager is authorized to transfer budgeted amounts between accounts within a department and from one department to another. These transfers cannot increase the overall budgeted expenditures.

(3) Detailed notes for all funds

Cash and cash equivalents

Deposits: The City uses a pooled cash system that is available for use by all funds. City monies are deposited in demand accounts. Each fund's portion of pooled cash is reflected on the statement of net position in "cash and cash equivalents." This amount also includes all highly liquid investments with original maturities of 90 days or less.

The City's deposits are held in a Federal Deposit Insurance Corporation (FDIC) insured bank. The City's depository agreement requires collateralization of all deposits with U.S. Government securities. The fair value of the collateral must be greater than the total amount on deposit.

The carrying amount of the City's deposits with financial institutions was \$840,046 and the bank balance was \$1,026,908. The deposits at one institution were fully collateralized by securities pledged in the name of the City. The cash deposits at the other institution exceeded the Federal Deposit Insurance Corporation (FDIC) by \$2,092. The City maintains \$6,570 of cash-on-hand at September 30, 2025.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Cash and cash equivalents (continued)

Investments: The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas (the Act). Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the FDIC or otherwise secured; and certain repurchase agreements.

The method used to value investments for financial reporting purposes is dependent upon the type of investment and the time remaining to maturity. Investments are valued at amortized cost if they have a remaining maturity at the time of purchase of one (1) year or less and the fair value of the investments is not affected by the impairment or the credit standing of the issuer or by other factors. All other investments are valued at fair value.

Local government investment pools in Texas are established under the government of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of 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 AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940 but are not registered with the SEC as investment companies. The pools use amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool.

TexPool and Logic are both external investments tailored to meet the investment needs of Texas local governments and are valued at amortized cost. They do not have any minimum or maximum transaction or balance amounts and the investment balances are accessible on the same day as the request pending end of business time constraints. There are no limitations or restrictions on withdrawals from the pools.

The City utilizes the Texas Short Term Asset Reserve Program (TexSTAR). JPMorgan Investment Management Inc. and Hilltop Securities Inc. serve as co-administrators under an agreement with the TexSTAR board of directors to provide investment and participant services for the pool. JPMorgan Chase Bank or its subsidiaries provides custodial, fund accounting, and depository services. Boston Financial Data Services serves as the transfer agent to TexSTAR.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Cash and cash equivalents (continued)

TexStar is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement pool (REPO), utilizing primarily U.S. Treasury securities, U.S. agency securities, and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the U.S. or its agencies or its instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

The City utilizes the Lone Star Investment Pool sponsored by the Texas Association of School Boards (TASB). First Public, LLC serves as the administrator under an agreement with the Lone Star board of directors to provide or contract investment and participant services for the pool. American Beacon Advisors and Mellon Investments Corp. provide investment management services. State Street Bank and Trust serves as the custodian bank for the pool.

Lone Star Liquidity Fund is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal and providing the highest possible rate of return for invested funds. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for fixed rate securities and 24 months for variable rate securities. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio of the pool are considered marketable and very liquid, utilizing primarily U.S. Treasury securities, U.S. agency securities, and reverse repurchase agreements, no-load money markets regulated by the SEC, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the U.S. or its agencies or its instrumentalities. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Cash and cash equivalents (continued)

Presented below is the minimum rating required by (where applicable) the City’s investment policy and the Act and the actual rating as of September 30, 2025 for each investment:

DESCRIPTION	INVESTMENT POLICY MINIMUM RATING	INVESTMENT RATING	RATING ORGANIZATION	CARRYING/FAIR VALUE	WEIGHTED AVERAGE MATURITY (YEARS)
Investments:					
Federal Agency Securities	AAA	AA+	Standard & Poor's	\$ 5,000,000	1.51
Total investments				<u>\$ 5,000,000</u>	
Cash and cash equivalents:					
TexPool	AAA	AAAm	Standard & Poor's	\$ 3,752	0.06
Lone Star Liquidity Fund	AAA	AAA	Standard & Poor's	22,724,337	0.02
Logic	AAA	AAA	Standard & Poor's	5,327,847	0.03
TexStar	AAA	AAAm	Standard & Poor's	<u>3,882</u>	0.07
Total cash and cash equivalents				<u>\$ 28,059,818</u>	

Portfolio weighted average maturity 0.28

Concentration of credit risk: Disclosure is required for investments in any one issuer that represent 5% or more of total investment. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The City’s investments in external investment pools exceeding 5% are excluded from this requirement.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturing of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting the City’s exposure to fair value losses arising from interest rate risk, the City’s investment policy limits the maximum weighted average maturity for its portfolio as a whole to 365 days. Maximum allowable stated maturities are limited by investment type as follows:

<u>INVESTMENT TYPE</u>	<u>MAXIMUM MATURITIES</u>
United States Treasury Securities	Two years
Certificates of Deposit	One year
No-Load Money Market Mutual Funds	90 days

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments are not exposed to custodial credit risk as they are held by financial institutions in the City’s name.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Cash and cash equivalents (continued)

Investment valuation: The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation input 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 which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs.

At September 30, 2025, the City had the following investments:

	BALANCE	LEVEL 1	LEVEL 2	LEVEL 3
Investments by fair value level:				
Federal Agency Securities	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
Total investments at fair value:	5,000,000	-	5,000,000	-
Investments measured at amortized cost:				
TexPool	3,752			
Logic	5,327,847			
Total investments measured at amortized cost	5,331,599			
Investments measured at net asset value:				
TexStar	3,882			
Lone Star Liquidity Fund	22,724,337			
Total investments measured at net asset value	22,728,219			
Total investments	\$ 33,059,818			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the table below:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value:				
TexStar	\$ 3,882	N/A	Daily	N/A
Lone Star liquidity fund	22,724,337	N/A	Daily	N/A
Total investments measured at NAV	\$ 22,728,219			

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Receivables

The following is a summary of the receivable and the allowances for uncollectible accounts:

	TAXES	ALLOWANCE FOR UNCOLLECTIBLE TAXES	NET TAXES	WARRANTS AND OTHER	ALLOWANCE FOR UNCOLLECTIBLE WARRANTS	NET WARRANTS AND OTHER	CUSTOMER RECEIVABLES	ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS	NET CUSTOMER RECEIVABLES
General fund	\$ 174,332	\$ (17,433)	\$ 156,899	\$ 1,398,216	\$ (497,793)	\$ 900,423	\$ -	\$ -	\$ -
Utility fund	-	-	-	-	-	-	857,977	(133,177)	724,800
Other funds	183,653	(2,808)	180,845	-	-	-	-	-	-
	<u>\$ 357,985</u>	<u>\$ (20,241)</u>	<u>\$ 337,744</u>	<u>\$ 1,398,216</u>	<u>\$ (497,793)</u>	<u>\$ 900,423</u>	<u>\$ 857,977</u>	<u>\$ (133,177)</u>	<u>\$ 724,800</u>

Property tax

Property taxes are levied on October 1 of each fiscal year based upon the assessed value as of January 1 (the lien date) for all real and personal property located in the City. Taxes are due on October 1 (the statement and levy date) and become delinquent on February 1 of the next year.

The appraisal of property within the City is the responsibility of the Bexar Appraisal District, which is required by state statute to assess all property within the appraisal district at 100% of its appraised value and is prohibited from applying any assessment ratios.

The total assessed value on January 1, 2024, upon which the 2025 fiscal year levy was based, is \$2,435,654,307. Tax collections during the year ended September 30, 2025, for the 2024 tax levy, were 99.38% of the total tax levy for that year. General property taxes for cities are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's tax rate for this fiscal period was \$0.370147 per \$100 of assessed valuation.

Lease receivables

On October 1, 2021, City of Alamo Heights, Texas entered into a 46-month lease as Lessor for the use of Verizon - 120 Bluebonnet Boulevard. An initial lease receivable was recorded in the amount of \$139,139. In 2025, they extended for 120 months as per the original lease options and increased the lease receivable by \$556,909. As of September 30, 2025, the value of the extended lease receivable is \$507,329. The lessee is required to make annual payments of \$48,143 with 3% increases each year. The lease has an interest rate of 0.4350%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2025 was \$547,571, and City of Alamo Heights, Texas recognized lease revenue of \$39,586 during the fiscal year.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Receivables (continued)

Lease receivables (continued)

On October 1, 2021, City of Alamo Heights, Texas entered into a 72 month lease as Lessor for the use of Quarry / Alamo water tower. An initial lease receivable was recorded in the amount of \$94,401. As of September 30, 2025, the value of the lease receivable is \$33,437. The lessee is required to make annual fixed payments of \$14,685. The lease has an interest rate of 0.2280%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2025 was \$32,158, and City of Alamo Heights, Texas recognized lease revenue of \$15,561 during the fiscal year. The lessee has 1 extension option(s), each for 132 months.

On October 1, 2021, City of Alamo Heights, Texas entered into a 168 month lease as Lessor for the use of 820 Evans Avenue water tower. An initial lease receivable was recorded in the amount of \$8,195,325. As of September 30, 2025, the value of the lease receivable is \$6,363,692. The lessee is required to make monthly fixed payments of \$44,057. The lease has an interest rate of 1.3290%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2025 was \$5,853,804, and City of Alamo Heights, Texas recognized lease revenue of \$585,380 during the fiscal year.

On October 1, 2021, City of Alamo Heights, Texas entered into a 33 month lease as Lessor for the use of AT&T - 118 Blue Bonnet Boulevard. An initial lease receivable was recorded in the amount of \$367,086. At the end of that lease, an extension option of 60 months was implemented with an extended lease receivable recorded in the amount of \$3,502,148. As of September 30, 2025, the value of the lease receivable is \$3,121,138. The lessee is required to make annual payments of \$192,562 with 3% increases each year. The lease has an interest rate of 0.2980%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2025 was \$3,210,048, and City of Alamo Heights, Texas recognized lease revenue of \$233,458 during the fiscal year. The lessee has 3 additional extension option(s), each for 60 months.

On November 1, 2021, City of Alamo Heights, Texas entered into a 516 month lease as Lessor for the use of Heights Pool, LTD. An initial lease receivable was recorded in the amount of \$1,465,000. As of September 30, 2025, the value of the lease receivable is \$1,365,000. The lessee is required to make annual fixed payments of \$35,000 in fiscal year 2025. The lease has an interest rate of 0.0%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of September 30, 2025 was \$1,331,560, and City of Alamo Heights, Texas recognized lease revenue of \$34,070 during the fiscal year. The lessee has 1 extension option for 480 months.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2025

(3) Detailed notes for all funds (continued)

Receivables (continued)

Lease receivables (continued)

Future minimum lease receipts on these leases are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2026	\$ 811,543	\$ 92,037	\$ 903,580
2027	845,358	85,229	930,587
2028	862,784	77,057	939,841
2029	897,035	68,549	965,584
2030	932,486	59,652	992,138
2031 - 2035	5,192,132	150,254	5,342,386
2036 - 2040	1,009,258	5,082	1,014,340
2041 - 2045	175,000	-	175,000
2046 - 2050	175,000	-	175,000
2051 - 2055	175,000	-	175,000
2056 - 2060	175,000	-	175,000
2061 - 2065	140,000	-	140,000
	<u>\$ 11,390,596</u>	<u>\$ 537,860</u>	<u>\$ 11,928,456</u>

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CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Capital assets

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

	BALANCE AT OCTOBER 1, 2024	INCREASES	DECREASES	BALANCE AT SEPTEMBER 30, 2025
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,479,580	\$ -	\$ -	\$ 1,479,580
Construction in progress	<u>221,419</u>	<u>-</u>	<u>(66,837)</u>	<u>154,582</u>
Total capital assets not being depreciated	<u>1,700,999</u>	<u>-</u>	<u>(66,837)</u>	<u>1,634,162</u>
Capital assets being depreciated:				
Buildings	8,222,225	117,171	-	8,339,396
Infrastructure	17,336,042	1,644,659	66,837	19,047,538
Improvements other than buildings	2,043,025	37,382	-	2,080,407
Furniture, fixtures, and equipment	7,119,485	2,091,943	(558,005)	8,653,423
Right to use asset - SBITA	79,759	-	(5,421)	74,338
Right to use asset - equipment	<u>12,906</u>	<u>-</u>	<u>-</u>	<u>12,906</u>
Total capital assets being depreciated	<u>34,813,442</u>	<u>3,891,155</u>	<u>(496,589)</u>	<u>38,208,008</u>
Less accumulated depreciation for:				
Buildings	(2,360,747)	(214,598)	-	(2,575,345)
Infrastructure	(15,808,142)	(1,056,703)	-	(16,864,845)
Improvements other than buildings	(1,105,318)	(225,565)	-	(1,330,883)
Furniture, fixtures, and equipment	(6,762,050)	(604,540)	558,005	(6,808,585)
Right to use asset - SBITA	(36,105)	(25,545)	5,421	(56,229)
Right to use asset - equipment	<u>(7,779)</u>	<u>(2,593)</u>	<u>-</u>	<u>(10,372)</u>
Total accumulated depreciation	<u>(26,080,141)</u>	<u>(2,129,544)</u>	<u>563,426</u>	<u>(27,646,259)</u>
Total capital assets being depreciated - net	<u>8,733,301</u>	<u>1,761,611</u>	<u>66,837</u>	<u>10,561,749</u>
Governmental activities capital assets - net	<u>\$ 10,434,300</u>	<u>\$ 1,761,611</u>	<u>\$ -</u>	<u>\$ 12,195,911</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 598,999	\$ 408,853	\$ -	\$ 1,007,852
Water rights	<u>1,078,430</u>	<u>-</u>	<u>-</u>	<u>1,078,430</u>
Total capital assets not being depreciated	<u>1,677,429</u>	<u>408,853</u>	<u>-</u>	<u>2,086,282</u>
Capital assets being depreciated:				
Utility system	15,114,220	29,500	-	15,143,720
Furniture, fixtures, and equipment	<u>803,165</u>	<u>291,933</u>	<u>-</u>	<u>1,095,098</u>
Total capital assets being depreciated	<u>15,917,385</u>	<u>321,433</u>	<u>-</u>	<u>16,238,818</u>
Less accumulated depreciation for:				
Utility system	(7,083,712)	(380,000)	-	(7,463,712)
Furniture, fixtures, and equipment	<u>(757,163)</u>	<u>(69,026)</u>	<u>-</u>	<u>(826,189)</u>
Total accumulated depreciation	<u>(7,840,875)</u>	<u>(449,026)</u>	<u>-</u>	<u>(8,289,901)</u>
Total capital assets being depreciated - net	<u>8,076,510</u>	<u>(127,593)</u>	<u>-</u>	<u>7,948,917</u>
Business-type activities capital assets - net	<u>\$ 9,753,939</u>	<u>\$ 281,260</u>	<u>\$ -</u>	<u>\$ 10,035,199</u>

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Capital assets (continued)

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

Governmental activities:

General government	\$ 241,808
Public safety	376,485
Streets	1,218,226
Sanitation	59,788
Parks and recreation	<u>233,237</u>

Total depreciation/amortization expense - governmental activities	<u><u>\$ 2,129,544</u></u>
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Business-type activities:

Utility	<u>\$ 449,026</u>
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Total depreciation expense - business-type activities	<u><u>\$ 449,026</u></u>
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Interfund transfers

TRANSFER OUT	TRANSFER IN				TOTALS
	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	UTILITY FUND	
General fund	\$ -	\$ 80,000	\$ 265,607	\$ -	\$ 345,607
ARPA Grant	-	-	-	291,933	291,933
Utility fund	<u>92,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,748</u>
Totals	<u><u>\$ 92,748</u></u>	<u><u>\$ 80,000</u></u>	<u><u>\$ 265,607</u></u>	<u><u>\$ 291,933</u></u>	<u><u>\$ 730,288</u></u>

Interfund transfers are for future capital replacements, street improvement projects, and public realm improvements.

Long-term liabilities

In 2012, the City issued general obligation bonds for construction of administration and public safety facilities. During fiscal year 2021 the City refunded those bonds with the issuance of general obligation refunding bonds 2020 in the amount of \$4,530,000. Also in fiscal year 2021 the City issued general obligation bonds series 2021 in the amount of \$13,170,000 for street and drainage projects.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Long-term liabilities (continued)

The City imposed a legal debt limit of 1% of assessed property valuations.

At September 30, 2025, the City’s long-term debt consisted of the following:

	Range of Interest Rates	Unpaid Principal	Current Maturities	Long-Term Maturities
Governmental Activities:				
General Obligations, Refunding Bonds Series 2020	2.00-3.00%	\$ 2,650,000	\$ 345,000	\$ 2,305,000
General Obligations, Bonds Series 2021	1.65-2.625%	10,770,000	680,000	10,090,000
Business-Type Activities:				
General Obligations, Refunding Bonds Series 2016	2-4.00%	\$ 305,000	\$ 150,000	\$ 155,000

Changes in the City’s long-term liabilities during the fiscal year ended September 30, 2025:

	ORIGINAL AMOUNT	OUTSTANDING OCTOBER 1, 2024	ISSUED	RETIRED	BALANCE SEPTEMBER 30, 2025	AMOUNTS DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES						
Long-term debt:						
General Obligations, Refunding Bonds Series 2020	\$ 4,530,000	\$ 2,990,000	\$ -	\$ (340,000)	\$ 2,650,000	\$ 345,000
General Obligations, Bonds Series 2021	13,170,000	11,420,000	-	(650,000)	10,770,000	680,000
Lease liability		5,074	-	(2,640)	2,434	2,434
SBITA liability		33,855	-	(18,798)	15,057	14,581
Bond premiums Series 2020 refunding, net		303,570	-	(37,946)	265,624	37,946
Bond premiums Series 2021, net		160,198	-	(7,403)	152,795	7,403
Total long-term debt		14,912,697	-	(1,056,787)	13,855,910	1,087,364
Other long-term liabilities:						
Compensated absences		533,550	180,106	-	713,656	110,686
Total governmental activities		\$ 15,446,247	\$ 180,106	\$ (1,056,787)	\$ 14,569,566	\$ 1,198,050
BUSINESS-TYPE ACTIVITIES						
Long-term debt:						
General Obligations, Refunding Bonds Series 2016	1,370,000	\$ 450,000	\$ -	\$ (145,000)	\$ 305,000	\$ 150,000
Bond premium, net		25,361	-	(8,454)	16,907	8,454
Total long-term debt		475,361	-	(153,454)	321,907	158,454
Other long-term liabilities:						
Compensated absences		28,722	35,230	-	63,952	9,901
Total business-type activities		504,083	35,230	(153,454)	385,859	168,355
Total changes in long-term liabilities		\$ 15,950,330	\$ 215,336	\$ (1,210,241)	\$ 14,955,425	\$ 1,366,405

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Long-term liabilities (continued)

The compensated absences, net pension liability and OPEB liability attributable to the governmental activities will be liquidated primarily by the general fund.

Annual debt service requirements as of September 30, 2025, for revenue bonds are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2026	\$ 1,025,000	\$ 303,063	\$ 1,328,063	\$ 150,000	\$ 12,200	\$ 162,200
2027	1,060,000	278,863	1,338,863	155,000	6,200	161,200
2028	1,095,000	253,863	1,348,863	-	-	-
2029	1,135,000	228,063	1,363,063	-	-	-
2030	1,170,000	201,313	1,371,313	-	-	-
2031-2035	3,500,000	683,009	4,183,009	-	-	-
2036-2040	1,875,000	442,274	2,317,274	-	-	-
2041-2045	2,105,000	200,247	2,305,247	-	-	-
2046-2047	<u>455,000</u>	<u>5,972</u>	<u>460,972</u>	-	-	-
Totals	<u>\$ 13,420,000</u>	<u>\$ 2,596,667</u>	<u>\$ 16,016,667</u>	<u>\$ 305,000</u>	<u>\$ 18,400</u>	<u>\$ 323,400</u>

Lease payable

At September 30, 2025, the City was obligated under one right to use lease for equipment. The monthly lease payment is \$222 with an interest rate of .2280%. Future minimum lease payments on these leases are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2026	<u>\$ 2,434</u>	<u>\$ 7</u>	<u>\$ 2,441</u>
Totals	<u>\$ 2,434</u>	<u>\$ 7</u>	<u>\$ 2,441</u>

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(3) Detailed notes for all funds (continued)

Long-term liabilities (continued)

SBITA payable

At September 30, 2025, the City was obligated under 11 active right to use subscriptions for various information technology arrangements. The subscriptions have payments that range from \$200 to \$11,000 and interest rates that range from 2.5827% to 3.5910%. As of September 30, 2025, the total combined value of the SBITA liability is \$15,057 and the total combined short-term subscription liability is \$14,582. There were no variable or other payments not included in the lease liability. Future minimum payments on these agreements are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2026	\$ 14,581	\$ 491	\$ 15,072
2027	236	15	251
2028	240	8	248
Totals	\$ 15,057	\$ 514	\$ 15,571

(4) Other information

Risk management

The City is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from the City provide its employees with health and life insurance coverage purchased from independent third parties. The City also maintains a cafeteria plan in accordance with Internal Revenue Code Section 125. This plan enables employees to add dependent coverage to their health insurance, as well as select additional types of insurance coverage. The costs of these benefits are recovered through payroll deductions. In the last three years the amount of settlement did not exceed insurance coverage.

(5) Employee retirement system

Plan description

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

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Employee retirement system (continued)

Benefits provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit 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 total member's contribution and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 7%, and the City matching percent is currently 2 to 1.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	92
Active employees	<u>102</u>
	<u>292</u>

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching ratios are either 1:1, 1.5:1, or 2:1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the entry age normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.25% and 17.25% for calendar years 2025 and 2024 respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$1,344,621 and were equal to the required contributions.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Employee retirement system (continued)

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

* presented net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender Distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Employee retirement system (continued)

Net pension liability (continued)

The target allocation and best estimate of real rates of return for each major asset class in 2025 are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Private debt	13.00%	8.20%
Real estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other private markets	4.00%	7.30%
Total	100.00%	

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 member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2023	\$ 35,780,106	\$ 29,263,942	\$ 6,516,164
Changes for the year:			
Service cost	1,254,510	-	1,254,510
Interest	2,401,311	-	2,401,311
Difference between expected and actual experience	191,155	-	191,155
Contributions - employer	-	1,241,973	(1,241,973)
Contributions - employee	-	516,259	(516,259)
Net investment income	-	3,040,335	(3,040,335)
Benefit payments, including refunds of employee contributions	(1,664,772)	(1,664,772)	-
Administrative expense	-	(19,501)	19,501
Other changes	-	(456)	456
Net changes	2,182,204	3,113,838	(931,634)
Balance at December 31, 2024	\$ 37,962,310	\$ 32,377,780	\$ 5,584,530

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Employee retirement system (continued)

Net pension liability (continued)

Sensitivity of the net pension liability to changes in the discount rate

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

1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
\$ 10,864,282	\$ 5,584,530	\$ 1,263,831

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the schedule of changes in fiduciary net position, by participant city. The report may be obtained at www.tnrs.com.

Pension expense and deferred outflows of resources/deferred inflows of resources related to pensions

For the year ended September 30, 2025, the City recognized pension expense of \$1,308,022.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 225,034	\$ -
Changes in actuarial assumptions	-	104,218
Differences between projected and actual investment earnings	-	331,614
Contributions subsequent to the measurement date	994,643	-
Total	\$ 1,219,677	\$ 435,832

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(5) Employee retirement system (continued)

Net pension liability (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The City reported \$994,643 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amortization Expense
2026	\$ 78,758
2027	388,649
2028	(465,201)
2029	(213,004)
2030	-
Thereafter	-
Total	<u>\$ (210,798)</u>

(6) Other postemployment benefits

Plan description

The City participates in a single-employer defined benefit plan, which operates like a group-term life insurance plan, operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired members. 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.

Benefits provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Other postemployment benefits (continued)

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The contribution rates for the City were 0.37% and 0.41% for calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$29,602 and were equal to the required contributions.

Employees covered by benefit terms

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

Inactive employees currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>102</u>
	<u>190</u>

Other postemployment benefits (OPEB) liability

The City's total OPEB liability of \$367,513 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Other postemployment benefits (continued)

Actuarial assumptions

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

Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
Discount rate *	4.08%
Retirees' share of benefit-related costs	\$0
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

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

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Other postemployment benefits (continued)

Changes in the total OPEB liability:

Balance at December 31, 2023	\$	362,659
Changes for the year:		
Service cost		12,538
Interest on the total OPEB liability		13,644
Changes of benefit terms		-
Difference between expected and actual experience		10,708
Change of assumptions		(18,023)
Benefit payments		<u>(14,013)</u>
Net changes		<u>4,854</u>
Balance at December 31, 2024	\$	<u><u>367,513</u></u>

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

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

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
	<u> </u>	<u> </u>	<u> </u>
City's OPEB liability	\$ <u>430,427</u>	\$ <u>367,513</u>	\$ <u>317,627</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$6,848.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual economic experience	\$ 8,481	\$ 6,930
Changes in actuarial assumptions	16,478	82,263
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>21,802</u>	<u>-</u>
Total	<u><u>\$ 46,761</u></u>	<u><u>\$ 89,193</u></u>

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2025

(6) Other postemployment benefits (continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB
(continued)

The City reported \$21,802 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Amortization Expense
2026	\$ (25,294)
2027	(28,176)
2028	(9,609)
2029	(1,155)
2030	-
Thereafter	-
Total	<u>\$ (64,234)</u>

(7) Subsequent events

The City has evaluated subsequent events through March 23, 2026, the date which the financial statements were available to be issued. There are no subsequent events required for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALAMO HEIGHTS, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Property	\$ 6,914,500	\$ 6,914,500	\$ 6,911,538	\$ (2,962)
Sales	1,720,000	1,720,000	1,823,797	103,797
Beverage	120,634	120,634	111,813	(8,821)
Franchise	732,030	732,030	667,092	(64,938)
PUC right of way fees	9,678	9,678	18,620	8,942
Total taxes	<u>9,496,842</u>	<u>9,496,842</u>	<u>9,532,860</u>	<u>36,018</u>
Licenses and permits:				
Building	429,036	429,036	607,646	178,610
Electric	57,689	57,689	164,856	107,167
Liquor and food	20,673	20,673	9,783	(10,890)
Planning and zoning	10,000	10,000	41,500	31,500
Plumbing	55,575	55,575	149,799	94,224
Signs	3,500	3,500	2,980	(520)
Permits	114,954	114,954	255,540	140,586
Certificate of occupancy	4,800	4,800	4,700	(100)
Other	41,979	41,979	23,475	(18,504)
Total licenses and permits	<u>738,206</u>	<u>738,206</u>	<u>1,260,279</u>	<u>522,073</u>
Intergovernmental:				
Dispatch	341,920	341,920	320,024	(21,896)
EMS	246,919	246,919	194,386	(52,533)
Student resource officer	467,691	467,691	474,786	7,095
TDEM	8,942	8,942	8,401	(541)
Total intergovernmental	<u>1,065,472</u>	<u>1,065,472</u>	<u>997,597</u>	<u>(67,875)</u>
Charges for services:				
EMS	250,000	250,000	317,178	67,178
Court	164,676	164,676	237,888	73,212
Garbage	725,410	725,410	708,750	(16,660)
Telecom lease	314,000	314,000	474,599	160,599
Total charges for services	<u>1,454,086</u>	<u>1,454,086</u>	<u>1,738,415</u>	<u>284,329</u>
Fines	<u>200,900</u>	<u>200,900</u>	<u>277,793</u>	<u>76,893</u>
Investment earnings	<u>413,564</u>	<u>413,564</u>	<u>755,882</u>	<u>342,318</u>
Miscellaneous	<u>80,323</u>	<u>80,323</u>	<u>110,357</u>	<u>30,034</u>
Total revenues	<u>13,449,393</u>	<u>13,449,393</u>	<u>14,673,183</u>	<u>1,223,790</u>

(continued)

CITY OF ALAMO HEIGHTS, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the year ended September 30, 2025

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
General government				
Public works administration:				
Personnel	\$ 89,380	\$ 89,380	\$ 89,546	\$ (166)
Commodities	5,300	5,300	3,016	2,284
Contractual	16,050	16,050	38,502	(22,452)
Total public works administration	110,730	110,730	131,064	(20,334)
Court:				
Personnel	124,463	124,463	130,729	(6,266)
Commodities	5,126	5,126	1,343	3,783
Contractual	83,859	83,859	75,205	8,654
SBITA	-	-	1,716	(1,716)
Total court	213,448	213,448	208,993	4,455
Administration:				
Personnel	994,782	994,782	1,006,333	(11,551)
Commodities	299,959	299,959	321,255	(21,296)
Contractual	271,339	271,339	290,481	(19,142)
SBITA	-	-	3,835	(3,835)
Leases	2,160	2,160	-	2,160
Capital equipment	-	-	-	-
Total administration	1,568,240	1,568,240	1,621,904	(53,664)
Information systems:				
Commodities	153,546	153,546	150,903	2,643
Contractual	266,647	266,647	244,776	21,871
SBITA	22,200	22,200	16,941	5,259
Total information systems	442,393	442,393	412,620	29,773
Total general government	2,334,811	2,334,811	2,374,581	(39,770)
Public safety				
Police:				
Personnel	3,225,890	3,225,890	3,095,220	130,670
Commodities	185,532	185,532	252,758	(67,226)
Contractual	98,246	98,246	115,767	(17,521)
Capital equipment	12,576	12,576	11,184	1,392
Total police	3,522,244	3,522,244	3,474,929	47,315
Police dispatch:				
Personnel	828,010	828,010	772,712	55,298
Commodities	25,351	25,351	27,488	(2,137)
Contractual	1,824	1,824	1,970	(146)
Total police dispatch	855,185	855,185	802,170	53,015

(continued)

CITY OF ALAMO HEIGHTS, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the year ended September 30, 2025

EXPENDITURES (CONTINUED)	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Public safety (continued):				
Fire:				
Personnel	\$ 2,416,576	\$ 2,416,576	\$ 2,291,691	\$ 124,885
Commodities	99,101	99,101	71,392	27,709
Contractual	<u>32,380</u>	<u>32,380</u>	<u>28,439</u>	<u>3,941</u>
Total fire	<u>2,548,057</u>	<u>2,548,057</u>	<u>2,391,522</u>	<u>156,535</u>
EMS:				
Personnel	782,081	782,081	707,838	74,243
Commodities	92,704	92,704	59,020	33,684
Contractual	<u>31,063</u>	<u>31,063</u>	<u>30,580</u>	<u>483</u>
Total EMS	<u>905,848</u>	<u>905,848</u>	<u>797,438</u>	<u>108,410</u>
Total public safety	<u>7,831,334</u>	<u>7,831,334</u>	<u>7,466,059</u>	<u>365,275</u>
Streets:				
Personnel	556,830	556,830	478,030	78,800
Commodities	233,898	233,898	170,524	63,374
Contractual	<u>18,500</u>	<u>18,500</u>	<u>12,323</u>	<u>6,177</u>
Total streets	<u>809,228</u>	<u>809,228</u>	<u>660,877</u>	<u>148,351</u>
Sanitation:				
Personnel	601,284	601,284	554,739	46,545
Commodities	146,300	178,300	168,674	9,626
Contractual	<u>240,000</u>	<u>240,000</u>	<u>223,668</u>	<u>16,332</u>
Total sanitation	<u>987,584</u>	<u>1,019,584</u>	<u>947,081</u>	<u>72,503</u>
Planning and development				
Personnel	513,593	513,593	561,610	(48,017)
Commodities	9,535	9,535	8,073	1,462
Contractual	<u>28,650</u>	<u>28,650</u>	<u>40,583</u>	<u>(11,933)</u>
Total planning and development	<u>551,778</u>	<u>551,778</u>	<u>610,266</u>	<u>(58,488)</u>

(continued)

CITY OF ALAMO HEIGHTS, TEXAS

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES (CONTINUED)				
Parks and recreation:				
Personnel	\$ 357,481	\$ 357,481	\$ 348,844	\$ 8,637
Commodities	37,600	37,600	22,058	15,542
Contractual	<u>26,443</u>	<u>26,443</u>	<u>21,068</u>	<u>5,375</u>
Total parks and recreation	<u>421,524</u>	<u>421,524</u>	<u>391,970</u>	<u>29,554</u>
Total expenditures	<u>12,936,259</u>	<u>12,968,259</u>	<u>12,450,834</u>	<u>517,425</u>
Excess of revenue over expenditures	513,134	481,134	2,222,349	1,741,215
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	9,949	9,949
Transfer in	92,748	92,748	92,748	-
Transfer out	<u>(290,607)</u>	<u>(345,607)</u>	<u>(345,607)</u>	<u>-</u>
Total other financing sources (uses)	<u>(197,859)</u>	<u>(252,859)</u>	<u>(242,910)</u>	<u>9,949</u>
Net change in fund balance	<u>\$ 315,275</u>	<u>\$ 228,275</u>	1,979,439	<u>\$ 1,751,164</u>
FUND BALANCE AT OCTOBER 1, 2024			<u>6,703,491</u>	
FUND BALANCE AT SEPTEMBER 30, 2025			<u>\$ 8,682,930</u>	
SUMMARY OF GENERAL FUND EXPENDITURES BY COST CATEGORY				
Personnel	\$ 10,490,370	\$ 10,490,370	\$ 10,037,292	\$ 453,078
Commodities	1,293,952	1,325,952	1,256,504	69,448
Contractual	1,115,001	1,115,001	1,123,362	(8,361)
SBITA	22,200	22,200	22,492	(292)
Leases	2,160	2,160	-	2,160
Capital equipment	<u>12,576</u>	<u>12,576</u>	<u>11,184</u>	<u>1,392</u>
Total expenditures	<u>\$ 12,936,259</u>	<u>\$ 12,968,259</u>	<u>\$ 12,450,834</u>	<u>\$ 517,425</u>

CITY OF ALAMO HEIGHTS, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

September 30, 2025

For the last 10 measurement years

	For the measurement year ended December 31,			
	2024	2023	2022	2021
Total Pension Liability				
Service cost	\$ 1,254,510	\$ 1,131,776	\$ 1,050,067	\$ 1,051,106
Interest (on the total pension liability)	2,401,311	2,281,558	2,146,542	2,015,358
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	191,155	176,135	290,680	269,691
Change of assumptions	-	(287,062)	-	-
Benefit payments, including refunds of employee contributions	<u>(1,664,772)</u>	<u>(1,514,554)</u>	<u>(1,541,245)</u>	<u>(1,243,101)</u>
Net change in total pension liability	2,182,204	1,787,853	1,946,044	2,093,054
Total pension liability - beginning	<u>35,780,106</u>	<u>33,992,253</u>	<u>32,046,209</u>	<u>29,953,155</u>
Total pension liability - ending (a)	<u>\$ 37,962,310</u>	<u>\$ 35,780,106</u>	<u>\$ 33,992,253</u>	<u>\$ 32,046,209</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,241,973	\$ 1,093,330	\$ 1,043,143	\$ 1,028,623
Contributions - employee	516,259	472,135	440,675	437,180
Net investment income	3,040,336	3,032,646	(2,067,900)	3,243,501
Benefit payments, including refunds of employee contributions	(1,664,772)	(1,514,554)	(1,541,245)	(1,243,101)
Administrative expense	(19,502)	(19,291)	(17,890)	(15,002)
Other	<u>(456)</u>	<u>(134)</u>	<u>21,349</u>	<u>102</u>
Net change in plan fiduciary net position	3,113,838	3,064,132	(2,121,868)	3,451,303
Plan fiduciary net position - beginning	<u>29,263,942</u>	<u>26,199,810</u>	<u>28,321,678</u>	<u>24,870,375</u>
Plan fiduciary net position - ending (b)	<u>\$ 32,377,780</u>	<u>\$ 29,263,942</u>	<u>\$ 26,199,810</u>	<u>\$ 28,321,678</u>
Net pension liability (a) - (b)	<u>\$ 5,584,530</u>	<u>\$ 6,516,164</u>	<u>\$ 7,792,443</u>	<u>\$ 3,724,531</u>
Plan fiduciary net position as a percentage of total pension liability	85.29%	81.79%	77.08%	88.38%
Covered payroll	<u>\$ 7,375,132</u>	<u>\$ 6,744,791</u>	<u>\$ 6,295,364</u>	<u>\$ 6,245,433</u>
Net pension liability as a percentage of total covered payroll	75.72%	96.61%	123.78%	59.64%

For the measurement year ended December 31,

2020	2019	2018	2017	2016	2015
\$ 943,099	\$ 965,347	\$ 914,894	\$ 903,080	\$ 868,087	\$ 861,551
1,914,876	1,829,540	1,744,593	1,659,113	1,535,466	1,497,685
-	-	-	311,550	-	-
(128,709)	(283,325)	(279,511)	(185,041)	159,597	(129,805)
-	3,866	-	-	-	104,869
<u>(1,346,200)</u>	<u>(1,133,936)</u>	<u>(1,159,507)</u>	<u>(1,073,882)</u>	<u>(1,046,879)</u>	<u>(923,983)</u>
1,383,066	1,381,492	1,220,469	1,614,820	1,516,271	1,410,317
<u>28,570,089</u>	<u>27,188,597</u>	<u>25,968,128</u>	<u>24,353,308</u>	<u>22,837,037</u>	<u>21,426,720</u>
<u>\$ 29,953,155</u>	<u>\$ 28,570,089</u>	<u>\$ 27,188,597</u>	<u>\$ 25,968,128</u>	<u>\$ 24,353,308</u>	<u>\$ 22,837,037</u>
\$ 955,530	\$ 963,058	\$ 918,155	\$ 953,702	\$ 900,335	\$ 924,993
395,548	400,322	380,526	338,009	317,206	319,883
1,755,564	3,068,397	(608,873)	2,448,963	1,108,388	23,719
(1,346,200)	(1,133,936)	(1,159,507)	(1,073,882)	(1,046,879)	(923,983)
(11,357)	(17,333)	(11,766)	(12,692)	(12,521)	(14,447)
<u>(443)</u>	<u>(521)</u>	<u>(615)</u>	<u>(643)</u>	<u>(675)</u>	<u>(714)</u>
1,748,642	3,279,987	(482,080)	2,653,458	1,265,854	329,451
<u>23,121,733</u>	<u>19,841,746</u>	<u>20,323,826</u>	<u>17,670,368</u>	<u>16,404,514</u>	<u>16,075,063</u>
<u>\$ 24,870,375</u>	<u>\$ 23,121,733</u>	<u>\$ 19,841,746</u>	<u>\$ 20,323,826</u>	<u>\$ 17,670,368</u>	<u>\$ 16,404,514</u>
<u>\$ 5,082,780</u>	<u>\$ 5,448,356</u>	<u>\$ 7,346,851</u>	<u>\$ 5,644,302</u>	<u>\$ 6,682,940</u>	<u>\$ 6,432,523</u>
83.03%	80.93%	72.98%	78.26%	72.56%	71.83%
<u>\$ 5,650,683</u>	<u>\$ 5,718,879</u>	<u>\$ 5,436,088</u>	<u>\$ 5,520,051</u>	<u>\$ 5,286,764</u>	<u>\$ 5,331,379</u>
89.95%	95.27%	135.15%	102.25%	126.41%	120.65%

CITY OF ALAMO HEIGHTS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS – PENSION

For the year ended September 30, 2025

For the last 10 fiscal years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contributions	\$ 1,344,621	\$ 1,197,448	\$ 1,088,595	\$ 1,099,876
Contributions in relation to the actuarially determined contributions	<u>1,344,621</u>	<u>1,197,448</u>	<u>1,088,595</u>	<u>1,099,876</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,794,902</u>	<u>\$ 7,174,403</u>	<u>\$ 6,295,364</u>	<u>\$ 6,649,536</u>
Contributions as a percentage of covered payroll	17.25%	16.69%	17.29%	16.54%

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 976,810	\$ 962,071	\$ 948,916	\$ 920,196	\$ 945,091	\$ 905,858
<u>976,810</u>	<u>962,071</u>	<u>948,916</u>	<u>920,196</u>	<u>945,091</u>	<u>905,858</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,888,184</u>	<u>\$ 5,696,162</u>	<u>\$ 5,626,955</u>	<u>\$ 5,444,475</u>	<u>\$ 5,575,888</u>	<u>\$ 5,290,913</u>
16.59%	16.89%	16.86%	16.90%	16.95%	17.12%

CITY OF ALAMO HEIGHTS, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS LIABILITY
(OPEB) AND RELATED RATIOS**

September 30, 2025

***Last 10 measurement years**

	For the measurement year ended December 31,			
	2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 12,538	\$ 11,466	\$ 21,404	\$ 21,859
Interest on the total OPEB liability	13,644	13,597	8,860	9,054
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	10,708	(2,975)	(5,562)	(5,863)
Change of assumptions	(18,023)	16,305	(154,417)	13,995
Benefit payments	<u>(14,013)</u>	<u>(11,466)</u>	<u>(10,702)</u>	<u>(9,368)</u>
Net change in total OPEB liability	4,854	26,927	(140,417)	29,677
Total OPEB liability - beginning	<u>362,659</u>	<u>335,732</u>	<u>476,149</u>	<u>446,472</u>
Total OPEB liability - ending	<u>\$ 367,513</u>	<u>\$ 362,659</u>	<u>\$ 335,732</u>	<u>\$ 476,149</u>
Covered payroll	<u>\$ 7,375,132</u>	<u>\$ 6,744,791</u>	<u>\$ 6,295,364</u>	<u>\$ 6,245,433</u>
Total OPEB liability as a percentage of covered payroll	4.98%	5.38%	5.33%	7.62%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 75. The City will develop the schedule prospectively.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

For the measurement year ended December 31,

	2020	2019	2018	2017
\$	14,692	\$ 14,297	\$ 13,590	\$ 12,144
	10,897	12,228	11,927	11,796
	-	-	-	-
	(21,304)	(16,207)	(29,942)	-
	54,960	59,848	(22,766)	27,438
	<u>(3,390)</u>	<u>(4,003)</u>	<u>(3,805)</u>	<u>(3,864)</u>
	55,855	66,163	(30,996)	47,514
	<u>390,617</u>	<u>324,454</u>	<u>355,450</u>	<u>307,936</u>
\$	<u>446,472</u>	<u>\$ 390,617</u>	<u>\$ 324,454</u>	<u>\$ 355,450</u>
\$	<u>5,650,683</u>	<u>\$ 5,718,879</u>	<u>\$ 5,436,088</u>	<u>\$ 5,520,051</u>
	7.90%	6.83%	5.97%	6.44%

CITY OF ALAMO HEIGHTS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For the year ended September 30, 2025

***Last 10 fiscal years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contributions	\$ 29,602	\$ 28,904	\$ 11,293	\$ 17,368
Contributions in relation to the actuarially determined contributions	<u>29,602</u>	<u>28,904</u>	<u>11,293</u>	<u>17,368</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,794,902</u>	<u>\$ 7,174,403</u>	<u>\$ 6,295,364</u>	<u>\$ 6,649,536</u>
Contributions as a percentage of covered payroll	0.38%	0.40%	0.18%	0.26%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the eighth year of implementation of GASB 75. This City will develop the schedule prospectively.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 13,812	\$ 12,367	\$ 11,099	\$ 10,733
<u>13,812</u>	<u>12,367</u>	<u>11,099</u>	<u>10,733</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,888,184</u>	<u>\$ 5,696,162</u>	<u>\$ 5,626,955</u>	<u>\$ 5,444,475</u>
0.23%	0.22%	0.20%	0.20%

CITY OF ALAMO HEIGHTS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2025

(1) Budgetary information

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end.

Budgetary preparation and control is exercised at the fund level. The city manager is authorized to transfer budget amounts between accounts within a department and from one department to another. These transfers cannot increase the overall budgeted expenditures.

(2) Schedule of contributions

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Valuation date:

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

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years (longest amortization ladder)
Asset valuation method	10 year smoothed fair value, 12% soft corridor
Actuarial assumption:	
Inflation	2.50%
Salary increases	3.6% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other information:

There were no benefit changes during the year.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

August ___, 2026

**CITY OF ALAMO HEIGHTS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026
DATED AS OF JULY 1, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF ALAMO HEIGHTS, 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, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the City authorizing the issuance and sale of the Certificates (the "*Ordinance*").

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, (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 governmental immunity, 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 municipal 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. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails 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 OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "***Service***"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the 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.

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 we 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.

Respectfully,