HTS Continuing Disclosure Services
A Division of Hilltop Securities.
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August 11, 2026

Ratings:
S&P: "A"
BAM Insured Rating: S&P "AA"
(See "Bond Insurance" and "Other Information- Ratings" herein)

NEW ISSUE - Book-Entry-Only

The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986. See "Tax Matters" herein.

$21,905,000*
ROCKWALL ECONOMIC DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, TAXABLE SERIES 2026

Dated Date: September 15, 2026 — **Due: August 1, as shown below**
Interest accrues from Delivery Date

PAYMENT TERMS . . . Interest on the $21,905,000* Rockwall Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2026 (the "Bonds") will accrue from the Delivery Date, will be payable on February 1 and August 1 of each year, until maturity or prior redemption, commencing February 1, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by Rockwall Economic Development Corporation (the "Corporation") pursuant to the Constitution and the laws of the State of Texas, particularly the Development Corporation Act, Chapters 501, 502 and 504, Texas Local Government Code as amended, formerly Article 5190.6, Section 4A, Texas Revised Civil Statutes (the "Act"). The Bonds and their terms are governed by the provisions of a resolution (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the Corporation. In the Bond Resolution, the Board of Directors of the Corporation delegated authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds to a designated officer of the Corporation (the "Pricing Officer"). The terms of sale will be included in a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution" see "THE BONDS - Authority for Issuance").

The Bonds are special, limited obligations of the Corporation, payable solely from and, together with certain outstanding parity revenue obligations of the Corporation and any parity revenue obligations issued in the future, secured by a lien on and pledge of certain Pledged Revenues which include the proceeds of a ½ of 1% sales and use tax (the "Sales Tax") levied within the City of Rockwall, Texas (the "City") for the benefit of the Corporation (see "THE BONDS – Security and Source of Payment").

The Bonds are payable solely from the Pledged Revenues described in the Resolution and not from any other revenues, properties or income of the Corporation. Neither the State, Rockwall County, the City of Rockwall nor any political corporation, subdivision, or agency of the State shall be obligated to pay the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, Rockwall County, the City of Rockwall, or any political corporation, subdivision, or agency thereof, except the Sales Tax as authorized by the Act, is pledged to the payment of the principal of or interest on the Bonds (see "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) acquire approximately 210 acres of additional land for the Rockwall Technology Park for economic development purposes, (ii) depositing into the Reserve Fund the amount required to be accumulated as a result of the issuance of the Bonds and (iii) to pay the costs of issuance associated with the sale of the Bonds.

BOND INSURANCE . . . The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

MATURITY SCHEDULE* — **CUSIP Prefix: 774283 (1)**

Amount	Maturity August 1	Rate	Initial Yield	CUSIP Suffix(1)	Amount	Maturity August 1	Rate	Initial Yield	CUSIP Suffix(1)
$810,000	2027				$1,050,000	2037			
670,000	2028				1,105,000	2038			
700,000	2029				1,170,000	2039			
735,000	2030				1,235,000	2040			
775,000	2031				1,310,000	2041			
810,000	2032				1,385,000	2042			
855,000	2033				1,470,000	2043			
900,000	2034				1,565,000	2044			
945,000	2035				1,660,000	2045			
995,000	2036				1,760,000	2046			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Corporation, the Municipal Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 1, 2036, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel Kelly Hart & Hallman LLP, Fort Worth, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about September 23, 2026 (the "Delivery Date").

FROST BANK **SAMCO CAPITAL**

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the Corporation with respect to the Obligations that has been "deemed final" by the Corporation 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 pages 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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D – Specimen Municipal Bond Insurance Policy".

The information set forth herein has been obtained from the Corporation 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 Municipal Advisor.

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 Municipal 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 Corporation or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Corporation's undertaking to provide certain information on a continuing basis.

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

THE OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS 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 BONDS 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.

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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.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE CORPORATION .... The Corporation is a non-profit economic development corporation of the State created by the City of Rockwall, Texas, pursuant to the Development Corporation Act, Chapters 501, 502 and 504, Texas Local Government Code as amended, formerly Article 5190.6, Section 4A Texas Revised Civil Statutes (the "Act") (see "Introduction - Description of the Corporation").

THE BONDS .... The Bonds are issued as $21,905,000* Sales Tax Revenue Bonds, Taxable Series 2026. The Bonds are issued as serial bonds maturing on August 1 in each of the years 2027 through 2046 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the Delivery Date and is payable on February 1, 2027, and each February 1 and August 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued by the Rockwall Economic Development Corporation (the "Corporation") pursuant to the Act, and a resolution (the "Bond Resolution") adopted by the Board of Directors of the Corporation on August 13, 2026. In the Bond Resolution, the Board of Directors of the Corporation delegated to a designated officer of the Corporation authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution") (see "THE BONDS – Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds are special, limited obligations of the Corporation, and are payable solely from and, together with certain outstanding parity revenue obligations of the Corporation and any parity revenue obligations issued in the future, secured only by a lien on and pledge of the Pledged Revenues which include the gross proceeds of a 1/2 of 1% sales and use tax levied within the City of Rockwall, Texas for the benefit of the Corporation (see "THE BONDS - Security and Source of Payment").

OPTIONAL REDEMPTION .... The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. (see "THE BONDS –Optional Redemption").

TAX EXEMPTION.......................... The Bonds are not obligations described in Section 103(a) of the Internal Revenue Code of 1986 (See "Tax Matters" herein).

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to (i) acquire approximately 210 acres of additional land for the Rockwall Technology Park for economic development purposes, (ii) depositing into the Reserve Fund the amount required to be accumulated as a result of the issuance of the Bonds and (iii) to pay the costs of issuance associated with the sale of the Bonds.

MUNICIPAL BOND INSURANCE AND RATINGS .... The Bonds are rated "AA" by S&P Global Ratings ("S&P") by virtue of municipal bond insurance policy to be issued by Build America Mutual Assurance Company delivery of the Bonds to the Underwriters. The Bonds and the presently outstanding debt of the Corporation have an underlying rating of "A" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement (See "OTHER INFORMATION – Rating" "MUNICIPAL BOND INSURANCE AND RATING" and "BOND INSURANCE RISK FACTORS" herein).

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* Preliminary, subject to change.

BOOK-ENTRY-ONLY SYSTEM...... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD .... The Corporation has never defaulted in payment of its debt.

For additional information regarding the Corporation, please contact:

Mary Smith		Laura Alexander
City of Rockwall		Steven Murray
385 S. Goliad	or	Hilltop Securities Inc.
Rockwall, Texas 75087		777 Main Street, Suite 1525
(972) 771-7700		Fort Worth, Texas 76102
		(817) 332-9710

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CORPORATION ADMINISTRATION

Board of Directors

Board of Directors	Term Expires
Kayne Pierce Chairman	Dec. 31, 2027
Darren Shue Vice Chairman	Dec. 31, 2026
Justin Lee Secretary	Dec. 31, 2026
Brandon Buschold Director	Dec. 31, 2026
John Hohenshelt Director	Dec. 31, 2027
Eric Burress Director	Dec. 31, 2026
Jeff Thompson Director	Dec. 31, 2027

Officers and Staff

Name	Position	Length of Service
Matt Wavering	President	9 Years
Shannon Foltz	Vice President	1 Year
Debbie Leeuw	Office Manager	1 Year
Jennifer Hammonds	Office Manager	6 Years

CITY ADMINISTRATION

ELECTED OFFICIALS

City Council	Term Expires	Occupation
Tim McCallum Mayor	May, 2027	Digital Marketing
Mark Moeller Mayor Pro Tem, Place 2	May, 2028	Retired - Police Chief
Richard W. Henson Councilmember, Place 1	May, 2027	Business Owner
Melba L. Jeffus Councilmember, Place 3	May, 2027	Retired - Dallas County Community College District
John Hagaman Councilmember, Place 4	May, 2028	Local Business Owner
Dennis Lewis Councilmember, Place 5	May, 2027	Vice President Concrete Company
Anna Campbell Councilmember, Place 6	May, 2028	Educator for Rockwall ISD

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service - Rockwall
Mary Smith, CPA	City Manager	27 Years
Joey Boyd	Assistant City Manager	26 Years
David Sweet	Director of Administrative Services	3 Years
Kristy Teague	Assistant to the City Manager/ City Secretary	23 Years
Laura Perez	Executive Secretary	14 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

Municipal Advisor .... Hilltop Securities Inc.
Fort Worth, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$21,905,000*
ROCKWALL ECONOMIC DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, TAXABLE SERIES 2026

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $21,905,000* Rockwall Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution authorizing the issuance of the Bonds (the "Bond Resolution", and together with the "Pricing Certificate" authorized therein, the "Resolution"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Corporation 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 Corporation's Municipal Advisor, Hilltop Securities Inc., Fort Worth, Texas.

DESCRIPTION OF THE CORPORATION . . . The Corporation is a non-profit corporation duly organized and operating under the laws of the State of Texas, particularly the Development Corporation Act, Chapters 501, 502 and 504, Texas Local Government Code, formerly Article 5190.6, Section 4A, Texas Revised Civil Statutes (the "Act"). The Corporation was created following an election held by the City of Rockwall, Texas (the "City"), on the question of the levy of a 1/2 of 1% local sales and use tax (the "Sales Tax") within the City for the benefit of the Corporation. The Corporation as currently organized is to promote and provide for the economic development within the City and the State of Texas to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing projects under the Act and as defined in the Act. The City Council of the City of Rockwall appoints the members of the Board of Directors of the Corporation and under the provisions of the Act is required to approve certain actions of the Corporation, including the issuance of the Bonds by the Corporation.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) acquire approximately 210 acres of additional land for the Rockwall Technology Park for economic development purposes, (ii) deposit to the Reserve Fund the amount required to be accumulated in the Reserve Fund as a result of the issuance of the Bonds and (iii) to pay the costs of issuance associated with the sale of the Bonds.

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

	The Bonds
Sources:	
Par Amount	$ -
Premium	-
Total Sources of Funds	$ -
Uses:	
Deposit to Project Fund	$ -
Deposit to Reserve Fund	-
Cost of Issuance (1)	-
Total Uses of Funds	$ -

(1) Includes Underwriters' Discount.

* Preliminary, subject to change.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated September 15, 2026, and will mature on August 1 in each of the years and in the amounts shown on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from their Delivery Date and will be payable on February 1 and August 1, of each year until maturity or prior redemption, commencing February 1, 2027. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by the Corporation pursuant to the Constitution and the laws of the State of Texas (the "State"), particularly the Development Corporation Act, Chapters 501, 502 and 504, Texas Local Government Code, formerly Article 5190.6, Section 4A Texas Revised Civil Statutes (the "Act"), and a resolution (the "Bond Resolution") adopted by the Board of Directors of the Corporation on August 13, 2026. In the Bond Resolution, the Board of Directors of the Corporation delegated to a designated officer of the Corporation authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to herein as the "Resolution").

OPTIONAL REDEMPTION . . . The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 1, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2036, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. (see "THE BONDS –Optional Redemption").

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special, limited obligations of the Corporation, and are payable solely from and secured only by a lien on and pledge of certain Pledged Revenues, which include the revenues received from a 1/2 of 1% sales and use tax levied and collected within the City pursuant to the Act that was approved and authorized at an election held within the City on November 7, 1995 for the benefit of the Corporation (see "Selected Provisions of the Bond Resolution" herein). **The Bonds do not constitute a debt of the City, the State or any agency, political corporation or subdivision thereof. Neither the full faith and credit of the State, Rockwall County, the City or any agency, political corporation or subdivision thereof, has been pledged for the payment of the Bonds, except as described herein**.

PLEDGE UNDER RESOLUTION . . . In the Resolution, the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of outstanding parity revenue obligations, the Bonds and any additional parity revenue obligations (collectively, the "Parity Obligations"), are irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created and established in the Resolution. Under the Resolution, the Pledged Revenues consist of (a) the Gross Sales Tax Revenues and (b) such other money, income, revenues or other property which the Corporation may pledge expressly and specifically the payment of Parity Obligations. The Resolution defines Gross Sales Tax Revenues as all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or the Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retentions by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law. The Resolution further provides that the Parity Obligations shall constitute a lien on the Pledged Revenues in accordance with the terms of the Resolution, which lien shall be valid and binding without any further action by the Corporation and without any filing or recording with respect thereto except in the records of the Corporation.

The Act contains provisions which would allow the voters of the City to either reduce or repeal the Sales Tax. On July 8, 1992, the Texas Attorney General issued an Attorney General's Opinion (Opinion No. DM-137), which held that a "reduction in the sales tax rate, or a limitation on the amount of time the tax may be collected, may not be applied to any bonds issued prior to the date of the rollback election". In so ruling, the Attorney General noted any "subsequent legislation which purports to permit the reduction or other limitation of that tax is ineffective to do so, because such alteration would impair the obligation of the contract between the city and such bondholders", and in effect be a violation of Article 1, Section 10 of the United States Constitution and Article 1, Section 16 of the Texas Constitution.

ADDITIONAL PARITY OBLIGATIONS . . . In the Resolution, the Corporation reserves the right to issue additional parity revenue obligations ("Additional Parity Obligations") payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including obtaining a certificate or report from a certified public accountant to the effect that, according to the books and records of the Corporation, the Gross Sales Tax Revenues received by the Corporation for the last completed Fiscal Year or for any twelve consecutive months out of the fifteen months next preceding the adoption of the resolution authorizing the issuance of the Additional Parity Obligations were equal to not less 1.25 times average annual debt service and 1.10 times maximum annual debt service for all Parity Obligations then outstanding after giving effect to the issuance of the Additional Parity Obligation then being issued; provided, however, that in the event an increase in the rate of the Sales Tax becomes effective prior to the date of a resolution authorizing the issuance of Additional Parity Obligations, such certificate or report shall calculate the Gross Sales Tax Revenues for the calculation period as if such increased rate were in effect during the calculation period.

THE GROSS SALES TAX REVENUE FUND… Under the terms of the Act and a resolution adopted concurrently by the City Council of the City and the Board of Directors of the Corporation (the "Sales Tax Collection Resolution") that relates to the collection, handling and transfer of sales tax revenue due to the Corporation, the Gross Sales Tax Revenues collected by the State Comptroller of Public Accounts and remitted periodically to the City for the benefit of the Corporation shall be deposited by the City as received to the credit of a fund or account of the Corporation to be known as the "Gross Sales Tax Revenue Fund."

GENERAL COVENANT REGARDING THE SALES TAX . . . In the Resolution, the Corporation covenants and agrees that, while any Bonds are outstanding, it will take all legal means and actions permissible to cause the Sales Tax, at its current rate (1/2 of 1%) or at a higher rate if legally permitted, to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax until all the Bonds have been paid in full or until they are lawfully defeased in accordance with the Resolution. The Corporation also covenants and agrees that, if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Resolution was adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

FLOW OF FUNDS . . . The Resolution confirms the establishment of the following funds, held by the Corporation's depository bank:

(i) Project Development Fund, to be used for paying costs of projects for which Parity Obligations from time to time are issued;

(ii) Economic Development Fund, to be maintained as a fund of the Corporation to be used for the lawful purposes of the Corporation;

(iii) Gross Sales Tax Revenue Fund, to be maintained as a special fund or account within the Economic Development Fund comprised of the Gross Sales Tax revenues, together with all other revenues as from time to time may be determined for deposit therein by the Corporation, subject to the further provisions of the Resolution;

(iv) Debt Service Fund, to be maintained for the benefit of the registered owners of the Parity Obligations and used to pay the principal of and interest on the Parity Obligations when and as the same shall become due and payable; and

(v) Reserve Fund, to be maintained for the benefit of the registered owners of the Parity Obligations and used to pay principal of and/or interest on Parity Obligations when there is not sufficient money available in the Debt Service Fund for such purpose.

All Sales Tax Revenues are to be deposited and transferred as received to the Gross Sales Tax Revenue Fund and, together with other moneys deposited in the Gross Sales Tax Revenue Fund, pledged and appropriated to the following uses, in the order of priority shown:

(i) To the payment, without priority, of the amounts required to be deposited in the Debt Service Fund for the payment of Parity Obligations;

(ii) To the payment of the amounts required to be deposited in the Reserve Fund pursuant to this Resolution or any resolution relating to the issuance of Parity Obligations;

(iii) To any other fund or account required by any resolution authorizing Parity Obligations, the amounts required to be deposited therein;

(iv) To any fund or account, or to any payee, required by any other resolution of the Board which authorizes the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien and pledge created herein with respect to the Parity Obligations; and

(v) To any other purpose now or hereafter permitted by law.

See "Selected Provisions of the Resolution" herein.

RESERVE FUND REQUIREMENT . . . The Reserve Fund is to be maintained by the Corporation as security for the payment of the Parity Obligations in an amount equal to the lesser of (i) the average annual principal and interest requirements of the Parity Obligations to be outstanding after the issuance or incurring of such Additional Parity Obligations, calculated on a Fiscal Year basis as of the date the Additional Parity Obligations are issued or incurred or (ii) an amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Immediately following the delivery of each issue or series of Additional Parity Obligations, the Corporation shall cause the Reserve Requirement to be calculated after giving effect to the issuance of such Additional Parity Obligations. Any additional amount required to be deposited in the Reserve Fund shall be accumulated therein within five (5) calendar years of the delivery date of such Additional Parity Obligations. Should the amount on deposit in the Reserve Fund be reduced below the sum required to be maintained in said Fund, payments to said Fund shall be made from the first Pledged Revenues available for such purpose, until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while payments are being made to said Fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made until the total amount then required to be on deposit in said Fund has been fully restored. Any funds on deposit in the Reserve Fund in excess of the Reserve Requirement may, at the option of the Corporation, be withdrawn and used for any lawful purpose for which said funds may be used.

The additional amount to be maintained in the Reserve Fund as a result of the issuance of the Bonds will be provided from proceeds of the Bonds.

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution 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 Corporation, the Municipal Advisor or the Underwriters.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. In the event that the Book-Entry-Only System is discontinued, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bonds will be prepared and sent to the owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Corporation nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day (whether or not a 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 Corporation. 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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Amendments to the Resolution . . . In the Resolution, the Corporation has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the registered owners of the Bonds, (ii) grant additional rights or security for the benefit of the registered owners of the Bonds, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the registered owners of the Bonds, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the Corporation, do not materially adversely affect the interests of the registered owners of the Bonds.

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

Defeasance . . . The Resolution provides for the defeasance of the Bonds when payment of the principal of and accrued interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds , and thereafter the Corporation will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Corporation has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Corporation moneys in excess of the amount required for such defeasance. The Resolution provides that "Defeasance Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Corporation to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Corporation: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

Bondholders' Remedies . . . The Resolution establishes specific events of default with respect to the Bonds. If the Corporation defaults in the payment of the principal of or interest on the Bonds when due, or the Corporation defaults in the observance or performance of any of the covenants, conditions, or obligations of the Corporation, 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 Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the Corporation, the Resolution provides that any registered owner is entitled to proceed against the Corporation for the purpose of protecting and enforcing the rights of the registered owners under the Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Resolution, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the registered owners under the Resolution or any combination of such remedies. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Corporation's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the Corporation to perform in accordance with the terms of the Resolution, 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. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Corporation's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the Corporation for breach of the obligations or covenants in the Resolution. Even if a judgment against the Corporation could be obtained, it could not be enforced by direct levy and execution against the Corporation's property, other than the Pledged Revenues. Further, the registered owners cannot themselves foreclose on property within the Corporation or sell property within the Corporation to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Corporation 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, such as the Pledged Revenues, such provision is subject to particular circumstances and Bankruptcy Court interpretation. 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 holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Initially, the only registered owner of the Bonds will be The Depository Trust Company. See "Book-Entry-Only System" herein.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $493.3 million, $277.6 million and $215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. . . For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. . . Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. . . The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

GENERAL . . . The Corporation has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Corporation desires to purchase such insurance, the cost will be paid by the Corporation. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the Corporation. It will be the responsibility of the Corporation to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds. If the Corporation obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the sources of funds pledged to the payment of the Bonds (see "The Bonds – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the Corporation, the Municipal Advisor or the Underwriters have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

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

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DEBT INFORMATION

TABLE 1 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service Principal	Outstanding Debt Service Interest	Outstanding Debt Service Total	The Bonds [(1)] Principal	The Bonds [(1)] Interest	The Bonds [(1)] Total	Total Outstanding Debt	% of Principal Retired
2026	$ 915,000	$ 267,600	$ 1,182,600	$ -	$ -	$ -	$ 1,182,600	
2027	945,000	240,150	1,185,150	810,000	1,058,430	1,868,430	3,053,580	
2028	970,000	211,800	1,181,800	670,000	1,198,489	1,868,489	3,050,289	
2029	650,000	182,700	832,700	700,000	1,166,195	1,866,195	2,698,895	
2030	670,000	163,200	833,200	735,000	1,132,035	1,867,035	2,700,235	22.96%
2031	690,000	143,100	833,100	775,000	1,095,726	1,870,726	2,703,826	
2032	710,000	122,400	832,400	810,000	1,056,666	1,866,666	2,699,066	
2033	730,000	101,100	831,100	855,000	1,015,437	1,870,437	2,701,537	
2034	400,000	79,200	479,200	900,000	971,063	1,871,063	2,350,263	
2035	410,000	67,200	477,200	945,000	923,993	1,868,993	2,346,193	46.45%
2036	420,000	54,900	474,900	995,000	873,624	1,868,624	2,343,524	
2037	435,000	42,090	477,090	1,050,000	819,596	1,869,596	2,346,686	
2038	450,000	28,823	478,823	1,105,000	761,531	1,866,531	2,345,353	
2039	465,000	14,648	479,648	1,170,000	699,319	1,869,319	2,348,967	
2040	-	-	-	1,235,000	632,278	1,867,278	1,867,278	70.26%
2041	-	-	-	1,310,000	560,895	1,870,895	1,870,895	
2042	-	-	-	1,385,000	480,592	1,865,592	1,865,592	
2043	-	-	-	1,470,000	395,692	1,865,692	1,865,692	
2044	-	-	-	1,565,000	305,581	1,870,581	1,870,581	
2045	-	-	-	1,660,000	209,646	1,869,646	1,869,646	94.28%
2046	-	-	-	1,760,000	107,888	1,867,888	1,867,888	100.00%
	$ 8,860,000	$1,718,910	$ 10,578,910	$ 21,905,000	$ 15,464,673	$ 37,369,673	$47,948,583	

(1) Average life of the issue – 12.026 years. Interest on the Bonds has been calculated at the average rate of 5.90% for purposes of illustration. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT . . . The Corporation does not anticipate the issuance of additional debt within the next twelve months.

THE SALES TAX

Source and Authorization . . . The Sales Tax is a 1/2 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at an election held in the City on November 7, 1995

Application and Collection of the Sales Tax. . . The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The City currently levies another sales and use tax for City purposes totaling 1.50% in accordance with State law and, the use of such sales and use tax is restricted by current law. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds. Reference is made to the Texas Municipal Sales and Use Tax Act, for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable Services" include certain amusement services, cable television services, personal services, motor vehicle parking and storage repair, remodeling, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling services, security services, telephone answering services, Internet access service, and a sale by a transmission and distribution utility of transmission or delivery of service directly to an electricity end-use customer whose consumption of electricity is subject to taxation under Chapter 151 of the Texas Tax Code. Certain items are exempted by State law from sales and use taxes, including but not limited to, items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including prescription medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes except that the following are exempt from the sales taxes: mixed beverages, ice or nonalcoholic beverages that are subject to State alcohol taxes (there is no local component of the State alcohol taxes and, thus, the City would not receive any revenue with respect to such sales) and alcoholic beverages when sold to the holder of a private club registration permit under certain circumstances. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased for the performance of certain bids and written contracts in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6.25% sales and use tax against essentially the same taxable items and transactions as the Sales Tax. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by an authorized political subdivision within such area, including the State, is 8.25%. The current aggregate sales and use tax levied in the City is 8.25% of which 6.25% is levied by the State, 1% is levied by the City, ½ of 1% is levied by the City for property tax reduction and deposited into the City's general fund and ½ of 1% is levied for the general fund at the City by the City for the benefit of the Corporation.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has not opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. The City has opted to tax the residential use of gas and electricity.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing

$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than $500 sales and use tax dollars in a calendar month or $1,500 in a calendar quarter submit their tax collections quarterly. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. In 1989, the Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition of the 1/2% allowed for the cost of collecting the sales and use tax.

INVESTOR CONSIDERATIONS

Sales Tax Volatility and Potential Changes in Sales Tax Base. The primary source of security for the Bonds will be certain receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality. The City could be subjected to economic events that slow sales tax growth, or result in an annual decline in collections. The City cannot predict such events, but they could arise from increased environmental regulations, downturns in financial and credit markets, cyclical housing and commercial development activity, changes in Federal and State tax policies, including the implementation of value-added taxation measures, among other factors.

Increases in internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three-year moratorium on certain aspects of taxation of the internet (existing taxes imposed by the State were exempted from the moratorium). Congress extended the moratorium for additional three-year terms in 2001 and 2004. In October 2007, Congress extended the moratorium for an additional seven years through 2014. The Internet Tax Freedom Act was approved by Congress on February 11, 2016, and made permanent when signed by the President on February 24, 2016.

Legislation. The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the State and national level. Internet sales have likely resulted in a decrease in Sales Tax revenue to the Corporation. However, in June of 2018, the U.S. Supreme Court, in reversal of a principle set out by the Court in 1992 (Quill Corp. v. North Dakota,504 U.S. 298 (1992)), determined that the Commerce Clause of the U.S. Constitution would not prohibit state and local governmental entities from collecting sales tax on goods sold to buyers for delivery in a state, even though a business that made the sale did not have a physical presence in the state. (See *South Dakota v. Wayfair, Inc.*, 2018 U.S. Lexis 3835 (2018)).

During the 2019 Texas legislative sessions, two bills were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in South Dakota v. Wayfair, Inc. House Bill 1525 ("HB 1525") amended Chapters 151, 321 and 323, of the Texas Tax Code, by revising the definitions of “seller" and "retailer" to include a "Marketplace" provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. In other words, HB 1525 requires online marketplace (e.g., Ebay, Amazon, or Walmart) to collect sales taxes on marketplace sales instead of potentially requiring each individual seller on that marketplace to do so. Additionally, HB 1525 requires the sales taxes associated with marketplace sales to be sourced to the destination to which the marketplace goods are shipped. House Bill 2153, which became effective October 1, 2019, amended the Texas Tax Code by giving remote sellers the option to either: (1) collect and remit the actual sales taxes owed based upon the shipping destination; or (2) collect a simplified “single local use tax rate” of roughly 1.75 percent on all sales. Remote sellers who collect the single local use tax rate send the money to the Comptroller, who remits the revenue to local taxing entities based upon their existing proportion of the local sales tax base.

In response to this legislation passed during the 2019 legislative session, the Texas Comptroller adopted rule changes affecting orders made on the internet. The rule changes added Section 3.334(b)(5), Texas Administrative Code, which states “orders not received by sales personnel, including orders received by a shopping website or shopping software application…are received at locations that are not places of business of the seller.” As a result, certain municipalities challenged the Comptroller, arguing that the new sourcing rules conflicted with existing state laws, were not adopted in compliance with the Texas Administrative Procedures Act (APA), and would cause them to lose significant sales tax revenue. In 2021, the District Court granted the municipalities a temporary injunction delaying implementation until it reached a final decision. On December 3, 2024, the District Court in Travis County issued a final judgment striking down the new rule, after determining that the Comptroller had failed to comply with provisions of the APA and that the new rules “contravened specific statutory language” contained in the State's sourcing law.

The Texas Legislature could enact laws that materially change current laws affecting sales tax matters, elections, and other matters which could adversely affect the Corporation and also affect the marketability or market value of the Bonds. The Corporation can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the Corporation, the Corporation does not anticipate that the security for payment of the Bonds would be adversely affected by any such legislation.

Other Considerations. Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City’s boundaries is 8.25% (including State and City taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax the pledge of which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could effect the tax base against which the Sales Tax is levied; and the Corporation, except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax. Sales Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the 1/2 of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes (see "THE SALES TAX – Source and Authorization"). The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.

Historical information regarding the State's sales tax base, gross sales within the City and sales within the City which are subject to the State sales and use tax is included herein, and while the Corporation has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the City will provide sufficient Sales Tax receipts to pay the Bonds and Additional Parity Obligations, if any.

TABLE 2 - HISTORICAL CITY RECEIPTS OF SALES TAX[(1)]

Month of Receipt	Year Ending 9/30/25	Year Ending 9/30/24	Year Ending 9/30/23	Year Ending 9/30/22	Year Ending 9/30/21
October	$ 727,093	$ 762,606	$ 734,153	$ 626,587	$ 524,486
November	802,998	809,171	769,707	765,492	668,418
December	740,811	691,482	696,602	663,936	549,758
January	759,076	774,033	750,929	686,832	577,235
February	1,151,044	1,090,960	939,226	896,054	753,238
March	677,404	525,711	656,811	602,836	511,256
April	618,895	521,301	657,207	550,466	654,372
May	851,057	823,236	890,579	861,868	889,888
June	793,541	719,721	629,782	691,731	702,806
July	811,432	755,280	733,282	701,906	618,347
August	860,038	780,758	839,293	805,233	651,794
September	757,973	719,564	796,827	821,132	627,425
Annual Totals	$ 9,551,362	$ 8,973,821	$ 9,094,398	$ 8,674,073	$ 7,729,022

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Source: City Staff. Amounts shown in the table may differ from fiscal year totals reflected in the City's audit due to the use of the modified accrual basis for recording revenue by the City and the Corporation. The Corporation's sales tax revenues shown in Table 3, "Historical Corporation Revenues and Expenditures", reflect actual cash remittances from the City to the Corporation for the month.

(1) One half of one percent sales tax collected by the City for the benefit of the Corporation.

TABLE 3 - HISTORICAL CORPORATION REVENUES AND EXPENDITURES

	Fiscal Year Ended September 30,				
Revenues	2025	2024	2023	2022	2021
Sales Taxes	$ 9,551,362	$ 8,973,820	$ 9,094,398	$ 8,674,073	$ 7,927,932
Interest Income	807,198	1,128,814	1,252,267	41,179	7,976
Miscellaneous	4,459	159,090	14,687	211,229	210,553
Total Revenues	$10,363,019	$10,261,724	$10,361,352	$ 8,926,481	$ 8,146,461
Expenditures					
Administration	$ 3,557,019	$ 2,733,335	$ 2,481,505	$ 2,136,630	$ 2,000,963
Capital Outlay	-	6,791	-	-	5,649
Debt Service	4,106,182	4,108,755	4,111,496	2,762,028	2,588,385
Total Expenditures	$ 7,663,201	$ 6,848,881	$ 6,593,001	$ 4,898,658	$ 4,594,997
Excess (Deficiency) of Revenues Over Expenditures	$ 2,699,818	$ 3,412,843	$ 3,768,351	$ 4,027,823	$ 3,551,464
Other Financing Sources (Uses)	-	-	-	-	-
Fund Balance at Beginning of Year	37,176,063	33,763,220	29,994,869	25,967,046	22,415,582
Fund Balance at End of Year	$39,875,881	$37,176,063	$33,763,220	$29,994,869	$25,967,046

TABLE 4 - CALCULATION OF COVERAGE FOR THE ISSUANCE OF ADDITIONAL BONDS [1]

Sales Tax Collection for Fiscal Year End 9-30-25 [2]	$ 9,551,362
Maximum Annual Debt Service (Fiscal Year 2027)	$ 3,053,580
Coverage of Maximum Requirements, Fiscal Year End 9-30-26	3.13x
Average Annual Debt Service	$ 2,283,266
Coverage of Average Annual Requirements, Fiscal Year End 9-30-26	4.18x
Reserve Fund Balance as of 6-1-26 [2]	$ 778,517

(1) Includes the Bonds. Preliminary, subject to change.
(2) Preliminary information provided by the Corporation.

The City and the Corporation may enter into agreements from time to time pursuant to which the Corporation will contribute to the City funds to pay debt service on City obligations that are issued to fund projects that are eligible for Corporation funding (the "Corporation Contribution"). Pursuant to such agreements, the Corporation Contribution is subject to annual appropriation and budgeting by the Corporation and is subordinate to the pledge of the Pledged Revenues, including the sales tax, to the payment and security for the Parity Revenue Obligations. The Corporation appropriated $2,927,615 towards the repayment of City debt obligations in fiscal year 2026 and estimates the appropriation of $2,530,592 for such purpose in fiscal year 2027.

SELECTED PROVISIONS OF THE RESOLUTION

The following contains certain selected provisions of the Resolution and is qualified by reference to other provisions of the Resolution referred to elsewhere in this Official Statement. All references and summaries pertaining to the Resolution in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Resolution, a copy of which may be obtained from the Corporation.

DEFINITIONS

(a) Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution the following terms shall have the meanings specified below:

"Act" shall mean the Development Corporation Act, V.T.C.A, Local Government Code, Title 12, Subtitle C1, as amended (formerly known as the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Article 5190.6), specifically Chapters 501, 502 and 504 thereof.

"Additional Parity Obligations" means bonds, notes or other obligations the Corporation reserves the right to issue on a parity with the Parity Revenue Obligations in accordance with the terms and conditions prescribed in Section 13 hereof.

"Board" means the Board of Directors of the Corporation.

"Bonds" means the Corporation's Bonds entitled "Rockwall Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2026" authorized to be issued by the Resolution.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Comptroller" means the Comptroller of Public Accounts of the State of Texas and any successor officer or official that may be charged by law with the duty of collecting Gross Sales Tax Revenues for the account of, and remitting the same to, the City for the account of the Corporation.

"Debt Service Fund" means the interest and sinking fund established by Section 8(a).

"Economic Development Fund" means the special fund so designated in Section 8(a).

"Event of Default" means any Event of Default as defined herein.

"Fiscal Year" means twelve months' period beginning October 1 of each year and ending September 30 of the succeeding year.

"Gross Sales Tax Revenue Fund" means the special fund so designated in Section 8(a).

"Gross Sales Tax Revenues" means all of the revenues due or owing to, or collected or received by or on behalf of the Corporation, whether by the City or otherwise, pursuant to the Sales Tax Collection Resolution or this Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retentions by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity of the Bond, such dates being set forth in the Pricing Certificate (hereinafter defined)

"Parity Revenue Obligations" means the Corporation's outstanding Sales Tax Revenue Refunding Bond, Taxable Series 2017, Sales Tax Revenue Refunding and Improvement Bonds, Taxable Series 2020, the Bonds and Additional Parity Obligations.

"Paying Agent/Registrar" means the entity designated in the Pricing Certificate, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Resolution.

"Pledged Revenues" means (a) the Gross Sales Tax Revenues and (b) such other money, income, revenues or other property which the Corporation may pledge expressly and specifically to the payment of Parity Revenue Obligations.

"Pricing Certificate" means the Pricing Certificate described in Section 3(a).

"Project Development Fund" means the fund so designated and established by Section 8(a).

"Purchaser" means the person, firm or entity initially purchasing the Bonds from the Corporation and which is designated in Section 27.

"Record Date" means the fifteenth day of the month (whether or not a business day) next preceding an Interest Payment Date.

"Registered Owner" means the person who is the Registered Owner of a Bond, as shown in the Register.

"Registration Books" means the bond registration books specified in Section 4(b).

"Reserve Fund" means the reserve fund established by Section 8(a).

"Reserve Requirement" has the meaning set forth in Section 12(a).

"Resolution" means this Resolution.

"Sales Tax" means the local sales and use tax authorized under the Act and heretofore authorized and levied by the City within its existing boundaries, and hereafter required to be levied and collected within any expanded areas included within the City pursuant to the Act, together with any increases in the rate thereof if provided and authorized by applicable law.

"Sales Tax Collection Resolution" means that certain resolution adopted by the Board and the governing body of the City, bearing that name.

(b) This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Resolution.

(c) Section references shall mean, unless otherwise designated, Sections of this Resolution.

CONFIRMATION OF LEVY OF SALES TAX

(a) The Corporation hereby confirms the earlier levy by the City of the Sales Tax at the rate voted at the election held by and within the City of November 7, 1995, and the Corporation hereby warrants and represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may be expanded from time to time.

(b) For so long as any Parity Revenue Obligations are outstanding, the Corporation covenants, agrees and warrants to take and pursue all action permissible under applicable law to cause the Sales Tax, at said rate or at a higher rate if permitted by applicable law, to be levied and collected continuously, in the manner and to the maximum extent permitted by applicable law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in Subsection (a) of this Section to be ordered or permitted so long as any Parity Revenue Obligations shall remain outstanding.

(c) If the City shall be authorized hereafter by applicable law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, the Corporation, to the extent it legally may do so, hereby covenants and agrees to use its best efforts to cause the City to take such action as may be required by applicable law to subject such taxable items or transactions to the Sales Tax.

(d) The Corporation agrees to take and pursue all action permissible under applicable law to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by applicable law.

(e) The Corporation agrees and covenants at all times, and to use its best efforts to cause the City, to comply with the Sales Tax Collection Resolution.

PLEDGE.

(a) The Pledged Revenues (with the exception of those in excess of the amounts required to establish and maintain the Funds as hereinafter provided) are hereby pledged for the payment of the principal of and interest on all Parity Revenue Obligations which are or may be outstanding from time to time, including the establishment and maintenance of the Reserve Fund hereinafter provided.

(b) The provisions, covenants, pledge and lien on and against the Pledged Revenues, as herein set forth, are established and shall be for the equal benefit, protection and security of the Registered Owners of the Parity Revenue Obligations without distinction as to priority and rights; and such lien shall be valid and binding without any further action by the Corporation and without any filing or recording with respect thereto other than in the records of the Corporation.

(c) The Parity Revenue Obligations, including interest payable thereon, shall constitute special, limited obligations of the Corporation, payable solely from, and secured by a pledge of and lien on, the Pledged Revenues as provided in this Resolution and not from any other revenues, properties or income of the Corporation. Parity Revenue Obligations shall not constitute debts or obligations of the State or of the City or any other political subdivision of the State, and the

Registered Owners of the Parity Revenue Obligations shall never have the right to demand payment out of any funds raised or to be raised by ad valorem taxation.

(d) Article 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

CREATION OF FUNDS.

(a) The Corporation hereby confirms the establishment of the following funds:

(i) Project Development Fund;

(ii) Economic Development Fund;

(iii) Gross Sales Tax Revenue Fund;

(iv) Debt Service Fund; and

(v) Reserve Fund.

(b) The establishment of the Project Development Fund is hereby confirmed and shall be maintained for the purpose, and moneys on deposit therein shall be used for, paying costs of projects for which Parity Revenue Obligations from time to time are issued. The Project Development Fund at all times shall be free of any lien, pledge or trust created by this Resolution and the resolution or resolutions authorizing Additional Parity Revenue Obligations. Any proceeds of the Bonds, including the investment earnings thereon, not required for the purposes for which the Bonds are issued shall be deposited to the Debt Service Fund.

(c) The establishment of the Economic Development Fund is hereby confirmed and shall be maintained as a fund of the Corporation to be used for the lawful purposes of the Corporation;

(d) The establishment of the Gross Sales Tax Revenue Fund is hereby confirmed and shall be maintained as a special fund or account within the Economic Development Fund comprised of the Gross Sales Tax Revenues, together with all other revenues as from time to time may be determined for deposit therein by the Corporation, and shall be maintained for the benefit of the Registered Owners of the Parity Revenue Obligations, subject to the further provisions of this Resolution including the payment requirements of the Prior Lien Obligation.

(e) The establishment of the Debt Service Fund is hereby confirmed and shall be maintained for the benefit of the Registered Owners of the Parity Revenue Obligations. Money deposited in the Debt Service Fund shall be used to pay the principal of and interest on the Parity Revenue Obligations when and as the same shall become due and payable.

(f) The establishment of the Reserve Fund is hereby confirmed and shall be maintained for the benefit of the Registered Owners of the Parity Revenue Obligations. Money deposited in the Reserve Fund shall be used to pay principal of and/or interest on Parity Revenue Obligations becoming due and payable when there is not sufficient money available in the Debt Service Fund for such purpose.

INITIAL DEPOSITS. On the Closing Date, the Corporation shall cause the proceeds of the Bonds to be applied as follows:

(i) The amount required to fund the increase in the Reserve Requirement attributable to the Bond shall be deposited into the Reserve Fund;

(ii) the amount necessary to pay costs of issuance of the Bonds shall be disbursed for such purpose; and

(iii) the amount necessary to acquire land shall be deposited to the Series 2026 Project Development Account of the Project Development Fund; and

(iv) any proceeds of the Bonds not required for the purposes for which the Bonds are issued shall be deposited to the Debt Service Fund

GROSS SALES TAX REVENUE FUND.

(a) All Gross Sales Tax Revenues shall be deposited and transferred as received to the Gross Sales Tax Revenue Fund.

(b) Moneys deposited in the Gross Sales Tax Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:

(i) To the payment, without priority, of the amounts required to be deposited in the Debt Service Fund for the payment of Parity Revenue Obligations;

(ii) To the payment of the amounts required to be deposited in the Reserve Fund pursuant to this Resolution or any resolution relating to the issuance of Parity Revenue Obligations;

(iii) To any other fund or account required by any resolution authorizing Parity Revenue Obligations, the amounts required to be deposited therein;

(iv) To any fund or account, or to any payee, required by any other resolution of the Board which authorizes the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien and pledge created herein with respect to the Parity Revenue Obligations; and

(v) To any other purpose now or hereafter permitted by law.

DEBT SERVICE FUND.

(a) The Corporation hereby covenants and agrees to make deposits to the Debt Service Fund from moneys in the Gross Sales Tax Revenue Fund to pay the principal of and interest on the Parity Revenue Obligations as follows:

(i) Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and become due and payable with respect to the Parity Revenue Obligations on the next succeeding Interest Payment Date;

(ii) Such amounts, on deposit and received following the Closing Date, as will be sufficient, together with other amounts, if any, on hand in the Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Revenue Obligations on the next succeeding Interest Payment Date on which principal of the Bonds are to be payable.

(b) The deposits to the Debt Service Fund for the payment of principal of and interest on the Parity Revenue Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Debt Service Fund and Reserve Fund is equal to the amount required to pay all outstanding obligations (principal and/or interest) for which said Fund was created and established to pay or (ii) the Parity Revenue Obligations are no longer outstanding, i.e., fully paid as to principal and interest or all of the Parity Revenue Obligations have been refunded.

RESERVE FUND.

(a) The Corporation hereby covenants and agrees with the holders of the Parity Revenue Obligations to accumulate and maintain in the Reserve Fund an amount (the "Reserve Requirement") equal to the lesser of (i) the average annual principal and interest requirements of the Parity Revenue Obligations to be outstanding after the issuance or incurring of such Additional Parity Obligations, calculated on a Fiscal Year basis as of the date the Additional Parity Obligations are issued or incurred or (ii) an amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

(b) Immediately following the delivery of each issue or series of Additional Parity Obligations, the Corporation shall cause the Reserve Requirement to be calculated after giving effect to the issuance of such Additional Parity Obligations. Any additional amount required to be deposited in the Reserve Fund shall be accumulated therein within five (5) calendar years of the delivery date of such Additional Parity Obligations. Should the amount on deposit in the Reserve Fund be reduced below the sum required to be maintained in said Fund, payments to said Fund shall be made from the first Pledged Revenues available for such purpose, until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while payments are being made to said Fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made until the total amount then required to be on deposit in said Fund has been fully restored. Any funds on deposit in the Reserve Fund in excess of the Reserve Requirement may, at the option of the Corporation, be withdrawn and used for any lawful purpose for which said funds may be used.

DEFICIENCIES IN FUNDS. If the Corporation shall, for any reason, fail to pay into the Debt Service Fund or Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said funds from the first available Pledged Revenues of the Corporation and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said funds.

SECURITY OF FUNDS. All moneys on deposit in the funds referred to in this Resolution shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of funds of the City, and moneys on deposit in such funds shall be used only for the purposes permitted by this Resolution.

INVESTMENTS.

(a) Money in the funds established by this Resolution, at the option of the Corporation, may be invested in such securities or obligations as permitted under the laws of the State of Texas applicable to the City.

(b) Any securities or obligations in which money is so invested shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS AUTHORIZED. In addition to the right to issue obligations of inferior lien, the Corporation reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Parity Revenue Obligations, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues; and the Parity Revenue Obligations and Additional Parity Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The Corporation is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the outstanding Parity Revenue Obligations.

(b) Each of the funds created for the payment, security and benefit of the Parity Revenue Obligations contains the amount of money then required to be on deposit therein.

(c) The Corporation has secured from a Certified Public Accountant a certificate or report reflecting that for the Fiscal Year next preceding the date of the proposed Additional Parity Obligations or a consecutive twelve (12) month period out of the fifteen (15) month period next preceding the month in which the resolution authorizing the proposed Additional Parity Obligations is adopted, the Gross Sales Tax Revenues and interest earnings thereon were equal at least to (i) 1.25 times the average annual principal and interest requirements on all Parity Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations and (ii) 1.10 times the maximum annual principal and interest requirements on all Parity Revenue Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations; provided, however, that in the event an increase in the rate of the Sales Tax becomes effective prior to the date of a resolution authorizing the issuance of Additional Parity Obligations, such certificate or report shall calculate the Gross Sales Tax Revenues for the calculation period as if such increased rate were in effect during the calculation period.

(d) The Additional Parity Obligations are made to mature on February 1 or August 1, either or both, of each year in which they are scheduled to mature.

(e) The resolution authorizing the Additional Parity Obligations provides that (i) the Debt Service Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due, (ii) the amount to be deposited and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Requirement in accordance with Section 13(b), and (iii) any deficiency in the Reserve Fund shall be remedied as provided in Section 12(b).

(f) Parity Revenue Obligations may be refunded upon such terms and conditions as the Board may deem to the best interest of the Corporation; and if less than all such outstanding Parity Revenue Obligations are refunded, the proposed refunding obligations shall be considered as "Additional Parity Obligations" under the provisions of this Section, and the report or certificate required by paragraph (c) shall give effect to the issuance of the proposed refunding obligations and shall not give effect to the obligations being refunded.

PLEDGED REVENUES.

(a) The Corporation represents and warrants that it is and will be authorized by applicable law and by its articles of incorporation and bylaws to authorize and issue the Bonds, to adopt this Resolution and to pledge the Pledged Revenues in the manner and to the extent provided in this Resolution, and that the Pledged Revenues so pledged are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Resolution except as expressly provided herein for Parity Revenue Obligations.

(b) The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with the terms of this Resolution, subject only to any applicable bankruptcy or insolvency laws or to any applicable law affecting creditors rights generally.

(c) The Corporation shall at all times, to the extent permitted by applicable law, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Registered Owner under this Resolution against all claims and demands of all persons whomsoever.

(d) The Corporation will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act and other applicable law.

(e) While the Bonds are outstanding, the Corporation will take all legal means and actions permissible to cause: the Sales Tax, at its current rate of ½ of 1% or at a higher rate if legally permitted, to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax until the Bonds has been paid in full or until they are lawfully defeased in accordance with this Resolution. If, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date of adoption of this Resolution, the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

(f) The Sales Tax Collection Resolution previously approved by the City and the Corporation is hereby ratified and confirmed and shall remain in full force and effect.

ACCOUNTS, PERIODICAL REPORTS AND CERTIFICATES.

(a) The Corporation shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the funds and accounts established by this Resolution and which, together with all other books and papers of the Corporation, shall at all times be subject to the inspection of, the Registered Owner of not less than 5% in principal amount of the Parity Revenue Obligations then outstanding or their representatives duly authorized in writing.

(b) The Corporation shall annually, within 120 days after the close of each Fiscal Year, mail or cause to be mailed to any Holder owning at least 25% of the outstanding Parity Revenue Obligations of a single series who so requests in writing, a copy of an annual report for said year containing the following statements in reasonable detail with respect to the Corporation: a balance sheet as of the end of said year and the preceding year, statements of revenue and expense and of changes in financial position for the year then ended and the preceding year setting forth revenues and expenses for such years in accordance with generally accepted accounting principles.

OTHER REPRESENTATIONS AND COVENANTS.

(a) The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of this Resolution.

(b) While the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Debt Service Fund, money sufficient to pay the interest on and the principal of the Bonds, as applicable, as will accrue or mature on each applicable Interest Payment Date.

(c) The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in each Bond; and the Corporation will, at the times and in the manner prescribed by this Resolution, deposit or cause to be deposited the amounts of money specified by this Resolution.

(d) The Corporation is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the authorizations and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Registered Owners thereof is and will be a valid and enforceable obligation of the Corporation in accordance with its terms.

REFUNDING BONDS. The Issuer reserves the right to issue refunding bonds or other obligations to refund all or any part of the Parity Revenue Obligations (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Issuer, and if less than all such Parity Revenue Obligations then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Obligations) set forth in Section 17 hereof shall be satisfied, and shall give effect to the refunding.

SUBORDINATE DEBT. Except as may be limited by a resolution authorizing the issuance of Parity Revenue Obligations, the Issuer shall have the right to issue or create any debt payable from or secured by a lien on all or any part of the Pledged Revenues for any lawful purpose without complying with the provisions of Section 16 of the Resolution, provided the pledge and the lien securing such debt is subordinate to the pledge and lien established, made and created in Section 8 of the Resolution with respect to the Pledged Revenues to the payment and security of the Parity Revenue Obligations.

INVESTMENTS

The Corporation is a nonprofit corporation acting on behalf of the City and is subject to the provisions of the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256) with respect to the investment of its funds. The Corporation invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Directors of the Corporation. Both state law and the Corporation's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the Corporation is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the Corporation in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the Corporation's account, (iii) 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 (iv) the Corporation appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for Corporation deposits, or (ii) where (a) the funds are invested by the Corporation through a broker or institution that has a main office or branch office in the State and selected by the Corporation in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the Corporation, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the Corporation appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the Corporation with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the Corporation is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party designated by the Corporation, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The Corporation may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The Corporation 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 Corporation retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Corporation must do so by order, ordinance, or resolution.

The Corporation 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 Corporation 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 Corporation funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Corporation funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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.

Effective September 1, 2019, the investment officer is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Under Texas law, Corporation 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 Corporation shall submit an investment report detailing: (1) the investment position of the Corporation, (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 Corporation funds without express written authority from the Board of Directors.

ADDITIONAL PROVISIONS . . . Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Corporation to disclose the relationship and file a statement with the Texas Ethics Commission and the Corporation Board of Directors; (4)require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation'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 Corporation'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 Corporation.

TABLE 5 - CURRENT INVESTMENTS

As of June 1, 2026, investable funds of the Corporation were invested as follows:

Description	Percent	Book Value	Market Value
Local Government Investment Pool	99.30%	$ 28,479,757	$ 28,479,757
Certificates of Deposit	0.70%	200,000	200,000
	100.00%	$ 28,679,757	$ 28,679,757

TAX MATTERS

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or 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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Corporation has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Corporation is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The Corporation will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Corporation of the general type included in this Official Statement under Tables numbered 1 through 5 and in Appendix B. The Corporation will update and provide the information under Tables numbered 1 through 5 within six months after the end of each fiscal year ending in and after 2026. The Corporation will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Corporation will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation. The Corporation may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC"). The Corporation will provide the updated information to the MSRB through the "EMMA" information system in accordance with Rule 15c2-12 (the "Rule") promulgated by the SEC.

NOTICE OF CERTAIN EVENTS . . . The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten 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, 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Corporation, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, 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 Corporation, any of which reflect financial difficulties. Neither the Bonds nor the Resolutions make any provision for credit enhancement or liquidity enhancement. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, 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 Corporation. The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that Financial Obligation shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . The Corporation has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The Corporation has agreed to update information and to provide notices of specified events only as described above. The Corporation 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 Corporation makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Corporation disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Corporation to comply with its agreement.

The Corporation may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Corporation may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Corporation so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the Corporation has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds and the Corporation's currently outstanding debt are rated "A" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. Additionally, the Bonds are rated "AA" (Stable Outlook) by S&P by virtue of a Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company concurrently with delivery of the Bonds to the Underwriters. 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 Corporation makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds (see "Bond Insurance - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers" and "- Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revisions or withdrawal at any time. See also "MUNCIIPAL BOND INSURANCE AND RATING" and "BOND INSURANCE RISK FACTORS" herein.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds 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 Bonds 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 the Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Corporation will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of each series of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and the Initial Bond and to the effect that such Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Corporation in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions or subcaptions "PLAN OF FINANCING" (exclusive of the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (exclusive of the subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "SELECTED PROVISIONS OF THE RESOLUTION", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. Certain legal matters will be passed upon for the Underwriters by Kelly Hart & Hallman, Fort Worth, Texas, Counsel for the Underwriters, whose legal fees are contingent upon the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

MUNICIPAL ADVISOR

HilltopSecurities is employed as Municipal Advisor to the Corporation in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the Corporation, that are not purely historical, are forward-looking statements, including statements regarding the Corporation'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 Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements. The Corporation's actual results could differ materially from those discussed in such forward-looking statements.

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

UNDERWRITING

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

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

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

MISCELLANEOUS

The Resolution provides that the Pricing Officer will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

/s/____
PRICING OFFICER

<u>APPENDIX A</u>

GENERAL INFORMATION REGARDING
THE CITY OF ROCKWALL, TEXAS

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Location . . . The City of Rockwall, Texas, County Seat and principal commercial center of Rockwall County, is located 20 miles east of Dallas on Interstate Highway 30 and State Highways 66 and 205. Included in the City's corporate boundaries are 30.09 square miles of land. Lake Ray Hubbard, a major water supply facility for the City of Dallas, forms the City's western corporate limits.

Economy . . . Development of primarily single-family residences have been stimulated by the City's prime location on the shores of Lake Ray Hubbard and its close proximity to the Dallas Consolidated Metropolitan Area. An abundant present and future water supply provided by the North Texas Municipal Water District, an active Industrial Development Program and available industrial sites place the City in a most favorable position for future commercial and industrial expansion.

The excellent recreational facilities provided by Lake Ray Hubbard, plus the easy and quick access to the Dallas Metropolitan Area, have increased tourist trade and residential development in the City at a rapid rate. Population in the City has increased from 5,939 in 1980, 10,486 in 1990, 17,967 in 2000, and to 37,490 in 2010. The 2026 estimated population is 54,744. In addition, office and retail development is continuing at a steady pace.

Excellent transportation facilities are provided by Interstate Highway 30 and State Highways 66 and 205. The City is served by major bus and motor freight lines, and a municipal airport.

Industry and Business . . . The 10 largest employers in the City are:

Company	Product	Estimated Number of Employees
Rockwall Independent School District	Education	2,297
Texas Presbyterian Hospital	Hospital	700
L-3 Harris Technologies	Aerospace/defense	700
Channell Commercial	Telecom equipment manufacturing	696
Pegasus Foods	Frozen foods manufacturer	480
Wal-Mart Super Store	Retail Store	450
Rockwall County	Government	383
City of Rockwall	Government	353
Karat by Lollicup USA	Food manufacturer	260
Pratt Industries	Packaging Industry	200

(1) Source: City Officials.

Educational Facilities . . . Rockwall Independent School District consists of sixteen elementary schools, four middle schools and five high schools. The present enrollment of the District is approximately 19,235 students and approximately 1,195 teachers.

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APPENDIX B

EXCERPTS FROM THE

CITY OF ROCKWALL, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Rockwall, Texas Annual Comprehensive 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.

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PB&H

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of City Council
City of Rockwall, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 of Rockwall, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2025 the City implemented Governmental Accounting Standards Board (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 of Rockwall, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockwall, Texas' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rockwall, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026 on our consideration of the City of Rockwall, 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 of Rockwall, Texas' 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 of Rockwall, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 16, 2026

City of Rockwall

MANAGEMENT'S
DISCUSSION AND ANALYSIS

City of Rockwall

As management of the City of Rockwall (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $375,306,117 (net position). Of this amount, $26,952,416 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.

- The City's total net position increased by $29,125,001, primarily caused by developer contributions of capital assets as neighborhood projects are completed.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $57,591,435. 49.75% of this total amount, $28,650,182 (unassigned fund balance) is available for use at the City's discretion.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $28,661,954 or 53.59% of the total general fund expenditures. Sound financial management practices call for at least 25% of unassigned fund balance to general fund expenditures.

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 the 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, in a manner similar to a private-sector business.

The s*tatement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The s*tatement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from 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 administration, public safety, public works, and parks and recreation. The *business-type activities* of the City include water and sewer and sanitation operations.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of 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 fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund 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 seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, Capital Projects Fund, and the Transportation Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregation presentation.

Proprietary Funds. The City maintains two categories of *proprietary funds*-Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are used to account for employee benefits and workers compensation. 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. The notes to the financial statements immediately follow the basic financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's net pension and total OPEB liability.

Combining and individual fund statements and schedules are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $375,306,117 as of September 30, 2025.

The largest portion of the City's net position, $330,964,208 (88.19%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of $17,389,493 (4.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $26,952,416 (7.18%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total net position increased by $25,212,978 or 7.20% from 2024. The explanation of these changes is provided in the Governmental and Business-type Activities as follows.

Governmental net position of $210,366,322 increased by $9,011,888 or 4.48% from 2024. This change is primarily due to the increase in operating grants and contributions related to the ARPA grant.

Business-type net position of $164,939,795 increased by $16,201,090 or 10.89%. The increase is primarily attributable to an increase in capital grants and contributions. As the city experienced continued growth, new developments were built and the City received increased water and sewer line contributions from developers.

As of September 30, 2025, the City was able to report positive balances in all three categories of net position for both governmental activities and business-type activities. The following table shows the condensed Statement of Net Position for the City for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 66,406,213	$ 75,781,238	$ 20,808,333	$ 24,241,098	$ 87,214,546	$ 100,022,336
Capital assets	231,517,501	223,416,189	177,180,617	157,132,613	408,698,118	380,548,802
Total assets	297,923,714	299,197,427	197,988,950	181,373,711	495,912,664	480,571,138
Deferred outflows of resources	7,576,943	9,198,366	1,830,819	2,067,673	9,407,762	11,266,039
Long-term liabilities outstanding	83,925,885	89,591,604	26,612,485	30,621,387	110,538,370	120,212,991
Other liabilities	9,269,683	16,725,667	5,995,777	2,328,154	15,265,460	19,053,821
Total liabilities	93,195,568	106,317,271	32,608,262	32,949,541	125,803,830	139,266,812
Deferred inflows of resources	1,938,767	724,088	2,271,712	1,753,138	4,210,479	2,477,226
Net position:						
Net investment in capital assets	175,975,778	162,135,482	154,988,430	136,512,584	330,964,208	298,648,066
Restricted	15,378,689	14,526,785	2,010,804	2,233,298	17,389,493	16,760,083
Unrestricted	19,011,855	24,692,167	7,940,561	9,992,823	26,952,416	34,684,990
Total net position	$ 210,366,322	$ 201,354,434	$ 164,939,795	$ 148,738,705	$ 375,306,117	$ 350,093,139

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2025. Governmental activities increased the City's net position by $12,645,477. Business-type activities increased the City's net position by $16,479,524. Total revenues for governmental activities increased by $16,340,021 to $98,119,642 due to the increase in operating grants and contributions related to ARPA. Total expenses for governmental activities increased by $6,205,834 to $79,768,285 due to overall growth the city has experienced. This increase mostly by the increase in cost of personnel, specifically, employee benefit cost by approximately, $6 million. Total revenues for business-type activities increased by $895,567 to $60,149,299 due to developer capital contributions of capital assets and impact fees. Total expenses for business-type activities increased by $3,841,074 to $49,375,655 due to the increase in cost of providing treated water and increased expenses as the regional wastewater treatment plant was updated.

The following table shows the condensed Statement of Activities for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 6,888,769	$ 4,798,023	$ 43,268,876	$ 43,564,540	$ 50,157,645	$ 48,362,563
Operating grants and contributions	11,610,738	3,445,111	-	-	11,610,738	3,445,111
Capital grants and contributions	16,865,599	11,637,654	16,056,053	14,746,446	32,921,652	26,384,100
General revenues:						
Property taxes	24,600,186	24,590,290	-	-	24,600,186	24,590,290
Sales taxes	29,132,659	27,410,743	-	-	29,132,659	27,410,743
Franchise taxes	3,828,089	3,777,385	-	-	3,828,089	3,777,385
Hotel occupancy tax	1,925,627	1,996,313				
Investment earnings	2,684,645	3,715,544	824,370	942,746	3,509,015	4,658,290
Miscellaneous	583,330	408,558	-	-	583,330	408,558
Total revenues	98,119,642	81,779,621	60,149,299	59,253,732	156,343,314	139,037,040
Expenses:						
General government	13,396,939	12,611,482	-	-	13,396,939	12,611,482
Public safety	36,991,015	32,966,849	-	-	36,991,015	32,966,849
Public works	14,341,622	12,898,784	-	-	14,341,622	12,898,784
Parks and recreation	9,404,249	9,221,787	-	-	9,404,249	9,221,787
Community development	3,034,980	2,914,209	-	-	3,034,980	2,914,209
Interest on long-term debt	2,599,479	2,949,340	-	-	2,599,479	2,949,340
Water and sewer	-	-	49,375,655	45,534,581	49,375,655	45,534,581
Total expenses	79,768,285	73,562,451	49,375,655	45,534,581	129,143,940	119,097,032
Increase in net position before transfers	18,351,357	8,217,170	10,773,644	13,719,151	29,125,001	21,936,321
Transfers	(5,705,880)	1,064,155	5,705,880	(1,064,155)	-	-
Increase in net position	12,645,477	9,281,325	16,479,524	12,654,996	29,125,001	21,936,321
Net position, beginning	201,354,434	192,073,109	148,738,705	136,083,709	350,093,139	328,156,818
Restatement	(3,633,589)	-	(278,434)	-	(3,912,023)	-
Net position, ending	$ 210,366,322	$ 201,354,434	$ 164,939,795	$ 148,738,705	$ 375,306,117	$ 350,093,139

Financial Analysis of the City's 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 fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of $57,591,435. $28,650,182 (49.75%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending. The most significant restrictions include $7,041,947 for debt service, $1,337,257 restricted for public safety, $8,586,095 restricted for capital projects, and $2,118,625 restricted for tourism.

The General Fund is the primary operating fund of the City. The General Fund's fund balance increased by $759,500. This is primarily attributable to the City Council authorizing capital purchases from reserves, which was offset by the larger than expected increase in sales tax and construction related revenues that are reflective of the continued growth in the City's population and economy.

The Debt Service Fund's fund balance increased by $1,051,041, primarily due to an increase in property values and a decrease in debt service costs. This was offset by a decrease in the debt service property tax rate.

The Capital Projects Fund balance decreased by $2,075,066, primarily as the city pursued the design of roadway rehabilitation projects from the 2018 bond election.

Proprietary fund. As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds include business-type activity fund and internal service funds.

At September 30, 2025, the water and sewer fund had $7,940,561 in unrestricted net position and total net position increased by $16,479,524. The increase in net position was largely due to increases in capital contributions from the development of subdivisions in the City and the ongoing construction of sewer lines with ARPA funds.

At September 30, 2025 the Internal Service Funds had $1,345,762 in unrestricted net position and total net position decreased by $1,034,597 due to employee healthcare and workers' compensation claims in excess of projections.

General Fund Budgetary Highlights.

During fiscal year 2025, the City Council of the City of Rockwall amended the budget to provide funding for several unforeseen projects and to recognize salary savings over the year, as well as increases or decreases in revenues when compared to original projections. With the adjustments made to the budget, the original budgeted expenditures of $53,082,150 increased to $53,460,400, while revenue estimates increased from $55,098,000 to $56,477,000.

General fund revenues ultimately were $65,876,770, exceeding the budget by $9,399,770 over the amended budget estimate, reflecting a greater than anticipated increase in permit revenues and other construction related fees as well as interest earnings and the recognition of ARPA revenues. Actual general fund total expenditures were $53,486,090 or $25,690 more than final projections. The primary cause of the expenditure's overage was due to finally receiving several police vehicles ordered during previous budget years but received late in this budget year. The City ended the year with a fund balance of $28,663,149, or $759,500 more than the prior year. This is due to both the new lease recognition and receiving long planned but delayed police vehicles and two fire apparatus planned in earlier budget cycles.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, was $408,698,118 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress.

Capital Assets at Year-end, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 21,417,249	$ 21,417,249	$ 772,357	$ 772,357	$ 22,189,606	$ 22,189,606
Buildings and improvements	21,096,422	20,294,301	106,767,932	109,713,676	127,864,354	130,007,977
Furniture, equipment, and vehicles	8,722,048	9,828,592	7,436,456	7,739,885	16,158,504	17,568,477
Infrastructure	173,936,713	166,196,632	46,613,784	37,203,994	220,550,497	203,400,626
Right to use	3,511,765	3,974,050	-	-	3,511,765	3,974,050
Construction in progress	2,833,304	1,705,365	15,590,088	1,702,701	18,423,392	3,408,066
Total	$ 231,517,501	$ 223,416,189	$ 177,180,617	$ 157,132,613	$ 408,698,118	$ 380,548,802

Significant events related to capital assets during the year were primarily related to capital contributions relating to developers of subdivisions. In the governmental activities, drainage contributions of approximately $7.2 and paving contributions of approximately $8.8 million were made to the City. In the business-type activities, water line contributions made up about $5.5 million in infrastructure additions and sewer line contributions made up about $4.6 million in additions.

Additional information on the City's capital assets can be found in Note C II of the financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term debt of $96,272,258. This represents a decrease of $7,171,380 from the prior year due to continued principal payments without issuing any new debt in the current year.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Certificates of obligation	$ 595,000	$ 680,000	$ 17,965,000	$ 18,935,000	$ 18,560,000	$ 19,615,000
General obligation bonds	57,320,000	64,525,000	4,780,000	6,770,000	62,100,000	71,295,000
Financing arrangements	-	-	830,009	1,410,009	830,009	1,410,009
Leases	3,631,579	3,974,050	-	-	3,631,579	3,974,050
Premium on bonds	2,653,226	2,848,746	1,220,077	1,577,646	3,873,303	4,426,392
Discount on bonds	(71,987)	(85,928)	(11,055)	12,387	(83,042)	(73,541)
Compensated absences	6,930,707	2,613,913	429,702	182,815	7,360,409	2,796,728
Total	$ 71,058,525	$ 74,555,781	$ 25,213,733	$ 28,887,857	$ 96,272,258	$ 103,443,638

The City's bond ratings are "Aa2" by Moody's Investors Service Inc ("Moody's"), and "AA+" by Standard & Poor's ("S&P").

Additional information on the City's long-term debt can be found in Note II D of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rate, and fees that will be charged for the business-type activities. The City projected an approximate 6% increase in sales tax over FY2025 recognizing the impending opening of the first HEB Grocery in their eastern region along with the expected opening of IKEA in late Spring 2026. Other revenues were budgeted to be relatively flat in the coming year such as Franchise Fees. All revenue attributable to new construction projections reflect the new subdivisions approved in the past few years which are selling home sites now. The City continues to benefit from a Fire staffing grant which is reflected in the adopted budget.

The City of Rockwall's citizens enjoy above-average income levels per household. This combined with the City's proximity to major highways, and the Dallas-Fort Worth SMSA make Rockwall an attractive city in which to locate. The City prides itself on a quality school district and "hometown" atmosphere. The Rockwall Economic Development Corporation works to attract businesses with relocation incentives as well as business retention incentives such as workforce training opportunities. The City's unemployment rate was 3.5%, which was below national levels.

The City of Rockwall considered these factors when adopting the General Fund budget for fiscal year 2026. The budgeted revenues for fiscal year 2026 total $58,587,000 for the general fund. Ad valorem tax revenue is determined by two factors, the total assessed value established by the Rockwall Central Appraisal District and the tax rate established by the Rockwall City Council. The property tax rate was increased to 25.75 cents per hundred dollars of assessed value due to provide funding for road rehabilitation projects and allow public safety salary increases to keep up with surrounding cities as we all compete for the same pool of applicants for these essential positions. This is the first property tax rate increase in more than a decade.

The City adopted written financial policies in 2001, which require that revenues and expenditures be projected conservatively. The policies include debt level guidelines. These policies were reviewed by the City Council in 2009 and certain provisions related to the City's fund balance were changed. The amended policy provides that the General Fund reserves should be no less than 3 months of recurring operating appropriations. In addition, the policies provide that should an audited fund balance at the end of the fiscal year exceed 3.5 months, the City Council may elect to transfer a portion to a Capital Projects Fund. The ending unrestricted general fund balance for 2025 provided approximately 6.3 months of reserves for the City. The 2026 budget does not anticipate any expenditure of reserves.

The 2026 budget expenditures did not include any new employees. Increases were funded in existing payrolls, employee health coverage, and the auto and property insurance as are being experienced across the state. The purchase of 9 new police vehicles was included as well.

A water and sewer rate increase is anticipated in the budget with those rates to be implemented by January 1, 2026. The water and sewer operations budgets continue to increase as the price to treat raw water supplies has increased each year. The Sewer operations budget includes the decommissioning (demolition) of the Squabble Creek Treatment Plant. This project has been years in planning and preparation.

Other projects anticipated in the City's budget includes the repair of the Boat Docks in the Harbor District due to extensive storm damage not covered by insurance. Having received the generous donation of land where the name-sake "rock wall" is buried, city staff will begin the process of geologic study. With the acquisition of the downtown Historic Church, we will also begin studying the maintenance and rehabilitation of that asset for a future entertainment venue. These will be projects with multi-year budget impacts.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. For more information, contact the City's Assistant City Manager/Director of Finance, Mary Smith at (972) 771-7701; City of Rockwall; 385 South Goliad Street, Rockwall TX 75087. Email: msmith@rockwall.com.

City of Rockwall

BASIC
FINANCIAL STATEMENTS

CITY OF ROCKWALL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall EDC	Technology Park
ASSETS					
Cash and cash equivalents	$ 46,836,037	$ 7,654,995	$ 54,491,032	$ 89,875	$ 10,000
Investments	11,093,255	-	11,093,255	19,540,987	-
Receivables, net:					
Taxes	6,452,577	-	6,452,577	1,498,302	-
Accounts	1,569,944	9,107,841	10,677,785	-	35,131
Accrued interest	55,898	-	55,898	-	-
Internal balances	167,930	(167,930)	-	-	-
Due from other governments	229,377	257,478	486,855	-	-
Inventories	1,195	360,097	361,292	-	-
Restricted assets:					
Cash and cash equivalents	-	2,844,498	2,844,498	-	-
Investments	-	750,987	750,987	-	-
Accrued interest receivable	-	367	367	-	-
Land held for sale	-	-	-	49,012,426	-
Capital assets:					
Non-depreciable	24,250,553	16,362,445	40,612,998	-	-
Depreciable, net	207,266,948	160,818,172	368,085,120	4,702	-
Total assets	297,923,714	197,988,950	495,912,664	70,146,292	45,131
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refunding	-	1,007,163	1,007,163	292,756	-
Related to TMRS pension	7,467,543	811,763	8,279,306	98,014	-
Related to OPEB	109,400	11,893	121,293	1,436	-
Total deferred outflows of resources	7,576,943	1,830,819	9,407,762	392,206	-
LIABILITIES					
Accounts payable	3,018,902	4,939,811	7,958,713	40,185	8,952
Accrued liabilities	1,580,413	106,886	1,687,299	24,739	-
Accrued interest	392,602	168,425	561,027	211,991	-
Unearned revenue	2,670,850	-	2,670,850	-	-
Developer deposits	1,606,916	-	1,606,916	-	-
Customer deposits	-	780,655	780,655	-	-
Noncurrent liabilities:					
Due within one year:					
Long-term debt and compensated absences	13,044,744	3,452,356	16,497,100	2,838,413	-
Total OPEB liability	13,779	1,498	15,277	181	-
Due in more than one year:					
Long-term debt and compensated absences	58,013,781	21,761,377	79,775,158	31,056,235	-
Net pension liability - TMRS	12,233,844	1,329,885	13,563,729	160,574	-
Total OPEB liability	619,737	67,369	687,106	8,134	-
Total liabilities	$ 93,195,568	$ 32,608,262	$125,803,830	$34,340,452	$ 8,952

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKWALL, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Rockwall EDC	Technology Park
DEFERRED INFLOWS OF RESOURCES					
Related to leases	$ -	$ 2,060,958	$ 2,060,958	$ -	$ -
Related to TMRS pension	1,662,771	180,752	1,843,523	21,824	-
Related to OPEB	275,996	30,002	305,998	3,622	-
Total deferred inflows of resources	$ 1,938,767	$ 2,271,712	$ 4,210,479	$ 25,446	$ -
NET POSITION					
Net investment in capital assets	$175,975,778	$154,988,430	$330,964,208	$ 4,702	$ -
Restricted:					
Public safety	1,337,257	-	1,337,257	-	-
Parks	5,223,917	-	5,223,917	-	36,179
Capital projects	-	1,259,817	1,259,817	-	-
Debt service	6,698,890	-	6,698,890	-	-
Economic development	-	-	-	36,167,898	-
Tourism	2,118,625	750,987	2,869,612	-	-
Unrestricted	19,011,855	7,940,561	26,952,416	-	-
Total net position	$210,366,322	$164,939,795	$375,306,117	$36,172,600	$ 36,179

CITY OF ROCKWALL, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenue		
Function/Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 13,396,939	$ 5,755,591	$ 10,323,342	$ 16,182,547
Public safety	36,991,015	260,824	1,262,945	31,561
Public works	14,341,622	-	-	-
Parks and recreation	9,404,249	872,354	-	651,491
Community development	3,034,980	-	24,451	-
Interest	2,599,479	-	-	-
Total governmental activities	79,768,285	6,888,769	11,610,738	16,865,599
Business-type activities:				
Water, sewer and sanitation	49,375,655	43,268,876	-	16,056,053
Total business-type activities	49,375,655	43,268,876	-	16,056,053
Total primary government	$ 129,143,940	$ 50,157,645	$ 11,610,738	$ 32,921,652
Component units				
Rockwall EDC	$ 4,849,915	$ -	$ -	$ -
Technology Park	226,345	-	-	-
Total component units	$ 5,076,260	$ -	$ -	$ -
	General revenues:			
	Property taxes			
	Sales taxes			
	Franchise taxes			
	Hotel occupancy tax			
	Assessments			
	Miscellaneous			
	Investment earnings			
	Transfers			
	Total general revenues and transfers			
	Change in net position			
	Net position - beginning			
	Restatement - change in accounting principle			
	Net position - beginning, as restated			
	Net position - ending			

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Rockwall EDC	Technology Park
$ 18,864,541	$ -	$ 18,864,541	$ -	$ -
(35,435,685)	-	(35,435,685)	-	-
(14,341,622)	-	(14,341,622)	-	-
(7,880,404)	-	(7,880,404)	-	-
(3,010,529)	-	(3,010,529)	-	-
(2,599,479)	-	(2,599,479)	-	-
(44,403,179)	-	(44,403,179)	-	-
-	9,949,274	9,949,274	-	-
-	9,949,274	9,949,274	-	-
$ (44,403,179)	$ 9,949,274	$ (34,453,905)	$ -	$ -
			$ (4,849,915)	$ -
			-	(226,345)
			$ (4,849,915)	$ (226,345)
$ 24,600,186	$ -	$ 24,600,186	$ -	$ -
29,132,659	-	29,132,659	9,551,362	-
3,828,089	-	3,828,089	-	-
1,925,627	-	1,925,627	-	-
-	-	-	-	239,289
583,330	-	583,330	4,459	-
2,684,645	824,370	3,509,015	807,198	-
(5,705,880)	5,705,880	-	-	-
57,048,656	6,530,250	63,578,906	10,363,019	239,289
12,645,477	16,479,524	29,125,001	5,513,104	12,944
201,354,434	148,738,705	350,093,139	30,690,787	23,235
(3,633,589)	(278,434)	(3,912,023)	(31,291)	-
197,720,845	148,460,271	346,181,116	30,659,496	23,235
$ 210,366,322	$ 164,939,795	$ 375,306,117	$ 36,172,600	$ 36,179

CITY OF ROCKWALL, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash and cash equivalents	$ 25,389,479	$ 6,581,448
Investments	1,445,132	-
Receivables (net of allowance for uncollectibles):		
Taxes	4,590,167	66,627
Franchise tax	1,563,565	-
Fines	138,232	-
Grants	229,377	-
Accounts	127,055	-
Other	46,140	-
Accrued interest	6,029	-
Due from other funds	2,086,002	-
Inventory	1,195	-
Total assets	35,622,373	6,648,075
LIABILITIES		
Accounts payable	1,499,157	6,135
Seizures payable	-	-
Developer deposits	-	-
Due to other governments	175,925	-
Due to other funds	648	-
Accrued liabilities	1,580,413	-
Unearned revenue	2,670,850	-
Total liabilities	5,926,993	6,135
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	56,983	49,545
Unavailable revenue - fines and forfeitures	93,998	-
Unavailable revenue - franchise taxes	881,250	-
Unavailable revenue - assessments	-	-
Unavailable revenue - hotel tax	-	-
Total deferred inflows of resources	1,032,231	49,545
FUND BALANCES		
Nonspendable:		
Inventories	1,195	-
Committed	-	-
Restricted for:		
Debt service	-	6,592,395
Capital projects	-	-
Parks	-	-
Public safety	-	-
Tourism	-	-
Unassigned	28,661,954	-
Total fund balances	28,663,149	6,592,395
Total liabilities, deferred inflows, and fund balances	$ 35,622,373	$ 6,648,075

The accompanying notes are an integral part of these financial statements.

GO Bonds Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 8,658,550	$ 5,517,477	$ 46,146,954
-	9,648,123	11,093,255
-	232,218	4,889,012
-	-	1,563,565
-	-	138,232
-	-	229,377
-	511,323	638,378
-	-	46,140
-	49,869	55,898
-	648	2,086,650
-	-	1,195
8,658,550	15,959,658	66,888,656
72,455	102,318	1,680,065
-	43,626	43,626
-	1,606,916	1,606,916
-	-	175,925
-	255,319	255,967
-	-	1,580,413
-	-	2,670,850
72,455	2,008,179	8,013,762
-	-	106,528
-	-	93,998
-	-	881,250
-	171,683	171,683
-	30,000	30,000
-	201,683	1,283,459
-	-	1,195
-	4,632,217	4,632,217
-	449,552	7,041,947
8,586,095	-	8,586,095
-	5,223,917	5,223,917
-	1,337,257	1,337,257
-	2,118,625	2,118,625
-	(11,772)	28,650,182
8,586,095	13,749,796	57,591,435
$ 8,658,550	$ 15,959,658	$ 66,888,656

City of Rockwall

CITY OF ROCKWALL, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total fund balances - governmental funds		$ 57,591,435
Amounts reported for governmental activities in the statement of net position are different because:		
Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The assets and liabilities of certain internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level.		(1,345,762)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		231,517,501
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.		
Property taxes		106,528
Municipal court fines		93,998
Franchise taxes		881,250
Assessments		171,683
Hotel tax		30,000
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.		(392,602)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.		
Bonds payable	$ (57,915,000)	
Premiums and discounts on bonds	(2,581,239)	
Leases payable	(3,631,579)	
Compensated absences	(6,930,707)	
Net pension liabilities	(12,233,844)	
Total OPEB liability	(633,516)	
Deferred outflows and inflows related to pensions	5,804,772	
Deferred outflows and inflows related to other post-employment benefits	(166,596)	
		(78,287,709)
Net position of governmental activities		$ 210,366,322

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKWALL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property taxes	$ 15,743,506	$ 8,303,870
Sales taxes	28,647,411	-
Franchise taxes	3,866,339	-
Hotel occupancy tax	-	-
Licenses and permits	2,266,674	-
Intergovernmental	11,501,475	-
Charges for services	1,562,591	1,267,324
Fines and forfeitures	683,201	-
Investments earnings	1,463,874	242,711
Miscellaneous	84,199	-
Contributions and donations	57,500	-
Total revenues	65,876,770	9,813,905
EXPENDITURES		
Current:		
General government:		
Administration	6,352,988	-
Finance	1,017,155	-
Mayor/council	172,248	-
Municipal court	566,823	-
Public safety:		
Police	19,635,778	-
Fire	9,832,648	-
Public works	6,263,984	-
Parks and recreation	6,557,807	-
Community development	2,553,190	-
Capital outlay	-	-
Debt service:		
Principal	342,471	6,305,000
Interest and fiscal charges	190,998	2,457,864
Total expenditures	53,486,090	8,762,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,390,680	1,051,041
OTHER FINANCING SOURCES (USES)		
Transfers in	548,000	-
Transfers out	(12,179,180)	-
Total other financing sources (uses)	(11,631,180)	-
NET CHANGE IN FUND BALANCE	759,500	1,051,041
FUND BALANCE - BEGINNING	27,903,649	5,541,354
FUND BALANCE - ENDING	$ 28,663,149	$ 6,592,395

The accompanying notes are an integral
part of these financial statements.

GO Bonds Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 620,049	$ 24,667,425
-	485,248	29,132,659
-	-	3,866,339
-	2,022,718	2,022,718
-	-	2,266,674
-	460,720	11,962,195
-	928,161	3,758,076
-	137,001	820,202
462,348	410,880	2,579,813
-	487,641	571,840
-	683,052	740,552
462,348	6,235,470	82,388,493
-	1,586,618	7,939,606
-	-	1,017,155
-	-	172,248
-	-	566,823
-	69,112	19,704,890
-	788	9,833,436
-	-	6,263,984
-	397,847	6,955,654
-	-	2,553,190
2,537,414	3,785,398	6,322,812
-	985,000	7,632,471
-	184,313	2,833,175
2,537,414	7,009,076	71,795,444
(2,075,066)	(773,606)	10,593,049
-	2,634,943	3,182,943
-	(2,034,643)	(14,213,823)
-	600,300	(11,030,880)
(2,075,066)	(173,306)	(437,831)
10,661,161	13,923,102	58,029,266
$ 8,586,095	$ 13,749,796	$ 57,591,435

City of Rockwall

CITY OF ROCKWALL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds:	$ (437,831)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(1,034,597)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.	22,000,404
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of loss from the sale of capital assets.	(136,904)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(13,762,188)
Current year long-term debt principal payments on contractual obligations, bonds payable and leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	7,632,471
Certain expenses do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	
Premium on bonds payable	181,579
Accrued interest	52,117
Compensated absences	(683,205)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(498,730)
Certain pension and other post-employment (OPEB) expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. These items relate to contributions made after the measurement date. Additionally, a portion of the City’s unrecognized deferred resource outflows and inflows related to the pension and OPEB liabilities were amortized.	(667,639)
Change in net position - statement of activities	$ 12,645,477

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKWALL, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Business-Type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,654,995	$ 689,083
Receivables (net of allowances for uncollectibles):	9,107,841	747,194
Due from other governments	257,478	-
Due from other funds	-	1,184
Inventories	360,097	-
Restricted assets:		
Cash and cash equivalents	2,844,498	-
Investments	750,987	-
Receivables (net of allowances for uncollectibles):	367	-
Total current assets	20,976,263	1,437,461
Noncurrent assets:		
Capital assets:		
Non-depreciable	16,362,445	-
Depreciable, net	160,818,172	-
Total noncurrent assets	177,180,617	-
Total assets	198,156,880	1,437,461
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,007,163	-
Related to TMRS pensions	811,763	-
Related to OPEB	11,893	-
Total deferred outflows of resources	1,830,819	-
LIABILITIES		
Current liabilities:		
Accounts payable	4,939,811	1,119,286
Accrued liabilities	106,886	-
Customer deposits	780,655	-
Accrued interest	168,425	-
Due to other funds	167,930	1,663,937
Compensated absences - current	352,356	-
Notes payable - current	375,000	-
Bonds payable - current	2,725,000	-
Total OPEB liability - current	1,498	-
Total current liabilities	9,617,561	2,783,223
Noncurrent liabilities:		
Bonds payable	21,229,022	-
Compensated absences	77,346	-
Notes payable	455,009	-
Net pension liability - TMRS	1,329,885	-
Total OPEB liability	67,369	-
Total noncurrent liabilities	23,158,631	-
Total liabilities	$ 32,776,192	$ 2,783,223

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKWALL, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2025

	Business-Type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
DEFERRED INFLOWS OF RESOURCES		
Related to leases	$ 2,060,958	$ -
Related to TMRS pension	180,752	-
Related to TMRS OPEB	30,002	-
Total deferred inflows of resources	2,271,712	-
NET POSITION		
Net investment in capital assets	154,988,430	-
Restricted for:		
Debt service	1,259,817	-
Capital projects	750,987	-
Unrestricted	7,940,561	(1,345,762)
Total net position	$ 164,939,795	$ (1,345,762)

CITY OF ROCKWALL, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services	$ 42,966,496	$ 1,943,099
Miscellaneous	302,380	32,500
Total operating revenues	43,268,876	1,975,599
OPERATING EXPENSES		
Personnel services	3,987,285	-
Materials and supplies	1,480,878	-
Maintenance and repair	299,075	-
Contractual services	36,809,083	8,440,028
Depreciation	6,032,390	-
Total operating expenses	48,608,711	8,440,028
OPERATING INCOME (LOSS)	(5,339,835)	(6,464,429)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	824,370	104,832
Bond costs	(3,075)	-
Interest expense	(763,869)	-
Total nonoperating revenues (expenses)	57,426	104,832
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,282,409)	(6,359,597)
Capital contributions - developer contributions	10,170,145	-
Capital contributions - utility relocation	2,392,530	-
Capital contributions - impact fees	3,493,378	-
Transfers in	7,309,630	5,325,000
Transfers out	(1,603,750)	-
Total capital contributions and transfers	21,761,933	5,325,000
CHANGE IN NET POSITION	16,479,524	(1,034,597)
TOTAL NET POSITION - BEGINNING	148,738,705	(311,165)
RESTATEMENT		
Change in accounting principle	(278,434)	-
TOTAL NET POSITION - BEGINNING, RESTATED	148,460,271	(311,165)
TOTAL NET POSITION - ENDING	$ 164,939,795	$ (1,345,762)

The accompanying notes are an integral
part of these financial statements.

CITY OF ROCKWALL, TEXAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 43,727,337	$ 2,601,324
Payments to suppliers and service providers	(37,223,351)	(8,002,355)
Payments to employees for salaries and benefits	(4,014,261)	-
Net cash provided (used) by operating activities	2,489,725	(5,401,031)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	7,309,630	5,325,000
Transfer to other funds	(1,603,750)	-
Net cash provided (used) by noncapital financing activities	5,705,880	5,325,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(13,591,500)	-
Capital contributions - impact fees	3,493,378	-
Capital contributions - intergovernmental	113,773	-
Capital contributions - utility relocation	2,392,530	-
Payments on long-term debt	(3,540,000)	-
Interest paid on long-term debt	(1,153,905)	-
Net cash provided (used) by capital and related financing activities	(12,285,724)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of securities	264,210	-
Interest on investments	796,761	104,832
Net cash provided by investing activities	1,060,971	104,832
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,029,148)	28,801
CASH AND CASH EQUIVALENTS - BEGINNING	13,528,641	660,282
CASH AND CASH EQUIVALENTS - ENDING	10,499,493	689,083
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:		
Operating income (loss)	(5,339,835)	(6,464,429)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	6,032,390	-
(Increase) decrease in accounts receivable	(114,687)	(429,628)
(Increase) decrease in deferred outflows of resources	236,854	-
Increase (decrease) in accounts payable	1,349,575	437,673
Increase (decrease) in accrued liabilities	16,110	-
Increase (decrease) in interfund payables	167,930	1,055,353
Increase (decrease) in customer deposits	13,915	-
Increase (decrease) in compensated absences	(56,323)	-
Increase (decrease) in net pension liability	(330,095)	-
Increase (decrease) in net OPEB liability	(4,683)	-
Increase (decrease) in deferred inflows of resources	518,574	-
Total adjustments	7,829,560	1,063,398
Net cash provided (used) by operating activities	$ 2,489,725	$ (5,401,031)
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:		
Capital assets contributed by developer	$ 10,170,145	$ -

The accompanying notes are an integral part of these financial statements.

City of Rockwall

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockwall, Texas (the "City") was founded in 1854 and incorporated in 1874. The City operates under the Council-Manager form of government as adopted by a home rule charter approved January 21, 1985. The City provides a full range of municipal services including public safety (police and fire), highway and streets, parks and recreation, health and social services, planning and zoning, and general administrative services. In addition, the City provides water and sewer services as a proprietary function of the City.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to government units. The following is a summary of the more significant accounting policies.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Discretely Presented Component Units

Rockwall Economic Development Corporation ("REDC")

The Rockwall Economic Development Corporation ("REDC") is governed by a seven-member Board of Directors appointed, at will, by the City Council. REDC represents the City by promoting it as location for new business; it also acquires and develops land for that purpose. REDC collects a half cent sales tax to support its activities. The funds of REDC are composed of governmental fund types. Stand-alone financial statements for REDC as of and for the fiscal year ended September 30, 2025 are not prepared.

Rockwall Technology Park Association ("RTPA")

The Rockwall Technology Park Association ("RTPA") provides repair and maintenance of the common area within the park being developed by REDC. RTPA's Board of Directors is composed of representatives of the landowners. At September 30, 2025, REDC owns the majority of the land and the Board is therefore composed of REDC board members. When the park becomes 75% or more owned by private landowners, it will become an entity independent of the City. Until then, it is controlled by REDC, a discretely presented component unit of the City. RTPA, is effectively controlled by the City through REDC and thus provides a potential financial benefit or burden to the City. The funds of RTPA are composed of governmental fund types. Stand-alone financial statements RTPA as of and for the fiscal year ended September 30, 2025, are not prepared.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

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

As discussed earlier, the government has two discretely presented component units which are shown in separate columns in the government-wide financial statements.

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

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The ***Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The ***G.O. Bonds Capital Projects Fund*** accounts for the acquisition or construction of capital assets used in the operation of governmental funds.

The City reports the following major proprietary fund:

The ***Water and Sewer Fund*** operates the water distribution system, and the wastewater treatment plants, wastewater pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The ***Internal Service Funds*** account for employees' health insurance and workers' compensation coverage services provided to other departments or agencies of the government on a cost-reimbursement basis.

The ***Special Revenue Funds*** account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects.)

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

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

D. Measurement focus and basis of accounting

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

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

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Deposits and Investments

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

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

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools
- SEC registered, no load money market mutual funds

Investments for the City are reported at fair value, except for the position in investment pools, which are reported at net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

Inventories

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method.

Land Held for Sale

Land purchased for sale is capitalized at acquisition cost or net realizable value, if lower.

Restricted Assets

Certain proceeds of enterprise fund certificates of obligation are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and capital items received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Buildings	20 to 30 years
Bulding Improvements	20 to 50 years
Public domain infrastructure	20 years
System infrastructure	50 years
Equipment	3 to 10 years
Right-to-use equipment	3 to 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, deferred inflows of resources, 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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and losses on defeasance are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Losses on defeasance are reported as deferred outflows of resources. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Net Pension Liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarially calculations for estimated future payments of benefits and refunds over the twelve months following year end.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

Leases

The City has entered into various lease agreements as either the lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessee. The City is a lessee for noncancellable lease of a parking lot, building, and office space. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the full accrual financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

Lessor. The City is a lessor in various arrangements allowing the placement of cellular towers or antennas on City property. The city initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Pensions

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

Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Net Position Flow Assumption

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

- Committed fund balance represents amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 represents amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government'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.

Estimates

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

F. Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Sick leave is accrued at 6.67 hours per month. However, once an employee has accrued 120 days of sick leave, earned sick leave in excess of 120 days may be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave up to a maximum of 15 sick leave days per year. Upon termination, any accumulated sick leave over 120 days shall be converted to vacation leave at a ratio of three days of sick leave to one day of vacation leave to be paid to the employee in accordance with the vacation leave policy. Upon retirement from the City, all accrued sick leave shall be converted to vacation pay at a ratio of three days of sick leave to one day of vacation leave and shall be paid to the employee if he/she has 10 or more years of service to the City. Unused compensatory time for nonexempt employees is paid on termination. All accumulated vacation pay and sick leave that is more likely than not to be used is accrued when incurred in the government-wide and proprietary fund financial statements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer fund is charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. In addition, irrevocable letters of credit at 100% of the principal amounts of the deposits may be used to collateralize deposits. The City's deposits, as well as those of the City’s component units, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2025.

As of September 30, 2025, the primary government had the following investments:

Investement Type	Reported Value	Weighted Average Maturity (days)
US Treasury bills	$ 5,982,510	891
External investement pools	50,144,894	82
Total reported value	$ 56,127,404	
Portfolio weighted average maturity		168

As of September 30, 2025, the Rockwall Economic Development Corporation had the following investments:

Investement Type	Reported Value	Weighted Average Maturity (days)
Certificate of deposits	$ 200,000	33
External investement pools	19,340,987	66
Total reported value	$ 19,540,987	
Portfolio weighted average maturity		66

Interest rate risk: In compliance with the City's Investment Policy, as of September 30, 2025, the City minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexasRange

The "TexasTERM Local Government Investment Pool", doing business as the Texas Range Investment Program ("Texas Range"), was established by the Advisory Board as a governmental agency under Chapter 791, Texas Government Code, and as a public funds investment pool under the Public Funds Investment Act, Chapter 2256, Texas Government Code. It is governed by the terms of a Common Investment Contract among the City of Austin, the City of Gonzales, and Lake Dallas Independent School District.

Texas Range consists of various Portfolios and series approved by the Advisory Board. It offers a series of professionally managed Portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas. These currently include the TexasDAILY, TexasDAILY Select and TexasTERM Portfolios. Multiple series may exist within a Portfolio. Participation in the TexasTERM Portfolio requires an open TexasDAILY or TexasDAILY Select account. Texas Range also offers the CD Purchase Program, under which Investors, who have a TexasDAILY and/or a TexasDAILY Select account, can purchase appropriate CDs directly from their issuers or via certain brokers. At September 30, 2025, the fair value of the position in both the TexasTERM and the TexasDAILY approximate fair value of the shares. There were no limitations or restrictions on withdrawals. The TexasDAILY and TexasDAILY Select portfolios have received a AAAmmf rating from Fitch Ratings ("Fitch").

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Nonmajor Governmental	Water & Sewer	Employee Benefits	Totals
Property taxes	$ 135,419	$ 111,045	$ -	$ -	$ -	$ 246,464
Sales tax	4,508,916	-	60,535	-	-	4,569,451
Franchise taxes	1,563,565	-	-	-	-	1,563,565
Municial court	230,388	-	-	-	-	230,388
Assessments	-	-	171,683	-	-	171,683
Lease	-	-	-	2,186,493	-	2,186,493
Accounts	127,055	-	518,754	9,334,817	747,194	10,727,820
Other	275,517	-	-	-	-	275,517
Allowance	(146,324)	(44,418)	(7,431)	(2,413,469)	-	(2,611,642)
Totals	$ 6,694,536	$ 66,627	$ 743,541	$ 9,107,841	$ 747,194	$ 17,359,739

	Rockwall EDC	Technology Park	Total
Sales tax	$ 1,498,302	$ -	$ 1,498,302
Other	-	35,131	35,131
Totals	$ 1,498,302	$ 35,131	$ 1,533,433

Governmental funds report unearned revenue and deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Lease Receivable

The city has entered into multiple leases as lessor for the placement of cellular antennas on City property by multiple telecommunication companies. The lessees are required to make monthly payments ranging from $1,500 to $3,660.

A summary of the City's lease receivables as of September 30, 2025, is as follows:

Purpose of the Lease	Interest Rate	Amount of Initial Receivable	Current Year Interest	Amount Outstanding 9/30/25	Amount Due Within One Year
Cell towers	5%	$ 2,578,958	$ 138,717	$ 2,186,493	$ 268,061
Totals			$ 138,717	$ 2,186,493	$ 268,061

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

		Beginning Balances		Additions		Retirements/ Reclassifications		Ending Balances
Capital assets, not being depreciated:								
Land	$	21,417,249	$	-	$	-	$	21,417,249
Construction in progress		1,705,365		1,127,939		-		2,833,304
Total capital assets not being depreciated	$	23,122,614	$	1,127,939	$	-	$	24,250,553
Capital assets, being depreciated:								
Buildings and improvements	$	59,804,428	$	3,417,987	$	-	$	63,222,415
Machinery and equipment		27,691,943		1,329,431		(149,369)		28,872,005
Infrastructure		316,128,168		16,125,047		-		332,253,215
Right-of-use equipment		4,397,573		-		-		4,397,573
Total capital assets being depreciated	$	408,022,112	$	20,872,465	$	(149,369)	$	428,745,208
Less accumulated depreciation								
Buildings and improvements	$	(39,510,127)	$	(2,615,867)	$	-	$	(42,125,994)
Machinery and equipment		(17,863,352)		(2,299,072)		12,465		(20,149,959)
Infrastructure		(149,931,536)		(8,384,964)		-		(158,316,500)
Right-of-use equipment		(423,522)		(462,285)		-		(885,807)
Total capital assets being depreciated	$	(207,728,537)	$	(13,762,188)	$	12,465	$	(221,478,260)
Net capital assets being depreciated	$	200,293,575	$	7,110,277	$	(136,904)	$	207,266,948
Total capital assets	$	223,416,189	$	8,238,216	$	(136,904)	$	231,517,501

Depreciation was charged to governmental functions as follows:

General government	$	2,568,106
Public safety		2,047,807
Public works		7,388,448
Parks and recreation		1,749,972
Community development		7,855
Total Governmental Activities Depreciation Expense	$	13,762,188

A summary of changes in business-type activities capital assets for the year end was as follows:

		Beginning Balances		Additions		Retirements/ Reclassifications		Ending Balances
Capital assets, not being depreciated:								
Land	$	772,357	$	-	$	-	$	772,357
Construction in progress		1,702,701		14,798,241		(910,854)		15,590,088
Total capital assets not being depreciated	$	2,475,058	$	14,798,241	$	(910,854)	$	16,362,445
Capital assets, being depreciated:								
Buildings and improvements	$	160,138,703	$	15,570	$	-	$	160,154,273
Machinery and equipment		15,938,524		942,464		-		16,880,988
Infrastructure		47,412,757		10,324,119		910,854		58,647,730
Total capital assets being depreciated	$	223,489,984	$	11,282,153	$	910,854	$	235,682,991
Less accumulated depreciation								
Buildings and improvements	$	(50,425,027)	$	(2,961,314)	$	-	$	(53,386,341)
Machinery and equipment		(8,198,639)		(1,245,893)		-		(9,444,532)
Infrastructure		(10,208,763)		(1,825,183)		-		(12,033,946)
Total capital assets being depreciated	$	(68,832,429)	$	(6,032,390)	$	-	$	(74,864,819)
Net capital assets being depreciated	$	154,657,555	$	5,249,763	$	910,854	$	160,818,172
Total capital assets	$	157,132,613	$	20,048,004	$	-	$	177,180,617

Depreciation was charged to business-type activities as follows:

Water and sewer	$	6,032,390
Total Business-type Activities Depreciation Expense	$	6,032,390

A summary of changes in component unit (Rockwall EDC) capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, being depreciated:				
Furniture and fixtures	$ 63,579	$ 2,227	$ -	$ 65,806
Total capital assets being depreciated	63,579	2,227	-	65,806
Less accumulated depreciation				
Furniture and fixtures	(55,909)	(5,195)	-	(61,104)
Total capital assets being depreciated	(55,909)	(5,195)	-	(61,104)
Net capital assets being depreciated	7,670	(2,968)	-	4,702
Total capital assets	$ 7,670	$ (2,968)	$ -	$ 4,702

Depreciation was charged to the following activities as follows:

Rockwall EDC	$ 5,195
Total Depreciation Expense	$ 5,195

Rockwall EDC maintains land held for sale and utilizes it for various economic development incentive agreements. The land is classified as land held for sale on the Statement of Net Position. During the year, Rockwall EDC acquired $916,836 worth of land assets and sold $1,309,731 worth of land assets. The total acquisition cost of land held for sale amounted to $49,012,426 as of September 30, 2025.

D. Long-term Liabilities

From time to time, the City issues general obligation bonds and certificates of obligations to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds and certificates of obligation have been issued for both governmental and business-type activities. The certificates of obligation will be repaid by the debt service fund in combination with system revenues. The City did not issue any new bonded debt in fiscal year 2025.

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 64,525,000	$ -	$ (7,205,000)	$ 57,320,000	$ 6,895,000
Certificate of obligation bonds	680,000	-	(85,000)	595,000	90,000
Bond discounts	(85,928)	-	13,941	(71,987)	-
Bond premiums	2,848,746	-	(195,520)	2,653,226	-
Compensated absences	6,247,502	683,205	-	6,930,707	5,683,180
Leases payable	3,974,050	-	(342,471)	3,631,579	376,564
Total governmental activities	$ 78,189,370	$ 683,205	$ (7,814,050)	$ 71,058,525	$ 13,044,744

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	$ 6,770,000	$ -	$ (1,990,000)	$ 4,780,000	$ 1,785,000
Certificate of obligation bonds	18,935,000	-	(970,000)	17,965,000	940,000
Bond discounts	(12,389)	-	1,332	(11,057)	-
Bond premiums	1,577,646	-	(357,567)	1,220,079	-
Compensated absences	486,025	-	(56,323)	429,702	352,356
Note payables	1,410,009	-	(580,000)	830,009	375,000
Total business-type activities	$ 29,166,291	$ -	$ (3,952,558)	$ 25,213,733	$ 3,452,356

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Component unit (Rockwall EDC):					
General obligation bonds	$ 3,695,000	$ -	$ (1,065,000)	$ 2,630,000	$ 1,105,000
Certificate of obligation bonds	31,360,000	-	(1,635,000)	29,725,000	1,705,000
Bond discounts	(23,665)	-	2,988	(20,677)	-
Bond premiums	1,623,980	-	(98,305)	1,525,675	-
Compensated absences	54,984	-	(20,334)	34,650	28,413
Total component unit	$ 36,710,299	$ -	$ (2,815,651)	$ 33,894,648	$ 2,838,413

In the schedules above, compensated absences are reported net of increases and decreases.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

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

	Interest Rate %	Maturity Date	Original Issue	Outstanding
Governmental activities:				
General obligation bonds:				
Series 2013	2-5	08/01/33	$ 7,905,000	$ 3,920,000
Series 2015	1.79	08/01/26	2,340,000	245,000
Series 2016	2-5	08/01/37	59,220,000	27,105,000
Series 2023	4-5	08/01/42	32,060,000	26,050,000
Total general obligation bonds			101,525,000	57,320,000
Certificates of obligation:				
Series 2011B	2-5.3	08/01/31	1,330,000	595,000
Total certificates of obligation			1,330,000	595,000
Total governmental bonds			$ 102,855,000	$ 57,915,000
Business-type activities:				
General obligation bonds:				
Series 2016	2-5	08/01/37	$ 15,550,000	$ 4,780,000
Total general obligation bonds			15,550,000	4,780,000
Certificates of obligation:				
Series 2013	2-4.375	08/01/33	3,480,000	1,705,000
Series 2016	2-5	08/01/37	5,570,000	2,540,000
Series 2023	4-5	08/01/42	15,510,000	13,720,000
Total certificates of obligation			24,560,000	17,965,000
Total business-type bonds			$ 40,110,000	$ 22,745,000

	Interest Rate %	Maturity Date	Original Issue	Outstanding
Component unit:				
General obligation bonds:				
Series 2015	1.79	08/01/33	$ 3,565,000	$ 380,000
Series 2016	2-5	08/01/33	3,585,000	1,250,000
Series 2017	3	08/01/39	3,165,000	1,000,000
Total general obligation bonds			10,315,000	2,630,000
Certificates of obligation:				
Series 2013	2-4.375	08/01/33	$ 7,610,000	$ 3,740,000
Series 2020	3-3.15	08/01/39	9,780,000	7,860,000
Series 2023	4-5	08/01/42	20,495,000	18,125,000
Total certificates of obligation			37,885,000	29,725,000
Total component unit bonds			$ 48,200,000	$ 32,355,000

The annual requirements for the City and Component Unit's outstanding bonds are as follows:

Year ending September 30,	Governmental Activities					
	Certificate of Obligation		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 90,000	$ 30,025	$ 6,895,000	$ 2,289,773	$ 6,985,000	$ 2,319,798
2027	95,000	25,705	5,550,000	1,967,138	5,645,000	1,992,843
2028	95,000	21,145	5,210,000	1,784,038	5,305,000	1,805,183
2029	100,000	16,395	4,625,000	1,599,350	4,725,000	1,615,745
2030	105,000	11,395	3,980,000	1,424,681	4,085,000	1,436,076
2031-2035	110,000	5,830	17,710,000	4,830,206	17,820,000	4,836,036
2036-2040	-	-	9,810,000	1,776,550	9,810,000	1,776,550
2041-2042	-	-	3,540,000	213,800	3,540,000	213,800
	$ 595,000	$ 110,495	$ 57,320,000	$ 15,885,536	$ 57,915,000	$ 15,996,031

Year ending September 30,	Business-Type Activities					
	Certificate of Obligation		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 940,000	$ 773,156	$ 1,785,000	$ 166,925	$ 2,725,000	$ 940,081
2027	985,000	732,406	1,875,000	77,675	2,860,000	810,081
2028	1,025,000	689,656	1,120,000	30,800	2,145,000	720,456
2029	1,070,000	645,106	-	-	1,070,000	645,106
2030	1,115,000	597,981	-	-	1,115,000	597,981
2031-2035	5,860,000	2,212,963	-	-	5,860,000	2,212,963
2036-2040	4,780,000	1,036,150	-	-	4,780,000	1,036,150
2041-2042	2,190,000	132,200	-	-	2,190,000	132,200
	$ 17,965,000	$ 6,819,618	$ 4,780,000	$ 275,400	$ 22,745,000	$ 7,095,018

Year ending September 30,	Component Unit					
	Certificate of Obligation		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,705,000	$ 1,221,088	$ 1,105,000	$ 79,127	$ 2,810,000	$ 1,300,215
2027	1,775,000	1,151,688	755,000	42,575	2,530,000	1,194,263
2028	1,845,000	1,079,338	770,000	22,025	2,615,000	1,101,363
2029	1,925,000	1,004,038	-	-	1,925,000	1,004,038
2030	2,005,000	924,200	-	-	2,005,000	924,200
2031-2035	9,495,000	3,324,594	-	-	9,495,000	3,324,594
2036-2040	8,080,000	1,509,011	-	-	8,080,000	1,509,011
2041-2042	2,895,000	174,800	-	-	2,895,000	174,800
	$ 29,725,000	$ 10,388,757	$ 2,630,000	$ 143,727	$ 32,355,000	$ 10,532,484

Leases Payable

A summary of leases payable as of September 30, 2025, are as follows:

Purpose of the Lease	Interest Rate	Amount of Initial Liability	Current Year Interest	Amount Outstanding 9/30/25	Amount Due Within One Year
Parking lot and building	5%	$ 317,455	$ 8,973	$ 167,990	$ 22,102
Parking lot	5%	161,920	6,756	120,914	30,097
Office space	5%	3,750,316	170,763	3,270,761	289,305
Copiers	5%	167,882	4,506	71,914	35,060
Totals			$ 190,998	$ 3,631,579	$ 376,564

Principal and interest payments to maturity are as follows:

Year ending September 30,	Lease Payable	
	Principal	Interest
2026	$ 376,564	$ 173,105
2027	413,063	153,450
2028	413,705	132,787
2029	420,658	111,681
2030	441,996	90,411
2031-2034	1,565,593	128,871
	$ 3,631,579	$ 790,305

Notes Payable

A summary of notes payable as of September 30, 2025, are as follows:

Purpose of the Finance Purchase	Interest Rate	Amount of Initial Liability	Current Year Interest	Amount Outstanding 9/30/25	Amount Due Within One Year
Various equipment	4.5-4.75%	$ 2,145,000	$ 14,720	$ 165,000	$ 165,000
Various equipment	3.5-5.75%	2,965,000	49,737	665,009	210,000
			$ 64,457	$ 830,009	$ 375,000

Note payable principal and interest to maturity are as follows:

Year ending September 30,	Financing Arrangements Principal	Financing Arrangements Interest
2026	$ 375,000	$ 45,827
2027	220,000	26,163
2028	235,009	13,513
	$ 830,009	$ 85,503

E. Interfund Balances and Activity

The composition of interfund balances as of the year end were as follows:

	Payable fund:				
Receivable fund:	General	Internal Service	Nonmajor Governmental	Water and Sewer	Total
General	$ -	$ 1,662,753	$ 255,319	$ 167,930	$ 2,086,002
Nonmajor governmental funds	648	-	-	-	648
Internal service	-	1,184	-	-	1,184
Total	$ 648	$ 1,663,937	$ 255,319	$ 167,930	$ 2,087,834

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

Transfers during the fiscal year were as follows:

	Transfers Out:			
Transfer In:	General	Water and Sewer	Nonmajor Governmental	Total
General	$ -	$ 500,000	$ 48,000	$ 548,000
Water and sewer	7,309,630	-	-	7,309,630
Nonmajor governmental funds	619,550	28,750	1,986,643	2,634,943
Internal service funds	4,250,000	1,075,000	-	5,325,000
Total	$ 12,179,180	$ 1,603,750	$ 2,034,643	$ 15,817,573

Transfers totaling $2.6 million were made to nonmajor governmental funds to support approved capital purchases. Due to higher-than-expected claims in the internal service funds, the General Fund and Water and Sewer Fund made transfers totaling $5.3 million to cover these costs. This was originally budgeted to be $4.4 million but was increased as claims experience trended upward. Furthermore, transfers between the General Fund and the Water and Sewer Fund were made to help finance ongoing operations. Additionally, a transfer of $48,000 from a nonmajor fund to the General Fund was allocated to support a portion of police capital expenditures.

F. Committed Fund Balance

Committed fund balance at year end in the non-major governmental funds was as follows:

	Committed Fund Balance
Public safety	$ 291,627
Public works	738,012
Parks and recreation	1,718,840
Capital projects	379,954
Capital acquisitions	1,503,784
Total	$ 4,632,217

G. North Texas Municipal Water District

The District is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Chapter 62, Acts of 1951, 52nd Legislature, Regular Session, as amended, originally compiled as Vernon's Article 8270-141 (the "Act"), pursuant to Article 16, Section 59 of the Texas Constitution. The District comprises all of the territory of its member cities, viz., Allen, Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Forney, Royse City, and Frisco (the "Member Cities"). The District was created for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing, and transportation of such water to its Member Cities and to its other customers located in North Central Texas, all within the Dallas Standard Metropolitan Statistical Area.

Under the Act, including specifically Section 27 thereof, and under the Constitution and Statutes of the State of Texas, the District has broad powers to: (1) impound, control, store, preserve, treat, transmit and use storm and flood water, the water of rivers and streams, and underground water for irrigation, power and all other useful purposes and to supply water for municipal, domestic, power, industrial and commercial uses and purposes and all other beneficial uses and purposes; and (2) collect, transport, process, treat, dispose of, and control all municipal, domestic, industrial or commercial waste whether in fluid, solid or composite state, including specifically the control, abatement or reduction of all types of pollution. The City retains no ongoing financial interest, equity investments, and/or responsibilities for the District other than the contractual arrangements discussed more fully herein.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City owns one sewage treatment facility, Squabble Creek, and in 1978 entered into an agreement with the District for the construction of a second facility, Buffalo Creek. Under the terms of this agreement, the District issued contractually secured bonds in its name to construct and operate this sewage disposal plant for the City. In subsequent years, similar contractual agreements have been made to enable the District to expand the sewage treatment facilities and continue to provide sewage treatment services to the City. Under the terms of these contracts, the City's payments, which began when the facilities were first utilized, are equal to the operating and maintenance expenses for the next ensuing calendar year, as shown in the annual budget. The contracts further provide that the debt service payments will be equal to the principal and/or interest coming due on the bonds on the next succeeding interest payment date, plus the fees and charges of the paying agent and the registrar.

These contractual obligations have been included as lease obligations in amounts equal to the bonds outstanding under these agreements. Accordingly, the related assets have been capitalized and are being depreciated over the estimated life of the facilities.

The outstanding principal balance on the debt issues as of September 30, 2025, is $830,009. See Note IV.D. for the annual requirements to amortize the bonds as of September 30, 2025.

With respect to the ground storage reservoir discussed above, prior to the current year, the Cities of Rockwall and Heath were contractually obligated to make timely payments to the District representing 66.67% and 33.33%, respectively, of the related operating expenses and debt service payments.

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

The City uses a medical self-insurance fund to pay medical and dental claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims in any one year exceeding $105,000 per covered individual, or approximately $5,806,964 in the aggregate for the group, are covered through a private insurance carrier. Additionally, life insurance policy premiums for each employee are paid through the fund. The self-insurance fund is funded by operating transfers from other funds and charges to employees for extended benefits at their option. The City does not believe there are material claims incurred but not reported as of September 30, 2025.

The City uses a Self-Insurance and Risk Management Program (as permitted by law and its home rule charter) to insure itself against the various risks of liability or loss to which it is exposed, either through an insurance provider or through a defined self-insurance program. The City issued certificates of obligation, based on an actuarial analysis, to fund a self-insured workers' compensation plan. Under this plan, workers' compensation insurance is provided in accordance with state statutes to all City employees. To protect the assets of the plan from a catastrophic claim, the City has purchased stop loss coverage in the amount of $100,000 per occurrence, with a maximum City liability of $300,000 per year.

The Workers' Compensation Fund (an internal service fund) accounts for the activity of this plan. The City establishes claim liabilities based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements.

Changes in the balances of claims liabilities during the past two years are as follows:

	Employee Benefits		Workers' Compensation	
	2025	2024	2025	2024
Claims payable:				
Beginning of the year	$ 585,470	$ 452,009	$ 96,143	$ 123,766
Claims incurred	7,086,412	6,313,701	365,330	89,320
Payment on claims	(6,761,739)	(6,180,240)	(252,330)	(116,943)
End of the year	$ 910,143	$ 585,470	$ 209,143	$ 96,143

Commercial insurance is purchased for the other risks of loss to which the City is exposed. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. Contingent Liabilities

The City is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the City does not expect them to have a materially adverse effect on the basic financial statements.

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

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

C. Defined Benefit Pension Plan

Plan Description

The City of Rockwall participates as one of 942 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

Benefits Provided

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

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

Plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% repeating transfers
Annual increase to retirees	70% of CIP, repeating

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	158
Inactive employees entitled to but not yet receiving benefits	150
Active employees	331
Total	639

Contributions

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

Employees for the City of Rockwall were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Rockwall were 15.87% and 16.64% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, totaled $5,449,861, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, at $13,724,303, 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% year
Overall Payroll growth	2.75% year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

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

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

Discount Rate

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

Changes in the Net Pension Liability

The City's net pension liability is generally liquidated by the General Fund and proprietary funds. As of September 30, 2025, the City reported the following changes in Net Pension Liability:

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 138,434,253	$ 122,350,346	$ 16,083,907
Changes for the year:			
Service cost	5,930,741	-	5,930,741
Interest	9,393,548	-	9,393,548
Difference between expected and actual experience	1,726,420	-	1,726,420
Contributions - employer	-	4,775,760	(4,775,760)
Contributions - employee	-	2,138,856	(2,138,856)
Net investment income	-	12,739,710	(12,739,710)
Benefit payments, including refunds of employee contributions	(4,471,886)	(4,471,886)	-
Administrative expense	-	(81,532)	81,532
Other changes	-	(1,907)	1,907
Net changes	12,578,823	15,099,001	(2,520,178)
Balance at 12/31/2024	$ 151,013,076	$ 137,449,347	$ 13,563,729

At September 30, 2025, the Component Unit reported the following changes in Net Pension Liability:

	Increase (Decease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2023	$ 1,638,855	$ 1,448,446	$ 190,409
Changes for the year:			
Service cost	70,211	-	70,211
Interest	111,206	-	111,206
Difference between expected and actual experience	20,438	-	20,438
Contributions - employer	-	56,538	(56,538)
Contributions - employee	-	25,321	(25,321)
Net investment income	-	150,819	(150,819)
Benefit payments, including refunds of employee contributions	(52,940)	(52,940)	-
Administrative expense	-	(965)	965
Other changes	-	(23)	23
Net changes	148,915	178,750	(29,835)
Balance at 12/31/2024	$ 1,787,770	$ 1,627,196	$ 160,574

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%)	Current Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 35,566,479	$ 13,563,729	$ (4,501,009)
Component unit's net pension liability	421,054	160,574	(53,285)
Total	$ 35,987,533	$ 13,724,303	$ (4,554,294)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2025, the City recognized pension expense of $6,003,489. Of this amount, $5,933,248 is related to the primary government and $70,241 is attributable to discretely presented component units.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,193,205	$ 33,825
Changes of assumptions	-	236,110
Difference between projected and actual investment earnings	-	1,573,588
Contributions subsequent to the measurement date	4,086,101	-
Total	$ 8,279,306	$ 1,843,523

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 49,641	$ 400
Changes of assumptions	-	2,795
Difference between projected and actual investment earnings	-	18,629
Contributions subsequent to the measurement date	48,373	-
Total	$ 98,014	$ 21,824

The primary government and component units reported $4,086,101 and $48,373, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, which 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:

For the Year Ended September 30,	City	Component Unit
2026	$ 1,190,612	$ 14,095
2027	2,415,661	28,598
2028	(987,091)	(11,686)
2029	(345,424)	(4,089)
2030	75,924	899

D. Other Post-Employment Benefits

Plan Description

The City voluntarily participates in a single-employer other post-employment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	37
Active employees	331
Total	477

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rates were 0.24% and 0.21% of annual covered payroll for 2024 and 2025, respectively. Of those amounts, 0.05% and 0.06% represented the retiree-only portion for 2024 and 2025, respectively. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City and Component Unit's contributions to the SDBF for the year ended September 30, 2025 was $17,005 and $1,848, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial assumptions

The City and Component Unit's total OPEB liability of $702,383 and $8,315, respectively, were measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2024)
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 setforward 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 with Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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. Changes in assumptions reflect the annual change in the municipal bond rate and changes in the actuarial assumptions.

Discount Rate

A single discount rate of 4.08% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from the City is made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2024.

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

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.08%) in measuring the total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Current Single Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's total OPEB liability	$ 843,551	$ 702,383	$ 591,424
Component unit's total OPEB liability	9,986	8,315	7,002
Total	$ 853,537	$ 710,698	$ 598,426

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB

At September 30, 2025, the City and component unit reported a total OPEB liability of $702,383 and $8,315, respectively. The total OPEB Liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the City and component unit recognized OPEB expense of $42,778 and $506, respectively. There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes in the Total OPEB Liability

As of September 30, 2025, the City reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2023	$ 712,639
Changes for the year:	
Service cost	42,778
Interest	27,385
Difference between expected and actual experience	(25,145)
Change in assumptions	(39,997)
Benefit payments, including refunds of employee contributions	(15,277)
Net changes	(10,256)
Balance at 12/31/2024	$ 702,383

At September 30, 2025, the component unit reported the following changes in the total OPEB liability:

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2023	$ 8,437
Changes for the year:	
Service cost	506
Interest	324
Difference between expected and actual experience	(298)
Change in assumptions	(473)
Benefit payments, including refunds of employee contributions	(181)
Net changes	(122)
Balance at 12/31/2024	$ 8,315

Changes in assumptions and other inputs reflect a change in the discount rate from 3.77% to 4.08%.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,996	$ 50,110
Changes in actuarial assumptions	101,375	255,888
Contributions subsequent to the measurement date	14,922	-
Total	$ 121,293	$ 305,998

As of September 30, 2025, the component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 59	$ 593
Changes in actuarial assumptions	1,200	3,029
Contributions subsequent to the measurement date	177	-
Total	$ 1,436	$ 3,622

The City and Component Unit reported $14,922 and $177, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, which 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:

For the Year Ended September 30,	City	Component Unit
2026	$ (31,081)	$ (368)
2027	(32,881)	(389)
2028	(44,001)	(521)
2029	(51,109)	(605)
2030	(33,177)	(393)
Thereafter	(7,378)	(87)

E. Deficit Net Position/Fund Balance

At September 30, 2025, the City reported a deficit net position of $1,600,426 in the Employee Benefits Internal Service Fund, primarily due to current-year claims costs and related liabilities exceeding the resources available in that fund. Management plans to address this deficit through future charges to participating funds, potential transfers from the General Fund, and ongoing monitoring of plan design and contribution levels.

At September 30, 2025, the City also reported a deficit fund balance of $11,772 in the Historic Church Fund, a nonmajor governmental fund. This deficit is expected to be eliminated through future revenues of the fund or transfers from the General Fund.

F. Restatement – Change in Accounting Principle

During fiscal year 2025, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*. The adoption of this standard required the recognition of additional liabilities for compensated absences that were not previously recorded. As a result, beginning net position in the statement of activities was restated and decreased by $3,633,589 for governmental activities, $278,434 for business-type activities, and $31,291 for the Rockwall EDC.

G. New Accounting Guidance

Significant new accounting guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF ROCKWALL, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Property taxes	$ 15,640,000	$ 15,640,000	$ 15,743,506	$ 103,506
Sales taxes	28,610,000	28,610,000	28,647,411	37,411
Franchise taxes	4,005,000	4,007,000	3,866,339	(140,661)
Licenses and permits	1,401,500	2,005,500	2,266,674	261,174
Intergovernmental revenues	2,758,500	3,201,500	11,501,475	8,299,975
Charges for services	635,500	900,500	1,562,591	662,091
Fines and forfeitures	535,000	600,000	683,201	83,201
Contributions and donations	57,500	57,500	57,500	-
Investments earnings	1,250,000	1,250,000	1,463,874	213,874
Miscellaneous	205,000	205,000	84,199	(120,801)
Total revenues	55,098,000	56,477,000	65,876,770	9,399,770
EXPENDITURES				
Current:				
Administration	6,881,200	6,957,200	6,352,988	604,212
Finance	1,212,350	1,228,350	1,017,155	211,195
Mayor/council	150,400	161,900	172,248	(10,348)
Police	18,920,350	19,103,350	19,635,778	(532,428)
Fire	9,585,000	9,645,750	9,832,648	(186,898)
Municipal court	535,450	560,450	566,823	(6,373)
Public works	6,592,850	6,507,850	6,263,984	243,866
Parks and recreation	6,599,550	6,707,550	6,557,807	149,743
Community development	2,605,000	2,588,000	2,553,190	34,810
Debt service:				
Principal	-	-	342,471	(342,471)
Interest and fiscal charges	-	-	190,998	(190,998)
Total expenditures	53,082,150	53,460,400	53,486,090	(25,690)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,015,850	3,016,600	12,390,680	9,374,080
OTHER FINANCING SOURCES (USES)				
Transfers in	510,000	548,000	548,000	-
Transfers out	(3,715,000)	(3,715,000)	(12,179,180)	(8,464,180)
Total other financing sources (uses)	(3,205,000)	(3,167,000)	(11,631,180)	(8,464,180)
NET CHANGE IN FUND BALANCE	$ (1,189,150)	$ (150,400)	759,500	$ 909,900
FUND BALANCE - BEGINNING			27,903,649	
FUND BALANCE - ENDING			$ 28,663,149	

Budgetary Information - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund, debt service fund, harbor debt service fund, cemetery fund, public safety fund, recreational development fund, street improvement fund, hotel occupancy tax fund, fire equipment fund, aviation fund, downtown improvement fund, and the narcotics unit fund.

Budgetary preparation and control are exercised at the fund level. Actual expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at year-end.

Encumbrance accounting, in which appropriations are recorded as budgetary expenditures, is not utilized by the City.

Excess of Expenditures over Budgeted Appropriations - During the fiscal year 2025, expenditures exceeded appropriations in the general fund, harbor debt service fund, downtown improvement fund and narcotics unit fund by $25,690, $13, $410 and $5,731, respectively.

CITY OF ROCKWALL, TEXAS

SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement period ended December 31,	**2024**	**2023**	**2022**	**2021**
A. Total pension liability				
Service Cost	$ 6,000,952	$ 5,347,145	$ 4,847,364	$ 4,432,467
Interest (on the Total Pension Liability)	9,504,754	8,687,647	7,937,814	7,313,901
Difference between expected and actual experience	1,746,858	2,338,017	1,945,808	1,251,581
Changes in assumptions	-	(370,173)	-	-
Benefit payments, including refunds of employee contributions	(4,524,826)	(3,923,681)	(3,820,791)	(4,103,690)
Net change in total pension liability	12,727,738	12,078,955	10,910,195	8,894,259
Total pension liability - beginning	140,073,108	127,994,153	117,083,958	108,189,699
Total pension liability - ending (a)	152,800,846	140,073,108	127,994,153	117,083,958
B. Plan fiduciary net position				
Contributions - Employer	4,832,298	4,493,159	4,153,419	3,791,675
Contributions - Employee	2,164,177	1,971,038	1,792,475	1,637,323
Net Investment Income	12,890,529	12,612,750	(8,408,325)	13,134,666
Benefit payments, including refunds of employee contributions	(4,524,826)	(3,923,681)	(3,820,791)	(4,103,690)
Administrative Expenses	(82,497)	(80,055)	(72,639)	(60,678)
Other	(1,930)	(560)	86,680	415
Net change in plan fiduciary net position	15,277,751	15,072,651	(6,269,181)	14,399,711
Plan fiduciary net position - beginning	123,798,792	108,726,141	114,995,322	100,595,611
Plan fiduciary net position - ending (b)	139,076,543	123,798,792	108,726,141	114,995,322
C. Net pension liability - ending (a) - (b)	$ 13,724,303	$ 16,274,316	$ 19,268,012	$ 2,088,636
D. Plan fiduciary net position as a percentage of total pension liability	91.02%	88.38%	84.95%	98.22%
E. Covered payroll	$ 30,916,813	$ 28,158,006	$ 25,606,782	$ 23,390,329
F. Net position liability as a percentage of covered payroll	44.39%	57.80%	75.25%	8.93%

2020	2019	2018	2017	2016	2015
$ 4,117,305	$ 3,889,490	$ 3,626,966	$ 3,622,782	$ 3,383,642	$ 3,357,626
6,834,168	6,349,914	5,990,905	5,577,249	5,158,244	4,940,548
(250,837)	(397,251)	(1,650,948)	(306,042)	(357,796)	(458,262)
-	90,632	-	-	-	(108,126)
(3,398,437)	(2,346,674)	(3,212,408)	(2,323,270)	(1,869,095)	(1,942,137)
7,302,199	7,586,111	4,754,515	6,570,719	6,314,995	5,789,649
100,887,500	93,301,389	88,546,874	81,976,155	75,661,160	69,871,511
108,189,699	100,887,500	93,301,389	88,546,874	81,976,155	75,661,160
3,543,361	3,341,210	3,122,311	3,102,508	2,897,712	2,950,480
1,530,139	1,442,842	1,348,315	1,338,937	1,250,554	1,255,523
6,991,434	12,012,212	(2,361,502)	9,340,684	4,123,871	86,617
(3,398,437)	(2,346,674)	(3,212,408)	(2,323,270)	(1,869,095)	(1,942,137)
(45,176)	(67,784)	(45,589)	(48,368)	(46,547)	(52,749)
(1,761)	(2,036)	(2,380)	(2,451)	(2,508)	(2,605)
8,619,560	14,379,770	(1,151,253)	11,408,040	6,353,987	2,295,129
91,976,051	77,596,281	78,747,534	67,339,494	60,985,507	58,690,378
100,595,611	91,976,051	77,596,281	78,747,534	67,339,494	60,985,507
$ 7,594,088	$ 8,911,449	$ 15,705,108	$ 9,799,340	$ 14,636,661	$ 14,675,653
92.98%	91.17%	83.17%	88.93%	82.15%	80.60%
$ 21,819,318	$ 20,612,029	$ 19,261,637	$ 19,127,677	$ 17,865,058	$ 17,936,037
34.80%	43.23%	81.54%	51.23%	81.93%	81.82%

CITY OF ROCKWALL, TEXAS

TMRS SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal year ended September 30,	**2025**	**2024**	**2023**	**2022**
Actuarial determined contribution	$ 5,449,861	$ 4,737,558	$ 4,205,845	$ 3,941,093
Contributions in relation to the actuarially determined contribution	5,449,861	4,770,477	4,499,468	4,191,026
Contribution deficiency (excess)	$ -	$ (32,919)	$ (293,623)	$ (249,933)
Covered payroll	$ 33,119,704	$ 30,127,747	$ 27,587,171	$ 25,842,845
Contributions as a percentage of covered payroll	16.46%	15.83%	16.31%	16.22%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.5%
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:

Notes	There were no benefit changes during the year.

2021	2020	2019	2018	2017	2016
$ 3,527,492	$ 3,389,779	$ 3,200,864	$ 3,158,177	$ 2,897,712	$ 2,950,480
3,701,559	3,512,213	3,261,764	3,158,177	2,897,712	2,950,480
$ (174,067)	$ (122,434)	$ (60,900)	$ -	$ -	$ -
$ 22,835,032	$ 21,666,950	$ 20,121,925	$ 19,304,266	$ 17,865,058	$ 17,936,037
16.21%	16.21%	16.21%	16.36%	16.22%	16.45%

CITY OF ROCKWALL, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM -
SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement period ended December 31,	**2024**	**2023**	**2022**
A. Total OPEB liability			
Service Cost	$ 43,284	$ 36,605	$ 71,700
Interest (on the Total OPEB Liability)	27,709	26,612	17,550
Changes of assumptions	(40,470)	(7,044)	(363,354)
Difference between expected and actual experience	(25,443)	33,155	8,361
Benefit payments, including refunds of employee contributions	(15,458)	(14,080)	(12,803)
Net change in Total OPEB liability	(10,378)	75,248	(278,546)
Total OPEB liability - beginning	721,076	645,828	924,374
Total OPEB liability - ending (a)	$ 710,698	$ 721,076	$ 645,828
B. Covered-employee payroll	$ 30,916,813	$ 28,158,006	$ 25,606,782
C. Total OPEB liability as a percentage of covered-employee payroll	2.30%	2.56%	2.52%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

2021	2020	2019	2018	2017
$ 63,154	$ 48,002	$ 32,979	$ 34,671	$ 30,604
17,340	19,621	20,725	18,675	17,740
31,279	121,938	117,635	(44,205)	48,353
(15,803)	(34,417)	(19,759)	(9,879)	-
(14,034)	(4,365)	(4,121)	(3,852)	(3,826)
81,936	150,779	147,459	(4,590)	92,871
842,438	691,659	544,200	548,790	455,919
$ 924,374	$ 842,438	$ 691,659	$ 544,200	$ 548,790
$ 23,390,329	$ 21,819,318	$ 20,612,029	$ 19,261,637	$ 19,127,677
3.95%	3.86%	3.36%	2.83%	2.87%

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Bond Counsel

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

ROCKWALL ECONOMIC DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, TAXABLE SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

AS BOND COUNSEL FOR THE ROCKWALL ECONOMIC DEVELOPMENT CORPORATION (the "Issuer") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the resolution of the Issuer authorizing the issuance and sale of the Bonds (the "Resolution").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer; and that the principal of and interest on the Bonds, are payable from and secured by a lien on and pledge of the Pledged Revenues which include the proceeds of a one-quarter of one percent sales and use tax (the "Sales Tax") levied for the benefit of the Issuer by the City of Rockwall, Texas (the "City"), and certain funds established under the Resolution, all as defined and provided in the Resolution.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, other than the aforesaid Sales Tax and the Bonds and the interest thereon are not payable from any other funds, revenues or properties of the Issuer. The Bonds and the interest thereon do not constitute obligations of the State of Texas, the City or any other political subdivision or agency of the State of Texas or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER HAS RESERVED THE RIGHT, subject to restrictions stated and adopted by reference in the Resolution, to issue additional revenue bonds which may be made payable from and secured by a lien on and pledge of the Pledged Revenues on a parity with, or subordinate to, the lien on and pledge of the Pledged Revenues securing payment of the Bonds.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. 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 Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the

Issuer as to the sufficiency of the Pledged Revenues. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

Municipal Advisory Services
Provided By

HilltopSecurities
Investment Banking Solutions