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

PRELIMINARY OFFICIAL STATEMENT

Dated: November 5, 2026

NEW ISSUE - Book-Entry-Only

Rating: S&P "Applied for"
(see "Rating", "Bond Insurance" and "Bond Insurance Risk Factors")

In the opinion of The J. Ramirez Law Firm and Escamilla & Poneck, LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (defined below) is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein.

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS

$2,000,000*
CITY OF ALTON, TEXAS
(A Municipal Corporation of the State of Texas Located in Hidalgo County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

Dated Date: November 1, 2026
Interest to accrue from Delivery Date

Due: November 15, as shown on page ii

PAYMENT TERMS . . . Interest on the $2,000,000* City of Alton, Texas (the "City or Issuer") Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the Delivery Date (defined below) and will be payable beginning November 15, 2027, and each August 15 and November 15 thereafter until maturity. Interest on the Certificates will be calculated based on a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, an ordinance of the City Commission of the City to be adopted on November 17, 2026 (the "Ordinance") and constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the Net Revenues (as defined herein) of the City's sewer system (the "System") as provided in the Ordinance, not to exceed $1,000 (see "THE CERTIFICATES - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of existing City public facilities, including public safety facilities and administrative office buildings, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

INSURANCE... The City has made applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by initial purchaser at a competitive sale (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the legal opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas, Co-Bond Counsel (see Appendix C, "Form of Legal Opinion of Co-Bond Counsel").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about December 10, 2026 (the "Delivery Date").

BIDS DUE TUESDAY, NOVEMBER 17, 2026 AT 10:00A.M. CENTRAL TIME

***Preliminary, subject to change.**

MATURITY SCHEDULE

$2,000,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

MATURITY SCHEDULE

CUSIP Prefix: 021695 [1]

Principal Amount	Maturity 15-Nov	Interest Rate	Yield	CUSIP Suffix[1]
$ -	2027			
65,000	2028			
70,000	2029			
70,000	2030			
75,000	2031			
80,000	2032			
80,000	2033			
85,000	2034			
90,000	2035			
95,000	2036			
100,000	2037			
105,000	2038			
110,000	2039			
120,000	2040			
125,000	2041			
130,000	2042			
140,000	2043			
145,000	2044			
155,000	2045			
160,000	2046			

(Interest to accrue from the Delivery Date)

[1] CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Initial Purchaser, the City or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein..

Redemption: The Certificates having stated maturities on and after November 15, 2036, are subject to optional redemption in whole or in any part thereof, in the principal amounts of $5,000 or any integral multiple thereof on November 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES – Redemption"). If two or more certificates of consecutive maturities are combined into one or more "term" certificates (the "Term Certificates") by the Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance. (See "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).

*Preliminary, subject to change.

CITY OF ALTON, TEXAS

CITY COMMISSION

Name	Position	Term Expires	Occupation
Salvador Vela	Mayor	May 2027	Retired
Arturo Galvan, Jr.	Mayor Pro-Tem	May 2027	Respiratory Technician
Ricardo Garza	Commissioner, Place 2	May 2029	Physical Therapy Assistant
Richard Arevalo	Commissioner, Place 3	May 2029	Title Department Supervisor
Emilio Cantu, Jr.	Commissioner, Place 4	May 2029	Caseworker

ADMINISTRATIVE OFFICERS

Name	Position	Length of Service	Total Years of Experience
Jeff Underwood	City Manager	7 years	22 years
Baudelia Rojas	Deputy City Manager	5 years	29 years
Rosie Tello	Finance Director	19 years	24 years

CONSULTANTS AND ADVISORS

The J. Ramirez Law Firm, San Juan, Texas Escamilla & Poneck, LLP, San Antonio, Texas	Co-Bond Counsel
Casco & Associates, P.C., Brownsville, Texas	Independent Certified Public Accountant
D.A. Davidson & Co., Plano, Texas	Financial Advisor

For additional information regarding the City, please contact:

Jeff Underwood, City Manager City of Alton, Texas 509 South Alton Boulevard Alton, Texas 78573 Phone: (956) 432-0760 jeff.underwood@alton-tx.gov	or	Steve Perry, Senior Vice President D.A. Davidson & Co. 5601 Granite Parkway, Suite 560 Plano, Texas 75024 Phone: (972) 523-3913 sperry@dadco.com

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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SUMMARY STATEMENT

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

The Issuer	The City of Alton, Texas (the "City") is a home rule municipality and political subdivision of the State located in Hidalgo County. For information regarding the City and its economy see Appendices A and C.
Payment of Interest	Interest on the Certificates accrues from the date of delivery and is payable beginning November 15, 2027, and each May 15 and November 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES – Description of the Certificates").
Purpose of Certificates	Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of existing City public facilities, including public safety facilities and administrative office buildings, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.
Authorization and Security	The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance of the City Commission of the City to be adopted on November 17, 2026 (the "Ordinance") and constitute direct obligations of the City payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the Net Revenues (as defined herein) of the City's sewer system (the "System") as provided in the Ordinance, not to exceed $1,000 (see "The Certificates - Authority for Issuance" and "The Certificates – Security and Source of Payment").
Bond Insurance	The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Redemption	The Certificates having stated maturities on and after November 15, 2036, are subject to optional redemption in whole or in any part thereof, in the principal amounts of $5,000 or any integral multiple thereof on November 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Additionally, the Initial Purchasers may select two or more consecutive maturities of the Certificates to be grouped together to form one or more "Term Certificates", and such Term Certificates would be subject to mandatory sinking fund redemption in accordance with the Ordinance (see "THE CERTIFICATES - Redemption").
Rating	The City has applied to S&P Global Ratings ("S&P") for a municipal bond rating on the Bonds (See "RATING"). In addition, the City has made an application for an insurance policy insuring the timely payment of the principal of and interest on the Notes. The purchase of such insurance, if available and the payment of all associated costs will be at the option and expense of the Underwriter, subject to approval by the City. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Tax Exemption	In the opinion of The J. Ramirez Law Firm and Escamilla & Poneck, LLP, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Co-Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein.

Qualified Tax-Exempt Obligations	The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
Book-Entry-Only System	The Certificates are initially issued only to Cede & Co., the nominee of the Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. No physical delivery of the Certificates will be made to the purchasers thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Certificates (see "The Certificates - Book-Entry-Only System").
Legal Opinion	Delivery of the Certificates is subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas as Co-Bond Counsel.
Payment Record	The City has never defaulted on any of its debt obligations.

OFFICIAL STATEMENT

RELATING TO

$2,000,000*
CITY OF ALTON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $2,000,000* City of Alton, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on November 17, 2026 (the "Ordinance"), which will authorize the issuance of the Certificates.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, D.A. Davidson & Co., 5601 Plano Parkway, Suite 560, Plano, Texas 75024.

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

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1978. The City operates under a Council/Manager form of government with a City Commission comprised of the Mayor and four Commissioners elected for staggered two year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, planning and zoning, and general administrative services. The 2020 Census population for the City was 18,198. The City's approximate population in 2026 is 25,255. The City covers approximately 7.50 square miles.

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

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Certificates will be used for the purpose of providing for the payment of contractual obligations to be incurred for (1) improvement and equipment of existing City public facilities, including public safety facilities and administrative office buildings, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.

*Preliminary, subject to change.

Sources and Uses of Certificate Proceeds

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

Sources of Funds	
Par Amount	
[Net] Reoffering Premium	
Total Sources of Funds	
Uses of Funds	
Deposit to Project Fund	
Initial Purchaser's Discount	
Costs of Issuance	
Total Uses of Funds	

THE CERTIFICATES

Description of the Certificates

The Certificates are dated November 1, 2026 and mature on November 15 in each of the years and in the amounts shown on page ii. Interest on the Certificates will accrue from the Delivery Date as defined on the cover hereof and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable beginning on November 15, 2026, and on each May 15 and November 15 thereafter until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein).

Authority for Issuance of the Certificates

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

Security and Source of Payment

The Certificates are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a limited pledge of the Net Revenues of the City's sewer system (the "System"), as provided in the Ordinance, not to exceed $1,000. "Net Revenues" means the gross revenues of the System less the expense of operation and maintenance, including all salaries, labor, materials, interest, repairs, and extensions necessary to render efficient service.

The limited lien on and pledge of the Net Revenues is subordinate and inferior to the lien and pledge of the Net Revenues securing payment of any outstanding or additional Prior Lien and Subordinate Lien Obligations which the City reserves the right to issue.

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per each $100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of Taxable Assessed Valuation. Administratively, in approving the Certificates, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, based on a 90% tax collection rate as calculated at the time of issuance.

Redemption

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after November 15, 2036, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on November 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the

City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed.

If a Certificate (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provisions

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (ii) grant additional rights or security for the benefit of the owners, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (iv) qualify the Ordinance 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 Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Co-Bond Counsel for the City, do not materially adversely affect the interests of the owners.

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity

of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities (defined below) to 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 Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased certificates, 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 Government Securities. The Ordinance provides that the term "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOND INSURANCE

The City has made application to municipal bond insurance companies (the “Insurer”) to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy (the “Policy”). No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates. If the City obtains a commitment from the Insurer to provide the Policy, the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

The City has applied for a Policy to guarantee payment of the Certificates. The City has yet to determine whether a Policy will be purchased with the Certificates. If a Policy is purchased, the following are risk factors relating to bond insurance.

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

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES –Remedies" herein). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable primarily from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the System not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding (see "THE CERTIFICATES – Security for Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement.

The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments with respect to the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Use of Certain Terms in Other Sections of this Official Statement

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but none of the City, the Financial Advisor, or the Initial Purchaser take any responsibility for the accuracy
thereof.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar. In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will 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 will 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 Certificates will be paid to the registered owner at the stated maturity or 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 Certificates is 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 will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES - BookEntry-Only System," above.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate 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; and, with respect to a Certificate 14 called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Record Date for Interest Payment

The date for determining the person to whom the interest is payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month ("Record Date").

Special Record Date

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) must 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 registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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 City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the

registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors and bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of another federal or a 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See “THE CERTIFICATES - Book-Entry-Only System” herein for a description of the duties of DTC with regard to ownership of Certificates. Initially, the only registered owner of the Certificates will be Cede & Co., DTC partnership nominee.

CYBERSECURITY RISKS

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the City’s security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

TAX INFORMATION

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

Valuation of Taxable Property

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

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

Unless extended by the Legislature, through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 Tax Year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 % of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

Low Income Housing Exemptions

Property owned by a qualifying organization is exempt from ad valorem taxation of improved or unimproved real property if the organization uses volunteer labor to build or repair housing on the property to sell without profit to a low/moderate income individual/family or to rent without profit to such an individual/family.

Community Housing Development Organizations

Real property owned by a qualifying organization that is engaged exclusively in building or repairing property for sale or rent without profit to low or moderate income individuals is exempt from ad valorem taxation. There are restrictions on eligibility and requirements pertaining to the numbers of years property may be exempted.

Solar and Wind Powered Devices

A person is entitled to an exemption from taxation of the amount of appraised value of his property that arises from the installation or construction of a solar or wind-powered energy device that is primarily for production and distribution of energy for on-site use.

State Mandated Homestead Exemptions

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

Disabled/Deceased Veterans' Exemptions

The Property Tax Code mandates that a disabled veteran or certain surviving dependents are entitled to an exemption from taxation of a portion of the assessed value of a property they own. The amount of this exemption ranges from $5,000 to $12,000 and the exemption amount is based on the disability rating of the veteran as certified by the U.S. Veterans' Administration. A disabled veteran may also qualify for an exemption of $12,000 if the veteran is age 65 or older with a disability rating of at least 10%.

A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption wasreceived.

State law and Section 2, Article VIII of the Texas Constitution, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. A disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. The surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

First Responder and Armed Services Surviving Spouse

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Finally, the surviving spouse of a member of the armed forces who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Surviving Spouse of Certain Qualifying Veteran

Effective January 1, 2026, the surviving spouse of a veteran of the U.S. Armed Forces who died as a result of a qualifying condition or disease is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the death of the veteran, regardless of the date of the veteran's death or the veteran's disability rating at the time of the veteran's death. A qualifying condition or disease is defined to mean a condition or disease for which the Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive

Toxics ("PACT") Act of 2022 or a regulation adopted under the act established a presumption of service connection. A surviving spouse who receives this exemption is entitled to receive an exemption for a subsequently qualified residence homestead in an amount equal to the dollar amount of the exemption for the first property in the last year in which the surviving spouse received the exemption if the surviving spouse has not remarried since the veteran's death.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

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

The surviving spouse of an individual qualifying for the homestead exemption is entitled to also receive such exemption if: (1) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (2) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse, and (3) the property homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Child-Care Facilities

On November 7, 2023, voters approved Texas Proposition 2, the Property Tax Exemption for Child-Care Facilities Amendment, which was on the ballot as a legislatively referred constitutional amendment. Proposition 2 is a constitutional amendment authorizing a local option exemption from ad valorem taxation by a county or municipality of all or part of the appraised value of real property used to operate a childcare facility. This is an optional exemption; the percentage specified may not be less than 50%.

Personal Property

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

On November 4, 2025, voters approved Texas Proposition 9, the Authorize Tax Exemption for Tangible Property Used for Income Production Amendment, constitutionally allowing an exemption of up to $125,000 of the appraised value of tangible personal property a person owns that is held for the production of income. This would replace the current exemption of less than $2,500 in taxable value. The exemption would apply to each location in a taxing unit where the property owner holds or uses tangible personal property for the production of income and all property that has taxable situs within a taxing unit is aggregated to determine taxable value. Beginning January 1, 2025, up to $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit), will be exempt from taxation.

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 Tax Year, all intangible personal property is exempt from State taxation.

Tax Increment Reinvestment Zones

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

Tax Abatement Agreements

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15% damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15% to 100% based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area.

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

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Levy and Collection of Taxes

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

Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four

(4) equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster" for a discussion of the applicability of this section of the Property Tax Code.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

"foregone revenue amount" means the greater of zero (0) or the amount expressed in dollars calculated according to the following formula: the voter approved tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for voter-approval tax rate.

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

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

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

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax

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

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

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

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

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

Property Assessment and Tax Payment

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

City Application of Property Tax Code

In accordance with a Constitutional Amendment approved by the voters of the State of Texas on September 13, 2003, the City Commission of the City has implemented a tax freeze for persons over 65 years of age and the disabled. As a result, the total amount of ad valorem taxes imposed by the City on a homestead that receives the exemption may not be increased while it remains the residential homestead of that person or that person's spouse who is disabled or sixty-five years of age or older, except to the extent the value of the homestead is increased by improvements other than repairs and other than improvements made to comply with government requirements. If a disabled or elderly person dies in a year in which the person received a residential homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residential homestead of that person's surviving spouse if the spouse is fifty-five years of age or older at the time of that person's death.

The City does not tax freeport property or goods-in-transit.

The City does not tax freeport property

The City has not adopted a tax abatement policy

The City does grant disabled veterans exemptions as follows:

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

As of September 1, 2009, the State of Texas established a 100% property tax exemption from all taxing entities for veterans rated 100% totally disabled.

The City of Alton, on December 29, 2009 through Ordinance 2009-09 created "Reinvestment Zone Number One, City of Alton, Texas. Section 7 (the "TIRZ"). The term of the TIRZ is for 25 years and projects to be funded by the TIRZ include fire flow

lines, drainage, park expansion, library building, fire station and street expansion. The City issued obligations in 2014 and 2023 that are secured by a limited pledge of TIRZ revenues. Current incremental value in the TIRZ is $178,541,886.

TAX RATE LIMITATIONS

Article XI, Section 5, of the State Constitution is applicable to the City and limits its maximum ad valorem tax rate to $2.50 per $100 of taxable assessed valuation for all City purposes including debt service. It is the current practice of the Attorney General of the State of Texas to allow cities such as the City to utilize up to $1.50 of the $2.50 per $100 assessed valuation at a 90% collection rate for the payment of debt service on obligations of the applicable city. In addition, Section 1331.051, Texas Government Code, as amended, prohibits the total debt of a city from exceeding 10% of the total assessed valuation of property shown by the last assessment roll. The City is currently levying $0.4367 per $100 in assessed valuation (see Appendix A, Table 4).

DEBT OBLIGATIONS

The following obligations, among others, may be issued by the City:

- Ad valorem tax-supported debt may be issued to finance capital improvements and to refund obligations previously issued for such purpose. A majority vote of the qualified voters is ordinarily required to authorize the issuance of ad valorem tax-supported debt, other than refunding bonds, certificates of obligation, tax anticipation notes, and public property finance contractual obligations.

- Certificates of obligation may be issued for the purpose of paying contractual obligations incurred in the construction of public works or the purchase of land, materials, and other supplies or services for the City's needs and for professional services without an election except under certain circumstances. The certificates of obligation may be refunded by ad valorem tax-supported bonds without an election. In addition, the City may issue certificates of obligation with a pledge of both tax and revenues derived from the operation of the facility to be acquired, or from any other lawful source, provided that the City otherwise has the right to pledge the revenues involved. Authority for the issuance of certificates of obligation is subject to notice by publication and right of referendum by the voters. Certificates of obligation may not be authorized if a bond proposition to authorize the issuance of bonds for the same purposes was submitted to the voters during the preceding three (3) years and failed to be approved.

- Contractual obligations are generally issued to finance personal property, and tax anticipation notes may be issued for capital improvements. Both the contractual obligations and tax anticipation notes may be issued and secured by ad valorem taxes, and refunded by ad valorem tax-supported bonds, without an election. The issuance of contractual obligations and tax anticipation notes does not require publication of notice or voter approval. Contractual obligations are limited to 25 years amortization or less; tax anticipation notes are limited to seven (7) years amortization or less.

- Revenue bonds may be issued for certain purposes which include the financing of the water, municipal drainage and sanitary sewer systems, electric and gas systems, convention centers, airports and parking systems, and other economic development projects. The revenue bond indebtedness is not considered in determining the legal debt margin on ad valorem tax-supported obligations. Revenue bond indebtedness, in certain cases, can be refunded by ad valorem tax-supported bonds without an election.

- Appropriation obligation may be issued to finance capital improvements and to refund obligations previously issued for such purpose. The City has not incurred any ongoing obligations related to the issuance of annual appropriations obligations.

INVESTMENTS

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

Legal Investments

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 City 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 City'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 City 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 City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City 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 City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with 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 City 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 City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (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 City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3)

collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

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

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Commission; (4)require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase 41 agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

All City funds are in collateralized bank deposits.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

Tax Exemption

The delivery of the Certificates is subject to the opinion of The J. Ramirez Law Firm, San Juan, Texas and Escamilla & Poneck, LLP, San Antonio, Texas ("Co-Bond Counsel") to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date

hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Co-Bond Counsel's opinion appears in Appendix C hereto.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon the certifications of the City pertaining to the use, expenditure and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the City subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owner thereof for federal income taxes from the date of the issuance of the Certificates. Co-Bond Counsel has not been retained by the City to monitor such post-issuance compliance.

Except as described above, Co-Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Co-Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Co-Bond Counsel, and Co-Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to owners of Certificates of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Pursuant to Public Law No. 115-97 (i.e., the Tax Cuts and Jobs Act), for tax years beginning after December 31, 2017, the corporate alternative minimum tax is repealed. However, interest on the Certificates is taken into account in determining "adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount Obligations

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the "Discount Obligations"). An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Obligations. A portion of such original issue discount, allocable to the holding period of a Discount Obligation by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the alternative minimum tax on corporations for tax years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax, consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax- exempt obligations.

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

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Obligations and with respect to the state and local tax consequences of owning Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Obligations may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

Tax Accounting Treatment of Premium Obligations

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the "Premium Obligations"). An amount equal to the difference between the initial public offering price of a Premium Obligation (assuming that a substantial amount of the Premium Obligations of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Obligations. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."

PENDING LITIGATION

The City is a defendant in various lawsuits. In the opinion of the City's management, any liabilities resulting from such suits will not materially affect the financial position of the City.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City payable from sources and secured in the manner provided in the Ordinance, and the approving legal opinion of Co-Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Co-Bond Counsel opinion is attached hereto as Appendix C. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent upon the sale and delivery of the Certificates. The legal opinion of Co-Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

Co-Bond Counsel was engaged by, and only represents, the City. Except as noted below, Co-Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Co-Bond Counsel, such firm has reviewed the information describing the Certificates in this Official Statement under the captions "THE CERTIFICATES" (except for the information under subcaptions "Book-Entry-Only System" and "Remedies"), "TAX MATTERS," "LEGAL MATTERS (except for the last sentence of the first paragraph thereof)," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed) and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained herein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance.

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

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will file with EMMA annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1-5 and 7-10 of Appendix A and in Appendix D. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2026. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with its 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 City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Additionally, the City intends the words used in above-described event notices (15) and (16) of the immediately preceding paragraph and the definition of "financial obligation" in such event notices to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized Certificate counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The City has complied with all continuing disclosure requirements in the last five years.

RATINGS

The Certificates are rated "__" (stable outlook) by S&P Global Ratings, ("S&P") based upon the Municipal Bond Insurance Policy to be issued and delivered by _____ ("_____"). The Certificates and the City's outstanding obligations have an underlying rating of "A+" (stable outlook) by S&P. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. The Certificates have an underlying rating of "A+" (stable outlook) by S&P.

Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates. Neither the Initial Purchaser nor the City has undertaken any responsibility to bring to the attention of the holders of the Certificates any proposed revision or withdrawal of the ratings of the Certificates or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Certificates.

FINANCIAL ADVISOR

D.A. Davidson & Co. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. D.A. Davidson & Co., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

WINNING BIDDER

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

FORWARD LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering and sale of the Certificates by the Initial Purchaser in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF ALTON, TEXAS

/S/
Mayor, City of Alton, Texas

ATTEST:

/S/
City Secretary, City of Alton, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING THE CITY

TABLE 1
CITY OF ALTON, TEXAS
VALUATIONS, EXEMPTIONS AND TAX DEBT

2026 Market Valuation Established by Hidalgo County Appraisal District		**$1,457,854,483**
Less Adjustments/Exemptions:		
Productivity Loss	$ 59,012,708	
Homestead Cap	$111,025,939	
Disabled	$ 12,701,211	
Totally Exempt	$ 86,742,241	
Over 65	$ 4,745,000	
Total Adjustments/Exemptions		$ 274,227,099
2026 Taxable Assessed Valuation		**$1,183,627,384**
Total Debt Outstanding		$ 21,000,000
Less: Self Supporting - Utility		$ (370,000)
Less: Self Supporting - TIRZ		$ (4,155,000)
Plus: The Obligations*		$ 2,000,000
Net Tax Debt		**$ 18,475,000**

* Preliminary, subject to change

Ratio Net Ad Valorem Tax Supported Debt to Taxable Assessed Valuation		1.56%
2026 Estimated Population -	25,255	
Per Capita Taxable Assessed Valuation -	$ 46,867	
Per Capita Net Tax Debt -	$ 732	

Source: The City and Hidalgo County Appraisal District

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

	Total Tax Roll for Fiscal Years				
	2026/27	**2025/26**	**2024/25**	**2023/24**	**2022/23**
Single Family Residence	$ 893,108,095	$ 860,566,837	$ 689,588,677	$594,463,213	$515,531,145
Multi-Family Residence	215,530,743	211,800,338	163,670,794	131,968,653	95,824,188
Vacant Lots & Land Tracts	71,462,428	60,328,885	64,816,270	58,379,339	39,717,912
Colonia Lots & Land Tracts	-	281,048	281,048	49,029	98,058
Qualified Open Space Land (QOSL)	59,012,708	59,576,116	55,371,586	36,684,706	35,665,718
Improvements on QOSL	712,168	760,240	658,474	691,799	697,302
Rural Land	26,767,455	27,739,106	25,264,949	20,879,656	22,896,222
Commercial & Industrial Real Property	75,145,323	77,264,057	63,258,303	59,697,225	58,823,638
Other Sub-Surface Interests	114,420	114,420	718,920	131,160	131,160
Utilities	4,865,910	4,652,500	4,165,780	3,859,190	3,556,570
Commercial Personal Property	13,924,908	13,588,066	15,338,772	13,925,813	13,229,264
Industrial Personal Property	972,040	1,069,810	1,057,690	593,070	834,700
Mobile Homes	1,167,036	1,271,861	1,256,453	1,337,506	1,326,894
Residential Inventory	158,481	2,301,448	2,213,515	1,725,570	515,846
Special Inventory	8,170,527	276,449	322,097	249,417	196,296
Totally Exempt	86,742,241	90,314,219	76,529,706	69,859,739	67,313,435
Total Market Value	**$1,457,854,483**	**$1,411,905,400**	**$1,164,513,034**	**$994,495,085**	**$856,358,348**
Less Adjustments/Exemptions					
Productivity Loss	$ 59,012,708	$ 59,576,116	$ 53,901,580	$ 36,283,373	$ 35,284,822
Homestead Cap	111,025,939	132,810,771	60,603,905	36,854,424	34,498,308
Disabled	12,701,211	12,256,786	10,356,880	7,113,953	5,369,088
Totally Exempt	86,742,241	90,314,219	72,493,355	69,859,739	67,313,435
Over 65	4,745,000	4,529,000	4,340,000	4,070,000	3,890,000
Total Exemptions	**$ 274,227,099**	**$ 299,486,892**	**$ 201,695,720**	**$154,181,489**	**$146,355,653**
Net Taxable Valuation	**$1,183,627,384**	**$1,112,418,508**	**$ 962,817,314**	**$840,313,596**	**$710,002,695**

Source: Hidalgo County Appraisal District

TABLE 3
CITY OF ALTON, TEXAS
PER CAPITA DATA

Fiscal Year Ended 30-Sep	Estimated City Population[1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	Net Tax Debt Outstanding at end of Year[3]		Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation
2023	20,211	710,002,695	35,130	14,599,000		722	2.06%
2024	20,687	840,313,596	40,620	14,566,000		704	1.73%
2025	21,000	962,817,314	45,848	11,989,000		571	1.25%
2026	22,907	1,112,418,508	48,562	16,475,000		719	1.48%
2027	25,255	1,183,627,384	46,867	18,475,000	(4)	732	1.56%

(1) Source: U.S. Census Bureau and The City

(2) Source: Hidalgo County Appraisal District

(3) Please see City's audit for other non-tax supported obligations

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

TABLE 4
CITY OF ALTON, TEXAS
PROPERTY TAX COLLECTIONS

Fiscal Year Ending 9/30	Taxable Assessed Valuation	Tax Rate	Collected
2023	710,002,695	0.4367	$3,131,433
2024	840,313,596	0.4367	$3,752,858
2025	962,817,314	0.4367	$4,699,784
2026	1,112,418,508	0.4431	$4,929,126
2027	1,183,627,384	0.4431	In collection

Source: The City and Hidalgo County Appraisal District Records

TAX RATE DISTRIBUTION

	2026/27	2025/26	2024/25	2023/24	2022/23
Maintenance & Operations	$0.3371	$0.3346	$0.3385	$0.3290	$0.3037
Interest & Sinking Fund	0.1060	0.1085	0.0982	0.1077	0.1330
Total	**$0.4431**	**$0.4431**	**$0.4367**	**$0.4367**	**$0.4367**

Source: The City and Hidalgo County Appraisal District Records

TABLE 5
CITY OF ALTON, TEXAS
TOP TEN PROPERTY TAXPAYERS

Name of Taxpayer	Type of Business	2026 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
22 Real Estate Investments LLC	Residential Homes	13,325,261	1.13%
Orchard Estates LP	Apartments	6,000,000	0.51%
Felix Chavez Jr.	Grocery Store	4,737,873	0.40%
GCM Housing Alton Ltd.	Apartments	4,114,531	0.35%
Inmobiliaria Grenade y Asociados LLC	Apartments	3,545,509	0.30%
CLDC Alton LP	Apartments	3,200,000	0.27%
Novellini LTD	Manufacturing	3,146,544	0.27%
Querollo LLC	Residential Homes	3,025,000	0.26%
AEP Texas Inc.	Electric Utility/Power P	2,987,610	0.25%
Eben Emmanuel	Real Estate	2,924,000	0.25%
Total		$ 27,681,067	2.34%

TABLE 6
CITY OF ALTON, TEXAS
OVERLAPPING DEBT

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

	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt
Hidalgo County	$ 392,195,000	1.75%	$ 6,863,413
Hidalgo County DD#1	$ 266,347,000	1.83%	$ 4,874,150
La Joya Independent School District	$ 141,157,680	0.46%	$ 649,325
Mission Consolidated Independent School District	$ 74,548,000	15.98%	$ 11,912,770
Sharyland Independent School District	$ 62,925,000	6.24%	$ 3,926,520
South Texas College	$ 67,895,000	1.63%	$ 1,106,689
Total Net Overlapping Debt			**$ 29,332,867**
City of Alton	$ 18,475,000 (1)		$ 18,475,000
Total Direct & Overlapping Tax Debt			**$ 47,807,867**
Ratio of Direct and Overlapping Net Debt to Taxable Assessed Value			9.22%
Per Capital Total Direct and Overlapping Tax Debt			$ 1,893

Source: Texas Municipal Reports and City's Audited Financial Statement

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

TABLE 7
CITY OF ALTON, TEXAS
DEBT SERVICE REQUIREMENTS

Year Ending	Total Debt Payments			Plus: The Obligations*			Total		
30-Sep	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2027	$ 1,387,000	$ 685,295	$ 2,072,295				$ 1,387,000	$ 685,295	$ 2,072,295
2028	1,327,000	637,791	1,964,791	$ -	$ 147,311	$ 147,311	1,327,000	785,102	2,112,102
2029	1,377,000	590,126	1,967,126	65,000	101,350	166,350	1,442,000	691,476	2,133,476
2030	1,337,000	541,100	1,878,100	70,000	97,975	167,975	1,407,000	639,075	2,046,075
2031	1,392,000	488,531	1,880,531	70,000	94,475	164,475	1,462,000	583,006	2,045,006
2032	1,442,000	433,399	1,875,399	75,000	90,850	165,850	1,517,000	524,249	2,041,249
2033	1,498,000	375,904	1,873,904	80,000	86,975	166,975	1,578,000	462,879	2,040,879
2034	868,000	335,757	1,203,757	80,000	82,975	162,975	948,000	418,732	1,366,732
2035	893,000	311,028	1,204,028	85,000	78,850	163,850	978,000	389,878	1,367,878
2036	923,000	284,844	1,207,844	90,000	74,475	164,475	1,013,000	359,319	1,372,319
2037	633,000	257,567	890,567	95,000	69,850	164,850	728,000	327,417	1,055,417
2038	653,000	239,219	892,219	100,000	64,975	164,975	753,000	304,194	1,057,194
2039	673,000	219,890	892,890	105,000	59,719	164,719	778,000	279,609	1,057,609
2040	688,000	200,926	888,926	110,000	54,075	164,075	798,000	255,001	1,053,001
2041	384,000	181,220	565,220	120,000	48,038	168,038	504,000	229,258	733,258
2042	389,000	172,539	561,539	125,000	41,606	166,606	514,000	214,145	728,145
2043	399,000	163,480	562,480	130,000	34,913	164,913	529,000	198,393	727,393
2044	409,000	153,920	562,920	140,000	27,825	167,825	549,000	181,745	730,745
2045	414,000	143,982	557,982	145,000	20,344	165,344	559,000	164,326	723,326
2046	429,000	133,286	562,286	155,000	12,469	167,469	584,000	145,755	729,755
2047	439,000	121,695	560,695	160,000	4,200	164,200	599,000	125,895	724,895
2048	429,000	109,576	538,576				429,000	109,576	538,576
2049	440,000	97,379	537,379				440,000	97,379	537,379
2050	455,000	84,508	539,508				455,000	84,508	539,508
2051	479,000	70,849	549,849				479,000	70,849	549,849
2052	283,000	56,534	339,534				283,000	56,534	339,534
2053	298,000	41,563	339,563				298,000	41,563	339,563
2054	319,000	25,673	344,673				319,000	25,673	344,673
2055	334,000	8,846	342,846				334,000	8,846	342,846
2056	9,000	158	9,158				9,000	158	9,158
Totals	**$21,000,000**	**$7,166,579**	**$28,166,579**	**$2,000,000**	**$1,293,249**	**$3,293,249**	**$23,000,000**	**$8,459,828**	**$31,459,828**

*Preliminary, subject to change.

TABLE 8
CITY OF ALTON, TEXAS
GENERAL FUND HISTORY

	Fiscal Year Ended September 30				
REVENUES	**2025**	**2024**	**2023**	**2022**	**2021**
Property Taxes	$ 2,828,293	$ 2,382,875	$ 1,910,091	$ 1,684,560	$ 1,513,285
Other Taxes	1,572,136	1,493,911	1,469,911	1,424,753	1,268,644
Franchise Receipts	-	-	-	1,101,946	1,020,429
Penalties & Interest on Taxes	-	-	-	-	-
Licenses & Permits	491,630	560,792	635,741	547,116	457,184
Charges for Services	1,081,825	729,297	1,113,015	-	-
Fines	626,040	765,840	664,318	750,745	603,305
Investment Earnings	55,018	47,913	45,807	17,045	2,627
Rental	-	-	-	-	-
Intergovernmental	683,700	972,496	849,072	400,227	612,986
Other	156,993	39,906	69,413	$ 37,531	$ 43,143
Total Revenues	$ 7,495,635	$ 6,993,030	$ 6,757,368	$ 5,963,923	$ 5,521,603
EXPENDITURES					
Current:					
General and Administrative	$ 1,893,083	$ 1,531,283	$ 1,602,498	$ 1,401,763	$ 1,514,087
Public Safety	4,832,871	4,403,138	3,824,133	3,542,097	3,300,198
Public Works	772,486	782,299	687,213	714,671	605,791
Health & Welfare	-	-	-	9,977	125,301
Culture & Recreation	827,946	681,369	575,730	512,615	279,882
Conservation & Development	491,707	438,188	516,983	386,531	367,428
Capital Outlay	1,777,094	307,062	1,250,960	612,561	253,649
Debt Service:					
Principal Retirement	140,995	47,065	123,669	49,605	423,840
Interest and Fiscal Charges	21,230	6,105	15,267	6,848	20,485
Total Expenditures	$ 10,757,412	$ 8,196,509	$ 8,596,453	$ 7,236,668	$ 6,890,661
Excess (Deficiency) of Revenues Over Expenditures	$ (3,261,777)	$ (1,203,479)	$ (1,839,085)	$(1,272,745)	$(1,369,058)
OTHER FINANCING SOURCES (USES)					
Transfers In	$ 1,680,000	$ 1,192,270	$ 1,092,990	$ 1,201,019	$ 990,000
Transfers Out	-	-	(200)	-	-
Lease Payable Issued	-	-	672,026	-	-
Sale of Real Property	-	-	-	102,531	89,600
Other Resources	1,559,222	285,731	58,097	326,707	226,621
Total Other Financing Sources(Uses)	$ 3,239,222	$ 1,478,001	$ 1,822,913	$ 1,630,257	$ 1,306,221
Net Change in Fund Balances	$ (22,555)	$ 274,522	$ (16,172)	357,512	(62,837)
Beginning Fund Balance	2,870,300	2,595,778	2,611,950	2,254,438	1,117,965
Prior period adjustment			-	-	1,199,310
Ending Fund Balance	$ 2,847,745	$ 2,870,300	$ 2,595,778	$ 2,611,950	$ 2,254,438

Source: The City's Audited Financial Statements

TABLE 9
CITY OF ALTON, TEXAS
WATER AND SEWER FUND HISTORY

	For the Fiscal Year Ended September 30				
OPERATING REVENUES	**2025**	**2024**	**2023**	**2022**	**2021**
Charges for Services	$ 2,964,394	$ 2,489,787	$ 2,947,169	$ 2,505,701	$ 1,806,597
Charges for Sewer Service	2,805,031	2,781,219	2,296,159	2,096,763	2,364,823
Licenses and Permits	581,069	463,223	115,190	-	-
Interest and Investment Earnings	103,750	55,225	51,031	-	-
Intergovernmental	32,823	30,000	-	-	-
Other Income	55,298	44,984	10,575	398,813	33,930
Total Operating Revenues	$ 6,542,365	$ 5,864,438	$ 5,420,124	$ 5,001,277	$ 4,205,350
OPERATING EXPENSES					
Personnel Services - Salaries & Wages	$ 1,309,175	$ 1,223,797	$ 1,099,866	$ 923,982	$ 677,101
Personnel Services - Empoyment Benefits	-	-	-	-	-
Purchased Professional & Technical Services	-	-	1,682,793	222,094	172,648
Purchased Property Services	-	-	499,133	72,234	59,754
Repairs and Maintenance	349,162	263,450	-	-	-
Materials and Supplies	141,517	156,090	231,023	202,626	173,391
Contractual Services	1,410,999	1,516,268	-	-	-
Operational Expenses	229,970	220,780	-	-	-
Other Operating Expenses	15,621	1,453	232,004	1,064,039	1,143,072
Depreciation	729,448	684,593	571,997	505,962	538,131
Interest Expense	-	-	-	23,683	30,085
Total Operating Expense	$ 4,185,892	$ 4,066,431	$ 4,316,816	$ 3,014,620	$ 2,794,182
Operating Income	$ 2,356,473	$ 1,798,007	$ 1,103,308	$ 1,986,657	$ 1,411,168
Transfers In	26,135	22,964	19,134	-	-
Transfers Out	(1,469,897)	(1,084,897)	(1,024,897)	(1,181,079)	(1,024,928)
Interest Expense	(52,132)	(47,232)	(19,108)	-	-
Contributions	-	-	1,116,681	-	-
Special Item (Use)	-	-	-	-	1,520
Change in net assets	$ 860,579	$ 688,842	$ 1,195,118	$ 805,578	$ 387,760
Net Assets, Beginning of Year	$ 18,728,865 [1]	$ 17,117,877	$ 15,922,759	$ 15,117,181	$ 15,212,786
Prior Period Adjustment		$ 17,787	-	-	(483,365)
Total Net Assets, End of Year	**$ 19,589,444**	**$ 17,824,506**	**$ 17,117,877**	**$ 15,922,759**	**$ 15,117,181**

Source: The City's Audited Financial Statements
(1) Restated

TABLE 10
CITY OF ALTON, TEXAS
SALES TAX COLLECTIONS

Calendar Year	Sales Tax Collections [1]
2022	$1,956,785
2023	$2,040,074
2024	$2,082,018
2025	$2,207,331
2026	$1,796,672 [2]

[1] Source: Municipal Advisory Council of Texas

[2] Year to date collections as of September 2026

APPENDIX B

FORM OF LEGAL OPINION OF CO-BOND COUNSEL

THE J. RAMIREZ LAW FIRM
700 North Veterans Boulevard, Suite B
San Juan, Texas 78589
TEL: (956) 207-2443

ESCAMILLA & PONECK, LLP
700 North St. Mary's Street, Suite 850
San Antonio, Texas 78205
TEL: (210) 225-0001

[Delivery Date]

CITY OF ALTON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
IN THE AGGREGATE ORIGINAL PRINCIPAL
AMOUNT OF $_____

AS BOND COUNSEL FOR THE CITY OF ALTON, TEXAS (the "City") in connection with the issuance of the certificates of obligation described above (the "Certificates"), dated November 1, 2026, we have reviewed the legality and validity of the issuance thereof by the City of Alton, Texas (the "City"). The Certificates are issuable in fully registered form only, in denominations of $5,000 of principal amount or integral multiples thereof and shall have a final maturity date of November 15, in each of the years _____ through ____, unless optionally redeemed prior to stated maturity, with mandatory sinking fund redemption, in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance authorizing the issuance of the Certificates (the "Ordinance").

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas, and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates.

WE HAVE EXAMINED, and in rendering the opinions herein we rely upon, original or certified copies of the proceedings of the City Council of the City in connection with the issuance of the Certificates, including the Ordinance; certificates executed by officers of the City relating to the expected use of proceeds of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City; and such other material, including an examination of the Certificate executed and delivered initially by the City, which we found to be in due form and properly executed, and such matters of law as we may deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the City enforceable in accordance with

the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the levy of an ad valorem tax, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a limited pledge of the net revenues derived from the operation of the City's Sewer System not to exceed $1,000.00.

IT IS FURTHER OUR OPINION THAT, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, in assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code and in reliance upon the representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and such interest will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals for federal income tax purposes; however such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

THIS LEGAL OPINION expresses the professional judgment of this firm as to the legal issues explicitly addressed therein. In rendering a legal opinion, we do 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully,

APPENDIX C

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

Annual Financial Report

for the Year Ended
September 30, 2025



C&A The CPA Firm

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Audit / Accounting / Tax / Consulting
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AICPA Members

CPA Rio Grande Valley Chapter of the Texas Society of CPAs

CITY OF ALTON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

CITY OF ALTON, TEXAS
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CITY OF ALTON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

CITY OFFICIALS

Commission - Manager Form of Government

MAYOR	Salvador Vela
MAYOR PRO TEM	Arturo Galvan Jr.
COMMISSION MEMBERS	Ricardo Garza Richard Arevalo Emilio Cantu Jr.
CITY MANAGER	Jeff Underwood
DIRECTOR OF FINANCE	Rosie Tello
DEPUTY CITY MANAGER	Baudelia Rojas

Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Commission
City of Alton, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison , and pension and other post-employment benefits 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's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Cascos & Associates, PC
Brownsville, Texas
March 24, 2026

CITY OF ALTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

In this section of the Annual Financial Report, we, the managers of City of Alton, Texas (the "City") discuss and analyze the City's financial performance for the fiscal year ended September 30, 2025. Please read it in conjunction with the Independent Auditors' Report on page 1, and the City's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The City's net position: increased by $1,881,993, as a result of this year's operations. Net position of our business-type activities: increased by $860,579, net position of our governmental activities: increased, by $1,021,414.

- During the year, the City had expenses that were $1,021,414 less than the $14.08 million generated in tax and other revenues for governmental programs.

- In the City's business-type activities, revenues increased from $5.81 million, to $6.54 million (or 12.6 percent) while expenses increased from $4.12 million, to $4.24 million (or 2.9 percent).

- The General Fund ended the year with a fund balance of $2,847,745.

- The resources available for appropriation were $188,763 less than budgeted expenses for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities on pages 10 and 11. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 12 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements (if applicable), provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

Reporting the City as a Whole

The Statement of Net position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such grants provided by the Outside Sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.

- Business-type activities – The City charges a fee to “customers” to help it cover all or most of the cost of providing services such as sewer and solid waste services.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds–not the City as a whole. Laws and/or contracts require the City to establish some funds, such as grants received under Federal Agencies programs. The City's administration establishes several other funds to help it control and manage money for particular purposes. The City's two kinds of funds, governmental and proprietary, which use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds. These use the modified accrual method of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds – The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from $24.94 million to $25.94 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $2,785,263 at September 30, 2025.

In 2025, net position of our business-type activities increased by $785,145.

Table I
City of Alton
Net Position

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Current and other assets	$ 22,835,038	$ 20,372,962	$ 5,455,886	$ 4,299,737	$ 28,290,924	$ 24,672,699
Capital assets	31,256,928	28,621,429	15,565,123	16,153,172	46,822,051	44,774,601
Total assets	54,091,966	48,994,391	21,021,009	20,452,909	75,112,975	69,447,300
Deferred outflows, pension plan	425,694	652,124	72,015	110,370	497,709	762,494
Current liabilities	3,649,149	3,856,355	153,003	87,647	3,802,152	3,944,002
Noncurrent liabilities	24,389,804	20,701,040	1,260,002	1,646,559	25,649,806	22,347,599
Total liabilities	28,038,953	24,557,395	1,413,005	1,734,206	29,451,958	26,291,601
Deferred inflows, pension plan	535,403	146,439	90,575	24,774	625,978	171,213
Net position:						
Invested in capital assets net of related debt	7,664,603	8,965,337	14,367,940	14,655,805	22,032,543	23,621,142
Restricted	15,493,438	13,133,053	-	-	15,493,438	13,133,053
Unrestricted	2,785,263	2,844,291	5,221,504	4,148,494	8,006,767	6,992,785
Total net position	$ 25,943,304	$ 24,942,681	$ 19,589,444	$ 18,804,299	$ 45,532,748	$ 43,746,980

Table II
City of Alton
Changes in Net Position

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Revenues:						
Program Revenues:						
Charges for services	$ 3,393,838	$ 2,542,560	$ 6,438,615	$ 5,809,213	$ 9,832,453	$ 8,351,773
Operating grants and contributions	875,246	2,242,399	-	1,144,342	875,246	3,386,741
General Revenues:						
Property taxes, levied for general purposes/tax increment	2,917,731	2,459,356	-	-	2,917,731	2,459,356
Property taxes, levied for debt service	1,871,491	1,767,292	-	-	1,871,491	1,767,292
Sales taxes	2,263,044	2,126,193	-	-	2,263,044	2,126,193
Franchise and other taxes	410,341	410,341	-	-	410,341	410,341
Gain (loss on sale/disposal of asset	-	-	-	(177,408)	-	(177,408)
Unrestricted investment earnings	685,907	692,746	103,750.00	55,225	789,657	747,971
Miscellaneous revenues	214,350	357,918	-	-	214,350	357,918
Total revenue	12,631,948	12,598,805	6,542,365	6,831,372	19,174,313	19,430,177
Expenses:						
General government	2,525,157	1,773,621	-	-	2,525,157	1,773,621
Public safety	6,242,213	4,793,573	-	-	6,242,213	4,793,573
Public works	1,428,933	1,229,378	-	-	1,428,933	1,229,378
Health and welfare	-	-	-	-	-	-
Culture and recreation	1,060,855	741,146	-	-	1,060,855	741,146
Conservation and development	629,458	469,591	-	-	629,458	469,591
Economic development and assistance	654,867	496,232	-	-	654,867	496,232
Interest and fiscal agent fees	512,813	558,554	-	-	512,813	558,554
Utility fund services:						
Sewer	-	-	2,134,573	2,090,220	2,134,573	2,090,220
Solid Waste	-	-	1,915,598	1,829,918	1,915,598	1,829,918
Drainage and Stormwater	-	-	187,853	203,618	187,853	203,618
Total expenses	13,054,296	10,062,095	4,238,024	4,123,756	17,292,320	14,185,851
Increase in net position before transfers and special items	(422,348)	2,536,710	2,304,341	2,707,616	1,881,993	5,244,326
Transfers	1,443,762	1,061,933	(1,443,762)	(1,061,933)	-	-
Net position-beginning, as previously stated	24,942,681	21,115,255	18,804,299	17,117,877	43,746,980	38,233,132
Error Correction	(20,791)	228,783	(75,434)	40,739	(96,225)	269,522
Net position-beginning, as restated	24,921,890	21,344,038	18,728,865	17,158,616	43,650,755	38,502,654
Net position-ending	$ 25,943,304	$ 24,942,681	$ 19,589,444	$ 18,804,299	$ 45,532,748	$ 43,746,980

The cost of all governmental activities this year was $13.05 million. However, as shown in the Statement of Activities on pages 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only $4.79 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a combined fund balance of $18.34 million, which is more than last year's total of $16.00 million. Included in this year's total change in fund balance is a decrease of $22.56 thousand in the City's General Fund, a decrease of $2.25 million in the Capital Project TIRZ Fund, an increase of $3.93 million in the Capital Construction Fund, and an increase of 179.06 thousand in the TWDB CO 2021 Project Fund.

Over the course of the year, the Commission revised the City's budget several times. These budget amendments fall into one category. They involved amendments moving funds from programs that did not need all the resources originally appropriated, to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2024-25 year, the City had $86.41 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the City had $24.83 million in bonds, notes, and leases outstanding, increasing by $3.85 million from last year $20.98 million.

More detailed information about the City's long-term liabilities is presented in the notes to 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 2025-26 budget tax rates. One of those factors is the economy. The City's population growth average annual gains of percent. The City’s unemployment rate compares with the State's unemployment and national rate. The City also takes the number of households served by the City in developing the budget for the Enterprise funds. The City is currently serving residents through its Enterprise funds, providing sewer and solid waste services.

These indicators were taken into account when adopting the General Fund budget for 2025-2026. Amounts available for appropriation in the General Fund budget are estimated at $9.4 million; $900 thousand lower than the 2024-25 final budget of $10.3 million. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to decrease from $10.4 million to $9.4 million.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the end of fiscal year 2025-26.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administration office, at 509 S Alton Blvd., Alton, Texas, 78573.

End of Management’s Discussion and Analysis.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 7,057,754	$ 2,005,656	$ 9,063,410
Investment	4,903,348	-	4,903,348
Receivables, net	1,725,221	1,033,085	2,758,306
Restricted cash and cash equivalents	8,900,285	2,382,619	11,282,904
Internal balances	6,416	(6,416)	-
Net pension asset	242,014	40,942	282,956
Capital assets, net of accumulated depreciation:			
Non-depreciable assets	10,606,508	25,110	10,631,618
Depreciable assets	19,692,813	15,398,022	35,090,835
Right-to-use asset	957,607	141,991	1,099,598
Total assets	54,091,966	21,021,009	75,112,975
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	404,208	68,380	472,588
Deferred outflows related to OPEB	21,486	3,635	25,121
Total deferred outflow of resources	425,694	72,015	497,709
LIABILITIES			
Accounts payable	79,620	103,611	183,231
Accrued liabilities	151,883	28,319	180,202
Unearned revenue	3,118,151	-	3,118,151
Other liabilities	210,852	1,021	211,873
Intergovernmental payable	88,643	20,052	108,695
Noncurrent liabilities:			
Due within one year	1,813,475	249,672	2,063,147
Due in more than one year	21,868,115	883,628	22,751,743
Right-to-use liability	577,325	104,560	681,885
OPEB liability	130,889	22,142	153,031
Total liabilities	28,038,953	1,413,005	29,451,958
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	483,723	81,832	565,555
Deferred inflows related to OPEB	51,680	8,743	60,423
Total deferred inflows of resources	535,403	90,575	625,978
NET POSITION			
Net investment in capital assets	7,664,603	14,367,940	22,032,543
Restricted for:			
Capital projects	10,599,091	-	10,599,091
Debt service	208,037	-	208,037
Other purpose	4,686,310	-	4,686,310
Unrestricted	2,785,263	5,221,504	8,006,767
Total net position	$ 25,943,304	$ 19,589,444	$ 45,532,748

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

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

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenues and Changes in Net Position: Primary Government: Total
Primary government						
Governmental activities:						
General government	$ 2,525,157	$ 3,393,838.00	$ 875,246	$ 1,743,927	$ -	$ 1,743,927
Public safety	6,242,213	-	-	(6,242,213)	-	(6,242,213)
Public works	1,428,933	-	-	(1,428,933)	-	(1,428,933)
Culture and recreation	1,060,855	-	-	(1,060,855)	-	(1,060,855)
Conservation and development	629,458	-	-	(629,458)	-	(629,458)
Economic development and assistance	654,867	-	-	(654,867)	-	(654,867)
Interest and fiscal agent fees	512,813	-	-	(512,813)	-	(512,813)
Total governmental activities	13,054,296	3,393,838	875,246	(8,785,212)	-	(8,785,212)
Business-type activities:						
Sewer	2,134,573	3,247,087	-	-	1,112,514	1,112,514
Solid Waste	1,915,598	2,893,152	-	-	977,554	977,554
Drainage and Stormwater	187,853	298,376	-	-	110,523	110,523
Total business-type activities	4,238,024	6,438,615	-	-	2,200,591	2,200,591
Total primary government	$ 17,292,320	$ 9,832,453	$ 875,246	(8,785,212)	2,200,591	(6,584,621)
General revenues:						
Taxes:						
Property taxes, levied for general purposes/tax increment				2,917,731	-	2,917,731
Property taxes, levied for debt service				1,871,491	-	1,871,491
Sales taxes				2,263,044	-	2,263,044
Franchise and other taxes				410,341	-	410,341
Unrestricted investment earnings				685,907	103,750	789,657
Miscellaneous revenues				214,350	-	214,350
Transfers				1,443,762	(1,443,762)	-
Total general revenues and transfers				9,806,626	(1,340,012)	8,466,614
Changes in net position				1,021,414	860,579	1,881,993
Net position-beginning, as previously stated				24,942,681	18,804,299	43,746,980
Error correction				(20,791)	(75,434)	(96,225)
Net position-beginning, as restated				24,921,890	18,728,865	43,650,755
Net position-ending				$ 25,943,304	$ 19,589,444	$ 45,532,748

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

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

	01 General Fund	83 TWDB CO 2021 Project Fund	88 Capital Projects TIRZ Fund
ASSETS			
Cash and cash equivalents	$ 1,494,732	$ 419	$ 70,950
Restricted cash	-	8,900,285	-
Investments	328,341	-	1,289,569
Receivables, net:			
Property taxes	447,783	-	-
Nonproperty taxes	181,975	-	-
Accounts	507,754	-	-
Intergovernmental	101,880	-	-
Other	133,585	-	-
Due from other funds	568,685	-	-
Total assets	$ 3,764,735	$ 8,900,704	$ 1,360,519
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 20,237	$ -	$ 58,584
Accrued liabilities	143,387	-	-
Intergovernmental payable	88,643	-	-
Unearned revenue	-	2,975,000	-
Due to other funds	10,118	-	-
Other liabilities	206,822	-	-
Total liabilities	469,207	2,975,000	58,584
Deferred inflows of resources			
Unavailable revenue - property taxes	447,783	-	-
Total deferred inflows of resources	447,783	-	-
Fund balances:			
Restricted	-	5,925,704	1,301,935
Unassigned	2,847,745	-	-
Total fund balances	2,847,745	5,925,704	1,301,935
Total liabilities, deferred inflows of resources, and fund balances	$ 3,764,735	$ 8,900,704	$ 1,360,519

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

89 Capital Construction Fund	Nonmajor Governmental	Total Governmental Funds
$ 3,935,518	$ 1,556,135	$ 7,057,754
-	-	8,900,285
-	3,285,438	4,903,348
-	154,909	602,692
-	66,533	248,508
-	100	507,854
-	-	101,880
-	130,702	264,287
-	14,153	582,838
$ 3,935,518	$ 5,207,970	$ 23,169,446
$ -	$ 799	$ 79,620
-	8,496	151,883
-	-	88,643
-	143,151	3,118,151
564,416	1,888	576,422
-	4,030	210,852
564,416	158,364	4,225,571
-	154,909	602,692
-	154,909	602,692
3,371,102	4,894,697	15,493,438
-	-	2,847,745
3,371,102	4,894,697	18,341,183
$ 3,935,518	$ 5,207,970	$ 23,169,446

CITY OF ALTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fund balances - Governmental Funds Balance Sheet	$	18,341,183
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,256,928
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds - these result from unavailable property tax revenues.		602,692
Long-term liabilities applicable to the City's governmental activities are not due and payables in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Bond premiums and discounts are also included and are amortized as an adjustment of interest expense in the statement of activities over the remaining life of the debt.		(24,258,915)
Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of $242,014, a deferred resource outflow in the amount of $(483,723), and a deferred resource inflows in the amount of $404,208. This resulted in a increase in net position by $162,499.		162,499
Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of $(130,889), a deferred resource outflow in the amount of $21,486, and a deferred resource inflows in the amount of $(51,680). This resulted in a decrease in net position by $(161,083).		(161,083)
Net position of governmental activities - Statement of Net Position	$	25,943,304

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

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

	01 General Fund	83 TWDB CO 2021 Project Fund	88 Capital Projects TIRZ Fund
REVENUES			
Property taxes	$ 2,828,293	$ -	$ -
Nonproperty taxes	1,572,136	-	-
Fees and charges for services	1,081,825	-	-
Fines and forfeitures	626,040	-	-
Licenses and permits	491,630	-	-
Intergovernmental revenue	683,700	-	-
Interest and investment income	55,018	344,115	116,858
Miscellaneous income	156,993	-	-
Total revenues	7,495,635	344,115	116,858
EXPENDITURES			
Current:			
General government	1,893,083	44	160,642
Public safety	4,832,871	-	-
Public works	772,486	-	-
Culture and recreation	827,946	-	-
Conservation and development	491,707	-	-
Economic development and assistance	-		-
Capital outlay	1,777,094	165,016	2,208,093
Debt service:			
Principal retirement	140,995	-	-
Interest and fiscal agent fees	21,230	-	-
Total expenditures	10,757,412	165,060	2,368,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,261,777)	179,055	(2,251,877)
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Lease Proceeds	-	-	-
Transfers in	1,680,000	-	-
Transfers (out)	-	-	-
Other	1,559,222	-	-
Total other financing sources (uses)	3,239,222	-	-
NET CHANGE IN FUND BALANCES	(22,555)	179,055	(2,251,877)
FUND BALANCES, BEGINNING	2,870,300	5,746,649	3,553,812
FUND BALANCES, ENDING	$ 2,847,745	$ 5,925,704	$ 1,301,935

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

89 Capital Construction Fund	Nonmajor Governmental	Total Governmental Funds
$ -	$ 1,871,491	$ 4,699,784
-	1,101,249	2,673,385
-	70,735	1,152,560
-	105,042	731,082
-	1,018,566	1,510,196
-	191,546	875,246
4,197	165,719	685,907
-	57,357	214,350
4,197	4,581,705	12,542,510
-	53,865	2,107,634
-	43,289	4,876,160
-	343,738	1,116,224
-	750	828,696
-	-	491,707
-	511,555	511,555
-	1,038,243	5,188,446
-	1,350,312	1,491,307
-	543,719	564,949
-	3,885,471	17,176,678
4,197	696,234	(4,634,168)
5,179,381	-	5,179,381
-	39,995	39,995
-	1,707,420	3,387,420
-	(1,943,658)	(1,943,658)
(1,253,384)	3,023	308,861
3,925,997	(193,220)	6,971,999
3,930,194	503,014	2,337,831
(559,092)	4,391,683	16,003,352
$ 3,371,102	$ 4,894,697	$ 18,341,183

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

Net change in fund balances - total governmental funds	$ 2,337,831
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,382,029
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	89,438
Bond premiums, discounts and insurance are recognized in the funds in the year the bonds are sold, but they are amortized over the life of the bonds in the statement of activities. The deferred charge on a refunding is also recorded only in the statement of net position and amortized. This is the net amount of the current year amortization of these bond related items.	52,136
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Any change in compensated absence payable (increase/(decrease) of $(2,429)) during the year is reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds.	3,711
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but has no effect on net position.	(5,704,596)
Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment has no effect on net position.	1,664,237
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2024 caused the change in the ending net position to increase in the amount of $406,625. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(418,290). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by $222,774. The result of these changes is to increase the change in net position by $205,409.	205,409
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2024 caused the change in the ending net position to increase in the amount of $7,840. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(8,587). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by $(8,034). The result of these changes is to decrease the change in net position by $(8,781).	(8,781)
Change in net position of governmental activities - Statement of Activities	$ 1,021,414

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

CITY OF ALTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-type Activities			
	58 Sewer Fund	62 Solid Waste Fund	53 Nonmajor Drainage and Stormwater Fund	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,089,416	$ 743,158	$ 173,082	$ 2,005,656
Investments	1,853,148	529,471	-	2,382,619
Receivables:				
Accounts receivable	587,146	445,939	-	1,033,085
Due from other funds	-	-	25,130	25,130
Total current assets	3,529,710	1,718,568	198,212	5,446,490
Noncurrent assets:				
Land, plant and equipment, net	14,852,633	570,499	-	15,423,132
Right-to-use asset, net	93,089	48,902	-	141,991
Net pension asset	17,196	23,746	-	40,942
Total noncurrent assets	14,962,918	643,147	-	15,606,065
Total assets	18,492,628	2,361,715	198,212	21,052,555
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	28,720	39,660	-	68,380
Deferred outflows related to OPEB	1,745	1,890	-	3,635
Total deferred outflows of resources	30,465	41,550	-	72,015
LIABILITIES				
Current liabilities:				
Accounts payable	78,268	25,343	-	103,611
Accrued liabilities	10,239	14,605	3,475	28,319
Due to other funds	6,116	25,430	-	31,546
Other liabilities	-	1,021	-	1,021
Due to other governments	-	20,052	-	20,052
Notes & lease payable - current	28,738	180,934	-	209,672
Bonds payable - current	40,000	-	-	40,000
Total current liabilities	163,361	267,385	3,475	434,221
Noncurrent liabilities:				
Notes & lease payable	-	397,951	-	397,951
Bonds payable	445,000	-	-	445,000
Compensated absences	14,847	19,994	5,836	40,677
Right-to-use liability	61,705	42,855	-	104,560
OPEB liability	10,628	11,514	-	22,142
Total noncurrent liabilities	532,180	472,314	5,836	1,010,330
Total liabilities	695,541	739,699	9,311	1,444,551
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	34,369	47,463	-	81,832
Deferred inflows related to OPEB	4,197	4,546	-	8,743
Total deferred inflows of resources	38,566	52,009	-	90,575
NET POSITION				
Net investment in capital assets	14,370,279	(2,339)	-	14,367,940
Unrestricted	3,418,707	1,613,896	188,901	5,221,504
Total net position	$ 17,788,986	$ 1,611,557	$ 188,901	$ 19,589,444

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

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

	Business-type Activities			
	58 Sewer Fund	62 Solid Waste Fund	53 Nonmajor Drainage and Stormwater Fund	Total Proprietary Funds
OPERATING REVENUES				
Fees and charges for services	$ 2,964,394	$ 2,805,031	$ -	$ 5,769,425
Licenses and permits	282,693	-	298,376	581,069
Interest and investment earnings	101,311	-	2,439	103,750
Intergovernmental	-	32,823	-	32,823
Miscellaneous income	-	55,298	-	55,298
Total operating revenues	3,348,398	2,893,152	300,815	6,542,365
OPERATING EXPENSES				
Personnel and related services	517,488	631,196	160,491	1,309,175
Repairs and maintenance	157,261	191,901	-	349,162
Materials and supplies	20,299	121,096	122	141,517
Contractual services	893,823	507,217	9,959	1,410,999
Operational expenses	23,087	189,602	17,281	229,970
Other expenses	7,761	7,860	-	15,621
Depreciation and amortization	502,977	226,471	-	729,448
Total operating expenses	2,122,696	1,875,343	187,853	4,185,892
OPERATING INCOME (LOSS)	1,225,702	1,017,809	112,962	2,356,473
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(11,877)	(40,255)	-	(52,132)
Total nonoperating revenues (expenses)	(11,877)	(40,255)	-	(52,132)
Income before transfers	1,213,825	977,554	112,962	2,304,341
Transfers in	26,135	-	-	26,135
Transfers (out)	(929,897)	(540,000)	-	(1,469,897)
CHANGE IN NET POSITION	310,063	437,554	112,962	860,579
NET POSITION, BEGINNING, AS PREVIOUSLY STATED	17,517,538	1,210,822	75,939	18,804,299
ERROR CORRECTION	(38,615)	(36,819)	-	(75,434)
NET POSITION, BEGINNING, AS RESTATED	17,478,923	1,174,003	75,939	18,728,865
NET POSITION, ENDING	$ 17,788,986	$ 1,611,557	$ 188,901	$ 19,589,444

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

CITY OF ALTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities			
	58 Sewer Fund	62 Solid Waste Fund	53 Nonmajor Drainage and Stormwater Fund	Total Proprietary Funds Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 3,279,751	$ 2,833,453	$ 300,815	$ 6,414,019
Disbursed for goods and services to suppliers	(528,373)	(639,685)	(161,246)	(1,329,304)
Disbursed for personnel services	(1,032,529)	(1,017,892)	(38,273)	(2,088,694)
Net cash provided by operating activities	1,718,849	1,175,876	101,296	2,996,021
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	-	1,101	(825)	276
Cash paid to other funds	2,081	-	-	2,081
Cash paid to other governments	-	4,066	-	4,066
Transfer from other funds	26,135	-	-	26,135
Transfers to other funds	(929,897)	(540,000)	-	(1,469,897)
Net cash provided (used) by noncapital financing activities	(901,681)	(534,833)	(825)	(1,437,339)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Acquisition and construction of capital assets	(130,688)	(35,960)	-	(166,648)
Principal paid on long-term debt	(67,562)	(232,608)	-	(300,170)
Interest and bond costs paid on long-term debt	(46,803)	(55,528)	-	(102,331)
Net cash used for capital and related financing activities	(245,053)	(324,096)	-	(569,149)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	572,115	316,947	100,471	989,533
CASH AND CASH EQUIVALENTS, BEGINNING	2,370,449	955,682	72,611	3,398,742
CASH AND CASH EQUIVALENTS, ENDING	$ 2,942,564	$ 1,272,629	$ 173,082	$ 4,388,275
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 1,225,702	$ 1,017,809	$ 112,962	$ 2,356,473
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	502,977	226,471	-	729,448
Decrease (increase) in receivables	(68,647)	(59,384)	-	(128,031)
Decrease (increase) in deferred outflows-pension	19,016	19,339	-	38,355
Increase (decrease) in accounts payable	69,702	(216)	(10,911)	58,575
Increase (decrease) in accrued liabilities	496	2,060	474	3,030
Increase (decrease) in other liabilities	-	(315)	-	(315)
Increase (decrease) in net pension & OPEB liability	(57,537)	(79,835)	-	(137,372)
Increase (decrease) in compensated absences	2,011	9,275	(1,229)	10,057
Increase (decrease) in deferred inflows-pension	25,129	40,672	-	65,801
Total adjustments	493,147	158,067	(11,666)	639,548
Net cash provided by operating activities	$ 1,718,849	$ 1,175,876	$ 101,296	$ 2,996,021

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

CITY OF ALTON, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2025

	110 Employee Benefit Fund
ASSETS	
Cash and cash equivalents	$ 11,559
Accounts receivable	168
Total assets	$ 11,727
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to other funds	$ -
Total liabilities	$ -
NET POSITION	
Net position restricted for employee benefits	$ 11,727
Total liabilities and net position	$ 11,727

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

CITY OF ALTON, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	110 Employee Benefits Fund
ADDITIONS	
Contributions	$ 4,531
Investment income	223
Other income	963
Total additions	5,717
DEDUCTIONS	
Benefits paid	3,012
Total deductions	3,012
NET CHANGE IN FIDUCIARY NET POSITION	2,705
NET POSITION RESTRICTED FOR EMPLOYEE BENEFITS:	
BEGINNING OF YEAR	9,022
END OF YEAR	$ 11,727

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Alton, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Reporting Entity

The City was incorporated on April 1, 1978, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Home Rule (Mayor, City Commissioners) form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (sewer services and solid waste collection).

The Board of Commissioners (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity."

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of the above criteria, the following is a brief review of the City's component unit addressed in defining the City's reporting entity.

Blended Component Units – Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's blended component unit follows.

The City of Alton Community Development Corporation (4B Corporation) was incorporated on July 9, 1996, under the Development Corporation Act of 1979, of the State of Texas. The Development Corporation (4B) operates as Component Units of the City. The Corporation's purpose is to promote economic development and encourage employment and public welfare on behalf of the City by developing, implementing, providing and financing projects under the Act as defined in Sections and 4B of the Act.

2. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as 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 capital 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). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund utilizes the accrual basis of accounting for reporting its assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when a potential revenue is unavailable. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governmental funds also report unavailable revenues from property taxes and non-current receivables, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). At September 30, 2025, the City was not utilizing any internal service funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses typically are the result of activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for all activities related to the Employee Benefit Fund that the City is currently a trustee of.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from 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 in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's water and transit functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

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

Governmental fund types:

The City reports the following governmental major fund:

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

The *Texas Water Development Board Certificate of Obligations 2021 Project Fund* is used for managing all expenditures incurred in carrying out the TWDB project #40112, a flood drainage project on N. Stewart Blvd.

The *Capital Projects TIRZ Fund* is used for managing major improvement projects within the Tax Increment Reinvestment Zone Number One created in 2009.

The *Capital Construction Fund* is used for managing major infrastructure projects since its creation in 2008.

Additionally, the City reports the following as non-major governmental fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is not reported as a major fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Capital Projects Funds are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds.

Proprietary fund types:

The *Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following are reported as major proprietary funds:

The *Sewer Fund i*s used to account for the operation and maintenance of the sanitary sewer system.

The *Solid Waste Fund* is used to account for the operation of the garbage service, brush and bulky items pick-up, and the recycling program.

The following are reported as non-major proprietary funds:

The *Drainage and Stormwater Fund* provides the means to collect revenue required to construct and maintain large stormwater capital improvements needed to help protect city businesses and residents from the effects of flooding.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust is used. The City is the trustee, or fiduciary, of the Employee Benefits Fund.

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

a. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

b. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customers' meter deposits.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

c. 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 City as assets with an initial individual cost of $500 or more 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 assets are reported at acquisition value.

The term of the lease must be the non-cancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87.

If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government-wide statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $500 is used.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40 years
Furniture and equipment	7 years
Infrastructure	45 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

d. Compensated Absences

GASB Statement No. 101, Compensated Absences' requires governments to recognize liabilities for compensated absences in two situations: (1) leave that employees have already used but has not yet been paid or settled, and (2) unused leave if it was earned from services already performed, accumulates for future use, and is more likely than not to be taken as time off or paid out. Governments should estimate the likelihood of leave being used or paid by considering employment policies and past patterns of leave usage but leave expected to be converted to defined benefit postemployment benefits should not be included in the liability.

Certain types of leave, such as parental leave, military leave, and jury duty leave, are not recognized as liabilities until the leave begins. The statement also specifies that some compensated absences should only be recognized as liabilities when the leave is used.

For measurement, unused leave liabilities should generally be calculated using the employee's pay rate as of the financial statement date, while leave that has already been used but not yet paid should be measured at the amount expected to be paid or settled. Any salary-related costs that are directly associated with leave payments should also be included. In governmental funds using the current financial resources measurement focus, expenditures are recognized only for amounts expected to be paid using available financial resources. GASB 101 was implemented by the City during the 2025 fiscal year.

e. Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance costs, are expensed as incurred. The City implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as all bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures in the governmental funds, and proprietary funds. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as an other source during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the combined balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In the addition to liabilities, the combined balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and noncurrent receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. Net Position Flow Assumptions

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

h. Fund Balance Flow Assumptions

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

i. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Commission has by resolution authorized the City Manager to assign fund balance.

The Commission may also assign fund balance as it does when appropriating fund balance to cover the 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

j. Bond Premiums/Issue Costs

In governmental fund types and proprietary funds, bond issuance costs are recognized in the current period. Bond premiums, discounts, and bond insurance costs for government-wide financial statements and proprietary fund types are deferred and amortized over the initial life of the bonds. Bond premiums are presented as an increase in long-term liabilities, bond issuance costs are an expense of the current period and bond insurance costs are recorded as prepaid insurance and amortized over the life of the related bond.

k. Interfund Receivables, Payables and Transfers

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year end. Transfers used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, 2) reimburse the Debt Service Fund for debt service payments on debt related to the reimbursing fund, and 3) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

l. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The City Commission adopts an "appropriated budget" for the General Fund and Debt Service Fund. In accordance with GASB Statement# 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were deemed significant.

4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations as follows in the General Fund:

General Function		Amount
General Government		
	Maintenance & repairs	$ 18,346
	Emergency expense	11,921
Public Safety		
	Maintenance & repairs	45,194
	Contractual services	16,980
Public Works		
	Supplies & materials	7
	Operational expenditures	3,401
Culture and Recreation		
	Personnel services	323
	Maintenance & repairs	7,008
Capital Outlay		410,655
Total		$ 513,835

NOTE C - DEPOSITS AND INVESTMENTS

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

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) bank balance was $9,245,391. The City's cash deposits at September 30, 2025 were entirely covered by FDIC Insurance and securities collateral.

A reconcilement of cash and cash equivalents follows:

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Cash	$ 7,057,754	$ 2,005,656	$ 9,063,410
Cash - Restricted	8,900,285	2,382,619	11,282,904
TexPool Money Markets	4,903,348	-	4,903,348
	$ 20,861,387	$ 4,388,275	$ 25,249,662

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The City currently has 100% investments in TexPool.

NOTE D - RECEIVABLES

Receivables at September 30, 2025, consist of the following:

	General Fund	Nonmajor Governmental Funds	Business-type Activities	Total
Receivables				
Property taxes	$ 475,097	$ 164,357	$ -	$ 639,454
Less allowance for uncollectible	27,314	9,448	-	36,762
Total property receivables, net	447,783	154,909	-	602,692
Other receivable				
Nonproperty taxes	181,975	66,533	-	248,508
Accounts	507,754	100	1,147,724	1,655,578
Intergovernmental	101,880	-	-	101,880
Other	133,585	130,702	-	264,287
Gross receivables	925,194	197,335	1,147,724	2,270,253
Less allowance for uncollectible	-	-	114,639	114,639
Total other receivables, net	925,194	197,335	1,033,085	2,155,614
Total receivables, net	$ 1,372,977	$ 352,244	$ 1,033,085	$ 2,758,306

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within 60 days after year end.

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 located in the City 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. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE E - CAPITAL ASSETS

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

Governmental Activities

	Balance October 1, 2024	Additions	Retirements	Reclassifications	Adjustments	Balance September 30, 2025
Capital assets, not being depreciated:						
Land	$ 4,051,710	$ 1,074,002	$ -	$ -	$ -	$ 5,125,712
Construction in progress	3,545,284	2,116,373	-	(202,060)	21,199	5,480,796
	7,596,994	3,190,375	-	(202,060)	21,199	10,606,508
Capital assets, being depreciated and amortized:						
Building and improvements	10,827,518	-	-	-	(2)	10,827,516
Furniture and equipment	9,475,881	335,444	(283,845)	-	123,847	9,651,327
Right-to-use lease - furniture and equipment	800,126	525,215	-	-	129,624	1,454,965
Infrastructure	29,556,942	753,851	-	202,060	(21,198)	30,491,655
	50,660,467	1,614,510	(283,845)	202,060	232,271	52,425,463
Less accumulated depreciation and accumulated amortization for:						
Building and improvements	3,811,238	378,248	-	-	-	4,189,486
Furniture and equipment	6,073,583	795,957	(280,108)	-	-	6,589,432
Right-to-use lease - furniture and equipment	174,183	323,175	-	-	-	497,358
Infrastructure	19,577,028	921,739	-	-	-	20,498,767
	29,636,032	2,419,119	(280,108)	-	-	31,775,043
Total capital assets, being depreciated, net	21,024,435	(804,609)	(3,737)	202,060	232,271	20,650,420
Governmental activities, capital assets, net	$ 28,621,429	$ 2,385,766	$ (3,737)	$ -	$ 253,470	$ 31,256,928

Depreciation was charged to government functions as follows:

General government	$ 474,389
Public safety	1,210,769
Public works	307,228
Culture and recreation	185,305
Conservation and development	117,327
Economic development and assistance	124,101
Total depreciation	$ 2,419,119

NOTE E - CAPITAL ASSETS – (CONTINUED)

Business-Type Activities

	Balance October 1, 2024	Additions	Retirements	Adjustments	Balance September 30, 2025
Capital assets, not being depreciated:					
Land	$ 25,110	$ -	$ -	$ -	$ 25,110
	25,110	-	-	-	25,110
Capital assets, being depreciated:					
Building and improvements	2,341,593	130,688	-	30,000	2,502,281
Furniture and equipment	2,083,659	35,960	(300,364)	2	1,819,257
Right-to-use leases	253,473	-	-	1	253,474
Infrastructure	18,773,968	-	-	(3)	18,773,965
	23,452,693	166,648	(300,364)	30,000	23,348,977
Less accumulated depreciation					
Building and improvements	785,328	62,759	-	7,337	855,424
Furniture and equipment	1,608,169	196,110	(300,364)	(256,956)	1,246,959
Right-to-use leases	20,186	50,695	-	40,602	111,483
Infrastructure	4,910,948	419,884	-	264,268	5,595,100
	7,324,631	729,448	(300,364)	55,251	7,808,966
Total capital assets, being depreciated, net	16,128,062	(562,800)	-	(25,251)	15,540,011
Business-type activities, capital assets, net	$ 16,153,172	$ (562,800)	$ -	$ (25,251)	$ 15,565,121

Depreciation was charged to business-type functions as follows:

Sewer	$ 502,977
Solid Waste	226,471
Total depreciation - business-type activities	$ 729,448

NOTE F - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City reported $3,118,151, in unearned revenue.

NOTE G - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The statement of net position reports deferred outflows in connection to the consumption of net position that applies to a future period. The components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities	Total Primary Government
Deferred outflows of resources			
Deferred outflows related to pension plan	$ 404,208	$ 68,380	$ 472,588
Deferred outflows related to OPEB	21,486	3,635	25,121
Total deferred outflows of resources	$ 425,694	$ 72,015	$ 497,709
Deferred inflows of resources			
Deferred inflows related to pension plan	$ 483,723	$ 81,832	$ 565,555
Deferred inflows related to OPEB	51,680	8,743	60,423
Total deferred inflows of resources	$ 535,403	$ 90,575	$ 625,978

Governmental funds report deferred inflows 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.

The City reported deferred inflows of resources during the current year as follows:

Unavailable revenues from property taxes in the general fund and the debt service fund at September 30, 2025 were $447,783 and $154,909, respectively.

NOTE H - LONG-TERM DEBT

Primary Government

Governmental Funds Bonds

2007 Certificates of Obligations – The original issue was $2,568,000 with an annual interest rate of 4.39% to 4.47%. The original date of issuance was on January 18, 2008 and has a maturity date of September 15, 2026.

2012 Combination Tax and Revenue Certificate of Obligation – The original issue was $500,000 with an annual interest rate of 3.75%. The original date of issuance was on June 15, 2012 and has a maturity date of June 15, 2042.

2014A Combination Tax and Revenue Certificate of Obligation (TIRZ) – The original issue was $1,955,000 with an annual interest rate of 3.60%. The original date of issuance was on August 1, 2014 and has a maturity date of February 15, 2029.

2015 Combination Tax and Revenue Certificate of Obligation – The original issue was $950,000 with an annual interest rate of 3.50%. The original date of issuance was on April 21, 2015 and has a maturity date of February 15, 2027.

2016 Combination Tax and Revenue Certificate of Obligation – The original issue was $240,000 with an annual interest rate of 1.75%. The original date of issuance was on July 15, 2016 and has a maturity date of May 1, 2056.

NOTE H - LONG-TERM DEBT – (CONTINUED)

2016A Combination Tax and Revenue Certificate of Obligation – The original issue was $3,465,000 with an annual interest rate of 4.00%. The original date of issuance was on November 30, 2016 and has a maturity date of August 15, 2036.

2019 Combination Tax and Revenue Certificate of Obligation – The original issue was $3,715,000 with an annual interest rate of 4.00%. The original date of issuance was on January 8, 2019, and has a maturity date of August 15, 2040.

2021 Combination Tax and Revenue Certificate of Obligation – The original issue was $5,525,000 with an annual interest rate of 0.00%. The original date of issuance was on October 12, 2021, and has a maturity date of September 30, 2051.

2023 Combination Tax and Tax Increment Revenue Certificates of Obligation – The original issue was $4,740,000 with an annual interest rate of 5.00%. The original date of issuance was on August 17, 2023, and has a maturity date of February 15, 2033.

In the 2025 fiscal year the City issued the 2025 Combination Tax and Revenue Certificates of Obligation, in the amount of $5,020,000 with an annual interest rate of 2.56% to 3.95%. The purpose of the bond was to pay contractual obligations and the following: (1) improvement and equipment of City parks and buildings, and purchase of land and buildings for City purposes, (2) construction, repair and improvements to City streets (including drainage improvements, street lighting, sidewalks, purchase of land, right of way acquisitions, and equipment), and other amenities incident thereof, (3) construction, repair and improvements to water and sewer infrastructure, and (4) the payment of professional services related to the construction, design, engineering, and financing incident thereto.

Business-Type Funds Bonds

2014-B Certificates of Obligations – The original issue was $315,000 with an annual interest rate of 3.60%. The original date of issuance was on August 1, 2014 and has a maturity date of February 15, 2029.

2017 Combination Tax and Revenue Certificate of Obligation – The original issue was $500,000 with an annual interest rate of 1.97%. The original date of issuance was on April 1, 2017 and has a maturity date of August 15, 2047.

The changes in bonded debt payable during the year as summarized as follows:

Bonds	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Primary Government					
Governmental Funds					
2007 Certificates of Obligations	$ 383,000	$ -	$ (187,000)	$ 196,000	$ 196,000
2012 Combination Tax and Revenue Certificate of Obligation	380,000	-	(14,000)	366,000	14,000
2014A Combination Tax and Revenue Certificate of Obligation (TIRZ)	775,000	-	(145,000)	630,000	150,000
2015 Combination Tax and Revenue Certificate of Obligation	280,000	-	(90,000)	190,000	95,000
2016 Combination Tax and Revenue Certificate of Obligation	211,000	-	(5,000)	206,000	5,000
2016A Combination Tax and Revenue Certificate of Obligation	3,075,000	-	(205,000)	2,870,000	215,000
2019 Combination Tax and Revenue Certificate of Obligation	3,645,000	-	(75,000)	3,570,000	75,000
2021 Combination Tax and Revenue Certificate of Obligation	5,328,000	-	(197,000)	5,131,000	197,000
2023 Combination Tax and Tax Increment Revenue Certificate of Obligation	4,400,000	-	(355,000)	4,045,000	370,000
2025 Combination Tax and Revenue Certificates of Obligation	-	5,020,000	-	5,020,000	-
Total Governmental Funds Bonds	18,477,000	5,020,000	(1,273,000)	22,224,000	1,317,000
Business-Type Funds					
2014-B Certificates of Obligations	125,000	-	(25,000)	100,000	25,000
2017 Combination Tax and Revenue Certificate of Obligation	400,000	-	(15,000)	385,000	15,000
Total Business-Type Funds Bonds	525,000	-	(40,000)	485,000	40,000
Total Primary Government Bonds	$ 19,002,000	$ 5,020,000	$ (1,313,000)	$ 22,709,000	$ 1,357,000

NOTE H - LONG-TERM DEBT – (CONTINUED)

Debt service requirements for the City's bonds are as follows:

Year ending	Governmental Activities		Business-Type Activities		Total Primary Government	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,317,000	$ 712,890	$ 40,000	$ 10,815	$ 1,357,000	$ 723,705
2027	1,362,000	688,233	40,000	9,725	1,402,000	697,958
2028	1,302,000	639,716	40,000	8,616	1,342,000	648,332
2029	1,353,000	554,219	40,000	7,488	1,393,000	561,707
2030	1,339,000	543,868	15,000	6,795	1,354,000	550,663
2031-2035	6,111,000	1,954,306	75,000	29,883	6,186,000	1,984,189
2036-2040	3,590,000	1,204,520	95,000	21,689	3,685,000	1,226,209
2041-2045	1,976,000	809,230	100,000	11,040	2,076,000	820,270
2046-2050	2,152,000	545,111	40,000	1,336	2,192,000	546,447
2051-2055	1,713,000	203,466	-	-	1,713,000	203,466
2056-2060	9,000	158	-	-	9,000	158
Total	$ 22,224,000	$ 7,855,717	$ 485,000	$ 107,387	$ 22,709,000	$ 7,963,104

Notes Payable and Right-To-Use Leases

Governmental Capital Corporation Contract #9424 - The original issue was $198,200 with an annual interest rate of 2.68%. The original date of issuance was on March 18, 2021 and has a maturity date of March 18, 2026. The purpose of the note was to purchase 4 vehicles and related equipment.

Southside Bank Note #256819 - The original issue was $334,994 with an annual interest rate of 4.48%. The original date of issuance was on October 4, 2019 and has a maturity date of October 1, 2028.

Southside Bank Note #256822 - The original issue was $334,994 with an annual interest rate of 4.48%. The original date of issuance was on October 4, 2019 and has a maturity date of October 1, 2028.

Frost Bank Lease #776192652-005 - The original issue was $351,809 with an annual interest rate of 3.05%. The original date of issuance was on December 12, 2019 and has a maturity date of December 1, 2025. The following lease was paid off in the 2025 fiscal year.

Frost Bank Lease #776192652-006 - The original issue was $285,731 with an annual interest rate of 5.10%. The original date of issuance was on April 3, 2024 and has a maturity date of April 3, 2029.

Frost Bank Lease #776192652-007 – The original issue was $351,809 with an annual interest rate of 5.50%. The original date of issuance was on May 28, 2025 and has a maturity date of June 30,2029.

Governmental Capital Corporation Contract (GCC) #9930 - The original issue was $177,936 with an annual interest rate of 3.07%. The original date of issuance was April 12, 2022 and has a maturity date of May 10, 2027.

In the 2023 fiscal year the City entered into a Governmental Capital Corporation Contract (GCC) #10165. The original issue was $571,366 with an annual interest rate of 5.38%. The original date of issuance was November 29, 2022 and has a maturity date of December 15, 2027.

In the 2023 fiscal year the City entered into a lease agreement with Enterprise Fleet Management in the amount of $672,026. The original date of issuance was October 11, 2022. The lease term commenced on the delivery date of each vehicle and ending between 48 to 60 months after the first full monthly rental payment date. The purpose of this agreement was to lease vehicles for the City's Police Department.

NOTE H - LONG-TERM DEBT – (CONTINUED)

In fiscal year 2025, the City entered into a lease agreement with Enterprise Fleet Management totaling $525,215. The original issuance dates range from October 24, 2024, to March 24, 2025. The lease term for each vehicle commenced on its delivery date and extends between 48 and 60 months from the date of the first full monthly rental payment. The purpose of this agreement is to lease vehicles for the City's Police, Community Services, Public Works, Planning, and Alton Development Center Departments.

The changes in notes and right-to-use leases payable during the year are summarized as follows:

Notes and Right-To-Use Leases	Balance October 1, 2024	Additions	Reductions	Adjustments	Balance September 30, 2025	Due Within One Year
Primary Government						
Governmental activities						
GCC Contract #9424	$ 82,429	$ -	$ (40,674)	$ -	$ 41,755	$ 41,755
Southside Bank Note #256819	165,558	-	(38,656)	-	126,902	40,424
Southside Bank Note #256822	165,558	-	(38,656)	-	126,902	40,424
Frost Bank Lease #776192652-005	13,169	-	(13,169)	-	-	-
Frost Bank Lease #776192652-006	-	-	(51,611)	285,731	234,120	54,241
GCC Contract #9930	110,584	-	(35,541)	-	75,043	36,845
Enterprise Lease Agreement	467,160	525,215	(172,930)	(11,470)	807,975	230,650
Total Governmental Activities Notes and Right-To-Use Leases Payable	1,004,458	525,215	(391,237)	274,261	1,412,697	444,339
Business-Type activities						
Frost Bank Lease #776192652-005	61,462	-	(61,462)	-	-	-
Frost Bank Lease #776192652-007	239,510	-	(42,919)	-	196,591	45,277
Loan Payable GCC #10165	468,741	-	(108,144)	-	360,597	113,960
Enterprise Lease Agreement	202,641	-	(47,646)	-	154,995	50,435
Total Business-Type Funds Notes and Right-To-Use Leases Payable	972,354	-	(260,171)	-	712,183	209,672
Total Primary Government Notes and Right-To-Use Leases Payable	$ 1,976,812	$ 525,215	$ (651,408)	$ 274,261	$ 2,124,880	$ 654,011

Debt service requirements to maturity for the above notes and right-to-use leases payable are as follows:

Year ending	Governmental Activities		Business-Type Activities		Total Primary Government	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 444,339	$ 81,337	$ 209,672	$ 40,672	$ 654,011	$ 122,009
2027	396,009	55,118	224,448	27,982	620,457	83,100
2028	321,971	32,112	224,904	14,430	546,875	46,542
2029	195,794	14,009	53,159	2,921	248,953	16,930
2030	54,584	1,025	-	-	54,584	1,025
2031-2035	-	-	-	-	-	-
Total	$ 1,412,697	$ 183,601	$ 712,183	$ 86,005	$ 2,124,880	$ 269,606

NOTE H - LONG-TERM DEBT – (CONTINUED)

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2025 are as follows:

	Balance October 1, 2024	Additions	Reductions	Adjustments	Balance September 30, 2025	Due Within One Year
Governmental activities						
Bonds payable						
Bonded debt	$ 18,477,000	$ 5,020,000	$ (1,273,000)	$ -	$ 22,224,000	$ 1,317,000
Premium on bonds	373,598	159,381	(52,136)	-	480,843	52,136
Total bonds payable	18,850,598	5,179,381	(1,325,136)	-	22,704,843	1,369,136
Notes and right-to-use leases payable	1,004,458	525,215	(391,237)	274,261	1,412,697	444,339
Compensated absences	145,086	-	(3,711)	-	141,375	-
Net pension liability/(asset)						
TMRS	570,997	-	(813,010)	-	(242,014)	-
OPEB	129,900	989	-	-	130,889	-
Total net pension liability	700,897	989	(813,010)	-	(111,125)	-
Governmental activities long-term liabilities	$ 20,701,039	$ 5,705,585	$ (2,533,094)	$ 274,261	$ 24,147,790	$ 1,813,475
Business-type activities						
Bonds payable						
Bonded debt	$ 525,000	$ -	$ (40,000)	$ -	$ 485,000	$ 40,000
Total bonds payable	525,000	-	(40,000)	-	485,000	40,000
Notes and right-to-use leases payable	972,354	-	(260,171)	-	712,183	209,672
Compensated absences	30,620	10,057	-	-	40,677	-
Net pension liability/(asset)						
TMRS	96,596	-	(137,538)	-	(40,942)	-
OPEB	21,976	166	-	-	22,142	-
Total net pension liability	118,572	166	(137,538)	-	(18,800)	-
Business-type activities long-term liabilities	$ 1,646,546	$ 10,223	$ (437,709)	$ -	$ 1,219,060	$ 249,672

NOTE I - INTERFUND ASSETS/LIABILITIES

Interfund receivable and payable balances at September 30, 2025 for the primary government were as follows:

	Due From Other Funds	Due To Other Funds
General Fund		
Capital Construction Fund	$ 564,416	$ -
Sewer Fund	2,081	-
Solid Waste Fund	300	-
Nonmajor Governmental Funds	1,888	(10,118)
Total General Fund	568,685	(10,118)
Capital Construction Fund		
General Fund	-	(564,416)
Total Capital Construction Fund	-	(564,416)
Nonmajor Governmental Funds		
General Fund	10,118	(1,888)
Sewer Fund	4,035	-
Total Nonmajor Governmental Funds	14,153	(1,888)
Sewer Fund		
General Fund	-	(2,081)
Nonmajor Governmental Funds	-	(4,035)
Total Sewer Fund	-	(6,116)
Solid Waste Fund		
General Fund	-	(300)
Drainage & Stormwater Fund	-	(25,130)
Total Solid Waste Fund	-	(25,430)
Drainage & Stormwater Fund		
Solid Waste Fund	25,130	-
Total Drainage & Stormwater Fund.	25,130	-
Totals	$ 607,968	$ (607,968)

NOTE J - TRANSFERS

Interfund transfers during the year for the primary government were as follows:

	Transfers In			
Transfers Out	General Fund	Nonmajor Governmental Funds	Sewer Fund	Total
Non Major Governmental Funds	$ 395,000	$ 1,522,523	$ 26,135	$ 1,943,658
Sewer Fund	745,000	184,897	-	929,897
Solid Waste	540,000	-	-	540,000
	$ 1,680,000	$ 1,707,420	$ 26,135	$ 3,413,555

NOTE K – TAX INCREMENT REINVESTMENT ZONE

The City of Alton, on December 29, 2009, through Ordinance 2009-09 created "Reinvestment Zone Number One", City of Alton, Texas. Section 7. The Ordinance reads as follows:

This hereby created and established in the depository bank of the City, a fund to call the "Reinvestment Zone Number One, City of Alton, Texas, Texas Tax Increment Fund" (Herein called the "Tax Increment Fund"). Money in the Tax Increment Fund, from whatever source, may be disbursed from the Tax Increment Fund, invested and paid as permitted by the Act or by any agreements entered into pursuant to the Act, or as otherwise authorized by law.

As of the end of fiscal year 2025, the County of Hidalgo transferred $556,627, while the City transferred $490,438 to meet the requirements of the TIRZ agreement for the fiscal year.

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Summary of Significant Accounting Policies

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.

Plan Description

The City participates as one of 926 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmrs.org.

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

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

Benefits Provided

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	159
Active employees	118
	312

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.69% and 10.73% in the calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $637,232 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

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

In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 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 weighing 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 in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Real Estate	12.0%	6.70%
Other Public and Private Markets	4.0%	7.30%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.20%
Infrastructure	6.0%	6.00%
Private Debt	13.0%	8.20%
	100.0%	

Discount Rate

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

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability (Asset)
Balance at December 31, 2023	$ 10,544,606	$ 9,877,012	$ 667,594
Service cost	951,094	-	951,094
Interest	724,457	-	724,457
Difference between expected/actual experience	(552,494)	-	(552,494)
Contributions - employer	-	657,886	(657,886)
Contributions - employee	-	393,944	(393,944)
Net investment income	-	1,028,513	(1,028,513)
Benefit payments, including refunds of employee contributions	(574,910)	(574,910)	-
Administrative expenses	-	(6,582)	6,582
Other charges	-	(154)	154
Net changes	548,147	1,498,697	(950,550)
Balance at December 31, 2024	$ 11,092,753	$ 11,375,709	$ (282,956)

Net pension liability amounts are allocated between the primary government on the statement of net position. The City's portion of the net pension asset includes $242,014 for governmental activities and $40,942 for business- type activities.

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 have been if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Decrease in Discount Rate (7.75%)
City's net pension liability	$ 1,706,684	$ (282,956)	$ (1,849,455)

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 trms.com.

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN (CONTINUED)

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 a pension expense in the amount of $397,423. At September 30, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	$ 4,191	$ 364,208
Changes in actuarial assumption	-	55,745
Difference between projected and actual investment earnings (net of current year amortization)	-	145,602
Contributions subsequent to the measurement date	468,397	-
Total	$ 472,588	$ 565,555

$468,397 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	City
2026	$ (242,272)
2027	(93,468)
2028	(153,261)
2029	(72,363)
	$ (561,364)

NOTE M - OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

Benefits

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

TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Employees covered by benefit terms

As of December 31, 2024, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	6
Active employees	118
	151

Contributions

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

Employees for the City were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.21% in calendar year 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $12,633 and were equal to the required contributions.

Accounting Policy

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statements No.75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Funding Policy

The benefits levels and contribution rate are approved annually by the City management and the Commission as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contribution are equal to the benefits that are paid on behalf of the retirees. OPEB expenses as actuarially determined for the City was $13,891.

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2024; actuarial valuation are as follows:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

Note: 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.

These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation. The actuarial valuation report determines, as of the actuarial valuations date, the service cost, total OPEB liability, and related actuarial present value of projected benefits.

Total OPEB Liability

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

NOTE M - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The total OPEB liability and related information are as follows for the city at December 31, 2024.

	(a) Total OPEB Liability
Balance at December 31, 2023	$ 151,876
Service cost	14,632
Interest	5,917
Difference between expected/actual experience	(6,770)
Changes of assumptions	(8,122)
Benefit payments, including refunds of employee contributions	(4,502)
Net changes	1,155
Balance at December 31, 2024	$ 153,031

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

The following presents the total OPEB liability of the City, calculated using the discount rate of (3.77%) as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 181,625	$ 153,031	$ 130,658

OPEB Expense and Deferred Outflows of Resources Related to OPEB:

For the year ended September 30, 2025, the city recognized OPEB expenses of $13,891.

OPEB Expense:	
Service cost	$ 14,632
Interest on total OPEB liability	5,917
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(3,576)
Changes in assumptions or other inputs	(3,082)
Total OPEB expense	$ 13,891

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	$ 74	$ 14,134
Changes in actuarial assumptions	15,880	46,289
Contributions subsequent to the measurement date	9,167	-
Total	$ 25,121	$ 60,423

NOTE M - OTHER POST EMPLOYMENT BENEFITS – (CONTINUED)

$9,167 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026.

Other amounts to be reported as deferred outflow related to OPEB will be recognized in OPEB expense as follow:

Year ended September 30,	
2026	$ (6,902)
2027	(12,296)
2028	(13,934)
2029	(8,933)
2030	(2,206)
Thereafter	(198)
	$ (44,469)

NOTE N - CONTINGENCIES

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all of these programs including the year ended September 30, 2025 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved in litigation claims against it from time to time that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements for these contingent liabilities.

NOTE O - FUND BALANCES

The City has classified its fund balance with the following hierarchy:

Restricted – External parties have restricted these funds to be used for their intended purpose. For the 2025 fiscal year, the City had a restricted fund balance of $15,493,438 for governmental funds.

Committed – The City Commission has committed to use these funds for specific purposes and cannot be used for any other purpose unless formal action is taken that changes or lifts the constraints. For the 2025 fiscal year, the City had no committed fund balance.

Assigned – The City Commission has authorized the City manager to assign to these funds for specifically identified purposes. For the 2025 fiscal year, the City had no assigned fund balance.

Unassigned – The unassigned fund balance has no constraints. For the 2025 fiscal year, the City had an unassigned fund balance of $2,847,745 for governmental funds.

NOTE P - SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE Q – ERROR CORRECTIONS

During fiscal year 2025, the City identified various overstatements and understatements of fiscal year ending 2024 account balances within governmental activities and business-type activities. The effect of the correction of these errors are shown in the table below.

	Governmental Activities	Business-Type Activities	Total
Net position 9/30/2024, as Previously Reported	$ 24,942,681	$ 18,804,299	$ 43,746,980
Error Corrections:			
Understatement of capital assets & right-to-use asset	253,470	-	253,470
Overstatement of capital assets & right-to-use asset	-	(25,251)	(25,251)
Understatement of notes payable	(285,731)	-	(285,731)
Overstatement of right-to-use leases payable	11,470	-	11,470
Overstatement of receivables	-	(277,697)	(277,697)
Understatement of receivables	-	227,514	227,514
Net position 9/30/2024, as Restated	$ 24,921,890	$ 18,728,865	$ 43,650,755

End of Notes

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

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 2,885,000	$ 2,885,000	$ 2,828,293	$ (56,707)
Nonproperty taxes	1,496,177	1,496,177	1,572,136	75,959
Fees and charges for services	1,130,153	1,130,153	1,081,825	(48,328)
Fines and forfeitures	570,825	570,825	626,040	55,215
Licenses and permits	510,800	510,800	491,630	(19,170)
Intergovernmental	751,705	751,705	683,700	(68,005)
Investment earnings	55,000	55,000	55,018	18
Miscellaneous income	96,906	96,906	156,993	60,087
Total revenue	7,496,566	7,496,566	7,495,635	(931)
EXPENDITURES				
General government:				
Personnel services	939,966	939,966	925,055	14,911
Maintenance & repairs	1,000	1,000	19,346	(18,346)
Supplies & materials	14,550	14,550	13,118	1,432
Contractual services	613,228	613,228	591,073	22,155
Operational expenditures	324,975	324,975	284,743	40,232
Other expenditures	18,300	18,300	17,827	473
Emergency expense	30,000	30,000	41,921	(11,921)
Total general government	1,942,019	1,942,019	1,893,083	48,936
Public safety:				
Personnel services	3,869,252	3,869,252	3,836,486	32,766
Maintenance & repairs	134,200	134,200	179,394	(45,194)
Supplies & materials	38,000	38,000	35,261	2,739
Contractual services	484,295	484,295	501,275	(16,980)
Operational expenditures	308,994	308,994	280,235	28,759
Other expenditures	500	500	220	280
Total public safety	4,835,241	4,835,241	4,832,871	2,370
Public works:				
Personnel services	281,720	281,720	275,450	6,270
Maintenance & repairs	134,000	134,000	90,848	43,152
Supplies & materials	17,000	17,000	17,007	(7)
Contractual services	143,000	143,000	133,705	9,295
Operational expenditures	252,075	252,075	255,476	(3,401)
Total public works	827,795	827,795	772,486	55,309
Culture and recreation:				
Personnel services	553,667	553,667	553,990	(323)
Maintenance & repairs	55,500	55,500	62,508	(7,008)
Supplies & materials	12,600	12,600	11,802	798
Contractual services	102,770	102,770	98,811	3,959
Operational expenditures	101,790	101,790	100,835	955
Total culture and recreation	826,327	826,327	827,946	(1,619)

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

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Conservation and development:				
Personnel services	266,370	266,370	266,062	308
Maintenance & repairs	4,000	4,000	3,193	807
Supplies & materials	8,035	8,035	6,342	1,693
Contractual services	191,850	191,850	187,678	4,172
Operational expenditures	31,500	31,500	28,432	3,068
Total conservation and development	501,755	501,755	491,707	10,048
Capital outlay	1,366,439	1,366,439	1,777,094	(410,655)
Total capital outlay	1,366,439	1,366,439	1,777,094	(410,655)
Debt service:				
Principal retirement	140,060	140,060	140,995	(935)
Interest and fiscal agent fees	22,167	22,167	21,230	937
Total debt service	162,227	162,227	162,225	2
Total expenditures	10,461,803	10,461,803	10,757,412	(295,609)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,965,237)	(2,965,237)	(3,261,777)	(296,540)
OTHER FINANCING SOURCES (USES)				
Other	1,073,919	1,073,919	1,559,222	485,303
Transfers in	1,680,000	1,680,000	1,680,000	-
Total other financing sources (uses)	2,753,919	2,753,919	3,239,222	485,303
NET CHANGE IN FUND BALANCE	(211,318)	(211,318)	(22,555)	188,763
FUND BALANCE, BEGINNING	2,870,300	2,870,300	2,870,300	-
FUND BALANCE, ENDING	$ 2,658,982	$ 2,658,982	$ 2,847,745	$ 188,763

CITY OF ALTON, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except as a management control device during the year for the General, Debt Service and Special Revenue funds, as well as the Sewer and Solid Waste collection funds.

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter individual expenditure category or department totals within a fund must be approved by the City Commissioners. Therefore, the legal level of budgetary responsibility is the department level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Commissioners.

CITY OF ALTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Total pension liability										
Service Cost	$ 951,094	$ 870,482	$ 805,772	$ 733,316	$ 644,079	$ 669,409	$ 628,618	$ 564,796	$ 522,560	$ 489,728
Interest (on the total pension liability)	724,457	660,032	581,350	510,946	457,085	408,634	382,064	342,457	298,556	260,999
Difference between expected and actual experience	(552,494)	(11,085)	93,987	127,979	(26,014)	(58,093)	(342,103)	(139,186)	(47,677)	7,936
Changes of assumptions	-	(146,389)	-	-	-	17,992	-	-	-	72,960
Benefit payments, including refunds of employee contributions	(574,910)	(342,902)	(352,685)	(378,208)	(265,466)	(349,502)	(241,192)	(185,221)	(103,119)	(203,961)
Net change in total pension liability	548,147	1,030,138	1,128,424	994,033	809,684	688,440	427,387	582,846	670,320	627,662
Total pension liability - beginning	10,544,606	9,514,468	8,386,044	7,392,011	6,582,327	5,893,887	5,466,500	4,883,654	4,213,334	3,585,672
Total pension liability - ending (a)	$ 11,092,753	$ 10,544,606	$ 9,514,468	$ 8,386,044	$ 7,392,011	$ 6,582,327	$ 5,893,887	$ 5,466,500	$ 4,883,654	$ 4,213,334
B. Plan fiduciary net position										
Contributions - Employer	$ 657,886	$ 559,595	$ 514,490	$ 469,693	$ 474,978	$ 419,775	$ 377,753	$ 300,020	$ 249,859	$ 229,877
Contributions - Employee	393,944	345,429	324,161	296,204	263,043	242,046	227,172	202,126	192,623	187,328
Net Investment Income	1,028,513	968,310	(619,668)	935,845	473,152	793,010	(147,163)	558,657	234,353	4,798
Benefit payments, including refunds of employee contributions	(574,910)	(342,902)	(352,685)	(378,208)	(265,466)	(349,502)	(241,192)	(185,221)	(103,119)	(203,962)
Administrative Expenses	(6,582)	(6,150)	(5,360)	(4,323)	(3,057)	(4,475)	(2,842)	(2,900)	(2,645)	(2,922)
Other	(153)	(43)	6,396	30	(119)	(134)	(148)	(147)	(143)	(144)
Net change in plan fiduciary net position	1,498,698	1,524,239	(132,666)	1,319,241	942,531	1,100,720	213,580	872,535	570,928	214,975
Plan fiduciary net position - beginning	9,877,012	8,352,774	8,485,440	7,166,199	6,223,668	5,122,948	4,909,368	4,036,833	3,465,905	3,250,930
Plan fiduciary net position - ending (b)	$ 11,375,709	$ 9,877,012	$ 8,352,774	$ 8,485,440	$ 7,166,199	$ 6,223,668	$ 5,122,948	$ 4,909,368	$ 4,036,833	$ 3,465,905
C. Net pension liability - ending (a) - (b)	$ (282,956)	$ 667,594	$ 1,161,694	$ (99,396)	$ 225,812	$ 358,659	$ 770,939	$ 557,132	$ 846,821	$ 747,429
D. Plan fiduciary net position as a percentage of total pension liability	102.55%	93.67%	87.79%	101.19%	96.95%	94.55%	86.92%	89.81%	82.66%	82.26%
E. Covered payroll	$ 5,627,774	$ 4,934,703	$ 4,630,873	$ 4,231,483	$ 3,757,752	$ 3,457,691	$ 3,245,318	$ 2,887,507	$ 2,751,763	$ 2,676,107
F. Net position liability as a percentage of covered employee payroll	-5.03%	13.53%	25.09%	-2.35%	6.01%	10.37%	23.76%	19.29%	30.77%	27.93%

The information in this schedule has been determined as the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

Note: 10 years of data is presented in accordance with GASB 68, since this is the only information available that is measured in accordance with this statement.

CITY OF ALTON, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 637,232	$ 638,929	$ 554,179	$ 532,360	$ 459,559	$ 450,046	$ 414,915	$ 418,941	$ 382,298	$ 300,020
Contributions in relation to the actuarially determined contribution	(637,232)	(638,929)	(554,179)	(532,360)	(459,559)	(450,046)	(414,915)	(418,941)	(382,298)	(300,020)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$ 5,809,572	$ 5,391,075	$ 4,910,947	$ 4,792,931	$ 3,987,323	$ 3,597,743	$ 3,456,489	$ 3,456,489	$ 3,245,318	$ 2,887,507
Contributions as a percentage of covered employee payroll	10.97%	11.85%	11.28%	11.11%	11.53%	12.51%	12.00%	12.12%	11.78%	10.39%

NOTES TO SCHEDULE OF EMPLOYER 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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. 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 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.

CITY OF ALTON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Plan Year Ended December 31,	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
A. Total OPEB liability								
Service Cost	$ 14,632	$ 11,843	$ 19,913	$ 18,195	$ 13,152	$ 10,373	$ 10,710	$ 8,374
Interest (on the total OPEB liability)	5,917	5,652	3,741	3,563	3,746	3,650	3,049	2,752
Difference between expected and actual experience	(6,770)	(3,841)	(8,602)	(1,535)	(1,434)	(1,634)	956	-
Changes of assumptions	(8,122)	6,322	(71,683)	6,757	25,592	24,770	(7,594)	7,488
Benefit payments, including refunds of employee contributions	(4,502)	(3,454)	(2,779)	(2,539)	(752)	(692)	(649)	(289)
Net change in total OPEB liability	1,155	16,522	(59,410)	24,441	40,304	36,467	6,472	18,325
Total OPEB liability - beginning	151,876	135,354	194,764	170,323	130,019	93,552	87,080	68,755
Total OPEB liability - ending	$ 153,031	$ 151,876	$ 135,354	$ 194,764	$ 170,323	$ 130,019	$ 93,552	$ 87,080
E. Covered payroll	$ 5,627,774	$ 4,934,703	$ 4,630,873	$ 4,231,483	$ 3,757,752	$ 3,457,691	$ 3,245,318	$ 2,887,507
Total OPEB liability as a percentage of covered employee payroll	2.72%	3.08%	2.92%	4.60%	4.53%	3.76%	2.88%	3.02%

Note: The information in this schedule has been determined as the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,361,249	$ 350	$ 194,536	$ 1,556,135
Investments	3,285,438	-	-	3,285,438
Receivables, net:				
Property taxes	-	-	154,909	154,909
Nonproperty taxes	66,533	-	-	66,533
Accounts	100	-	-	100
Other	130,702	-	-	130,702
Due from other funds	652	-	13,501	14,153
Total assets	$ 4,844,674	$ 350	$ 362,946	$ 5,207,970
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 799	$ -	$ -	$ 799
Accrued liabilities	8,496	-	-	8,496
Unearned revenue	143,151	-	-	143,151
Due to other funds	1,888	-	-	1,888
Other liabilities	4,030	-	-	4,030
Total liabilities	158,364	-	-	158,364
Deferred inflows of resources:				
Unavailable revenue - property taxes	-	-	154,909	154,909
Total deferred inflows of resources	-	-	154,909	154,909
Fund balances:				
Restricted	4,686,310	350	208,037	4,894,697
Total fund balances	4,686,310	350	208,037	4,894,697
Total liabilities, deferred inflows of resources, and fund balances	$ 4,844,674	$ 350	$ 362,946	$ 5,207,970

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	$ 1,047,064	$ -	$ 824,427	$ 1,871,491
Nonproperty taxes	1,101,249	-	-	1,101,249
Fees and charges for services	70,735	-	-	70,735
Fines and forfeitures	82,400	-	22,642	105,042
Licenses and permits	210,726	807,840	-	1,018,566
Intergovernmental revenue	191,546	-	-	191,546
Interest and investment income	153,044	213	12,462	165,719
Miscellaneous income	57,357	-	-	57,357
Total revenues	2,914,121	808,053	859,531	4,581,705
EXPENDITURES				
Current:				
General government	53,865	-	-	53,865
Public safety	43,289	-	-	43,289
Public works	343,738	-	-	343,738
Culture and recreation	750	-	-	750
Economic development and assistance	511,555	-	-	511,555
Capital outlay	230,403	807,840	-	1,038,243
Debt service:				
Principal retirement	-	-	1,350,312	1,350,312
Interest and fiscal agent fees	-	-	543,719	543,719
Total expenditures	1,183,600	807,840	1,894,031	3,885,471
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	1,730,521	213	(1,034,500)	696,234
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	39,995	-	-	39,995
Other	-	-	3,023	3,023
Transfers in	-	-	1,707,420	1,707,420
Transfers (out)	(1,261,531)	(3,303)	(678,824)	(1,943,658)
Total other financing sources (uses)	(1,221,536)	(3,303)	1,031,619	(193,220)
NET CHANGE IN FUND BALANCES	508,985	(3,090)	(2,881)	503,014
FUND BALANCES, BEGINNING	4,177,325	3,440	210,918	4,391,683
FUND BALANCES, ENDING	$ 4,686,310	$ 350	$ 208,037	$ 4,894,697

CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2025

	03 Seizures & Forfeitures Fund	05 Municipal Court Fund	06 Federal Asset Forfeiture Fund	33 TIRZ Fund
ASSETS				
Cash and cash equivalents	$ 21,906	$ 153	$ 153,170	$ 78,884
Investments	-	-	-	1,639,024
Receivables, net:				
Nonproperty taxes	-	-	-	-
Accounts	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Total assets	$ 21,906	$ 153	$ 153,170	$ 1,717,908
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Other liabilities	4,030	-	-	-
Total liabilities	4,030	-	-	-
Fund balances:				
Restricted	17,876	153	153,170	1,717,908
Total fund balances	17,876	153	153,170	1,717,908
Total liabilities, deferred inflows of resources, and fund balances	$ 21,906	$ 153	$ 153,170	$ 1,717,908

42 Development Corp B Fund	43 PEG Fund	44 Texas Leverage Fund	55 Facilities & Infrastructure Fund	57 Municipal Roads Maintenance Fund
$ 374,194	$ 94,550	$ 367,515	$ 106,109	$ 147,150
1,058,942	-	-	117,636	259,801
32,092	2,349	-	-	32,092
-	-	100	-	-
-	-	130,702	-	-
-	-	-	-	652
$ 1,465,228	$ 96,899	$ 498,317	$ 223,745	$ 439,695
$ -	$ -	$ -	$ -	$ 799
4,440	-	-	-	4,056
-	-	-	-	-
1,538	-	-	-	-
-	-	-	-	-
5,978	-	-	-	4,855
1,459,250	96,899	498,317	223,745	434,840
1,459,250	96,899	498,317	223,745	434,840
$ 1,465,228	$ 96,899	$ 498,317	$ 223,745	$ 439,695

CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
SEPTEMBER 30, 2025

	70 Alton Youth Club Activity	71 Volunteer Firefighter	72 Alton Chamber of Commerce	85 2021 Local Fiscal Recovery	Total Nonmajor Special Revenue
ASSETS					
Cash and cash equivalents	$ 1,318	$ 4,406	$ 5,841	$ 6,053	$ 1,361,249
Investments	-	-	-	210,035	3,285,438
Receivables, net:					
Nonproperty taxes	-	-	-	-	66,533
Accounts	-	-	-	-	100
Other	-	-	-	-	130,702
Due from other funds	-	-	-	-	652
Total assets	$ 1,318	$ 4,406	$ 5,841	$ 216,088	$ 4,844,674
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 799
Accrued liabilities	-	-	-	-	8,496
Unearned revenue	-	-	-	143,151	143,151
Due to other funds	-	350	-	-	1,888
Other liabilities	-	-	-	-	4,030
Total liabilities	-	350	-	143,151	158,364
Fund balances:					
Restricted	1,318	4,056	5,841	72,937	4,686,310
Total fund balances	1,318	4,056	5,841	72,937	4,686,310
Total liabilities, deferred inflows of resources, and fund balances	$ 1,318	$ 4,406	$ 5,841	$ 216,088	$ 4,844,674

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	03 Seizures & Forfeitures Fund	05 Municipal Court Fund	06 Federal Asset Forfeiture Fund	33 TIRZ Fund
REVENUES				
Property taxes	$ -	$ -	$ -	$ 1,047,064
Nonproperty taxes	-	-	-	-
Fees and charges for services	-	-	-	-
Fines and forfeitures	-	-	82,400	-
Licenses and permits	-	-	-	-
Intergovernmental revenue	-	-	-	-
Interest and investment income	433	11	2,398	46,314
Miscellaneous income	-	-	-	-
Total revenues	433	11	84,798	1,093,378
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	4,299	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development and assistance	-	-	-	-
Capital outlay	-	-	19,925	-
Total expenditures	-	-	24,224	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	433	11	60,574	1,093,378
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	-	-
Transfers (out)	-	-	-	(736,786)
Total other financing sources (uses)	-	-	-	(736,786)
NET CHANGE IN FUND BALANCES	433	11	60,574	356,592
FUND BALANCES, BEGINNING	17,443	142	92,596	1,361,316
FUND BALANCES, ENDING	$ 17,876	$ 153	$ 153,170	$ 1,717,908

42 Development Corp B Fund	43 PEG Fund	44 Texas Leverage Fund	55 Facilities & Infrastructure Fund	57 Municipal Roads Maintenance Fund
$ -	$ -	$ -	$ -	$ -
547,680	5,889	-	-	547,680
-	-	-	69,535	-
-	-	-	-	-
-	-	-	210,726	-
-	-	-	-	-
53,712	1,823	7,624	15,322	12,593
-	-	4,043	45	-
601,392	7,712	11,667	295,628	560,273
-	-	-	12,934	28,675
-	-	-	-	-
-	-	-	33,745	309,993
-	-	-	-	-
424,875	-	41,905	-	-
1,003	-	-	50,901	107,740
425,878	-	41,905	97,580	446,408
175,514	7,712	(30,238)	198,048	113,865
39,995	-	-	-	
(129,745)	-	-	(300,000)	-
(89,750)	-	-	(300,000)	-
85,764	7,712	(30,238)	(101,952)	113,865
1,373,486	89,187	528,555	325,697	320,975
$ 1,459,250	$ 96,899	$ 498,317	$ 223,745	$ 434,840

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	70 Alton Youth Club Activity Fund	71 Volunteer Firefighter Fund	72 Alton Chamber of Commerce	85 2021 Local Fiscal Recovery	Total Nonmajor Special Revenue Funds
REVENUES					
Property taxes	$ -	$ -	$ -	$ -	$ 1,047,064
Nonproperty taxes	-	-	-	-	1,101,249
Fees and charges for services	-	-	1,200	-	70,735
Fines and forfeitures	-	-	-	-	82,400
Licenses and permits	-	-	-	-	210,726
Intergovernmental revenue	-	-	-	191,546	191,546
Interest and investment income	36	87	8	12,683	153,044
Miscellaneous income	-	7,979	45,290	-	57,357
Total revenues	36	8,066	46,498	204,229	2,914,121
EXPENDITURES					
Current:					
General government	-	-	-	12,256	53,865
Public safety	-	5,533	-	33,457	43,289
Public works	-	-	-	-	343,738
Culture and recreation	750	-	-	-	750
Economic development and assistance	-	-	44,775	-	511,555
Capital outlay	-	-	-	50,834	230,403
Total expenditures	750	5,533	44,775	96,547	1,183,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(714)	2,533	1,723	107,682	1,730,521
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	-	-	-	-	39,995
Transfers (out)	-	-	-	(95,000)	(1,261,531)
Total other financing sources (uses)	-	-	-	(95,000)	(1,221,536)
NET CHANGE IN FUND BALANCES	(714)	2,533	1,723	12,682	508,985
FUND BALANCES, BEGINNING	2,032	1,523	4,118	60,255	4,177,325
FUND BALANCES, ENDING	$ 1,318	$ 4,056	$ 5,841	$ 72,937	$ 4,686,310

CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	82 GLO CDR 2018 Floods Fund	86 USDA Sewer Connect Fund	Total Nonmajor Capital Projects Funds
ASSETS			
Cash and cash equivalents	$ 350	$ -	$ 350
Total assets	$ 350	$ -	$ 350
LIABILITIES AND FUND BALANCES			
Fund balances:			
Restricted	350	-	350
Total fund balances	350	-	350
Total liabilities and fund balances	$ 350	$ -	$ 350

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	82 GLO CDR 2018 Floods Fund	86 USDA Sewer Connect Fund	Total Nonmajor Capital Projects Funds
REVENUES			
Intergovernmental	$ 807,840	$ -	$ 807,840
Interest and investment income	202	11	213
Total revenues	808,042	11	808,053
EXPENDITURES			
Capital outlay	807,840	-	807,840
Total expenditures	807,840	-	807,840
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	202	11	213
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	(3,303)	(3,303)
Total other financing sources (uses)	-	(3,303)	(3,303)
NET CHANGE IN FUND BALANCES	202	(3,292)	(3,090)
FUND BALANCES, BEGINNING	148	3,292	3,440
FUND BALANCES, ENDING	$ 350	$ -	$ 350

CITY OF ALTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	32 Debt Service Fund	34 Debt Service TIRZ Fund	35 Debt Service CO 2021 I&S Fund	36 Debt Service 2016 I&S Fund
ASSETS				
Cash and cash equivalents	$ 81,116	$ 2,986	$ 331	$ 175
Receivables, net:				
Property taxes	154,909	-	-	-
Due from other funds	9,466	-	-	-
Total assets	$ 245,491	$ 2,986	$ 331	$ 175
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred inflows of resources				
Unavailable revenue - property taxes	$ 154,909	$ -	$ -	$ -
Total deferred inflows of resources	154,909	-	-	-
Fund balances:				
Restricted	90,582	2,986	331	175
Total fund balances	90,582	2,986	331	175
Total liabilities, deferred inflows of resources, and fund balances	$ 245,491	$ 2,986	$ 331	$ 175

37 Debt Service 2016 Reserve Fund	38 CO 2016-A Debt Service Fund	39 Debt Service 2017 Fund	40 Debt Service 2019 Fund	45 Debt Service CADC Fund	Total Nonmajor Debt Service Funds
$ 8,700	$ 2,176	$ 97,249	$ 1,055	$ 748	$ 194,536
-	-	-	-	-	154,909
-	-	4,035	-	-	13,501
$ 8,700	$ 2,176	$ 101,284	$ 1,055	$ 748	$ 362,946
$ -	$ -	$ -	$ -	$ -	$ 154,909
-	-	-	-	-	154,909
8,700	2,176	101,284	1,055	748	208,037
8,700	2,176	101,284	1,055	748	208,037
$ 8,700	$ 2,176	$ 101,284	$ 1,055	$ 748	$ 362,946

CITY OF ALTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	32 Debt Service Fund	34 Debt Service TIRZ Fund	35 Debt Service CO 2021 I&S Fund	36 Debt Service 2016 I&S Fund
REVENUES				
Property Taxes	$ 824,427	$ -	$ -	$ -
Fines and forfeitures	22,642	-	-	-
Interest and investment income	9,012	74	16	10
Total revenues	856,081	74	16	10
EXPENDITURES				
Debt service:				
Principal retirement	291,000	500,000	197,000	5,000
Interest and other fees	40,407	236,786	200	3,429
Total expenditures	331,407	736,786	197,200	8,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	524,674	(736,712)	(197,184)	(8,419)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds				
Sale of capital assets				
Transfers in	183,996	736,786	197,400	8,429
Transfers (out)	(655,992)	-	-	-
Other	3,023	-	-	-
Total other financing sources (uses)	(468,973)	736,786	197,400	8,429
NET CHANGE IN FUND BALANCES	55,701	74	216	10
FUND BALANCES, BEGINNING	34,881	2,912	115	165
FUND BALANCES, ENDING	$ 90,582	$ 2,986	$ 331	$ 175

37 Debt Service 2016 Reserve Fund	38 CO 2016-A Debt Service Fund	39 Debt Service 2017 Fund	40 Debt Service 2019 Fund	45 Debt Service CADC Fund	Total Nonmajor Debt Service Funds
$ -	$ -	$ -	$ -	$ -	$ 824,427
-	-	-	-	-	22,642
172	60	2,280	700	138	12,462
172	60	2,280	700	138	859,531
-	205,000	-	75,000	77,312	1,350,312
-	112,963	400	136,274	13,260	543,719
-	317,963	400	211,274	90,572	1,894,031
172	(317,903)	1,880	(210,574)	(90,434)	(1,034,500)
901	317,963	-	171,345	90,600	1,707,420
-	-	(22,832)	-	-	(678,824)
-	-	-	-	-	3,023
901	317,963	(22,832)	171,345	90,600	1,031,619
1,073	60	(20,952)	(39,229)	166	(2,881)
7,627	2,116	122,236	40,284	582	210,918
$ 8,700	$ 2,176	$ 101,284	$ 1,055	$ 748	$ 208,037

CITY OF ALTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance With Final Budget - Positive
	Budget	Final	Actual	(Negative)
REVENUES				
Property Taxes	$ 846,500	$ 846,500	$ 824,427	$ (22,073)
Fines and forfeitures	-	-	22,642	22,642
Interest and investment income	12,140	12,140	12,462	322
Total revenue	858,640	858,640	859,531	891
EXPENDITURES				
Debt service:				
Principal retirement	1,351,991	1,351,991	1,350,312	1,679
Interest and other fees	541,434	541,434	543,719	(2,285)
Total expenditures	1,893,425	1,893,425	1,894,031	(606)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,034,785)	(1,034,785)	(1,034,500)	285
OTHER FINANCING SOURCES (USES)				
Transfers in	1,746,118	1,746,118	1,707,420	38,698
Transfers out	(694,384)	(694,384)	(678,824)	(15,560)
Other financing sources (uses)	-	-	3,023	(3,023)
Total other financing sources (uses)	1,051,734	1,051,734	1,031,619	20,115
NET CHANGE IN FUND BALANCE	16,949	16,949	(2,881)	(19,830)
FUND BALANCES, BEGINNING	210,918	210,918	210,918	-
FUND BALANCES, ENDING	$ 227,867	$ 227,867	$ 208,037	$ (19,830)

Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members
of the City Commission
City of Alton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Alton, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
March 24, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members
of the City Commission
City of Alton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Alton, Texas (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
March 24, 2026

CITY OF ALTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Texas General Land Office			
Community Development Block Grant Disaster Recovery	14.228	23-152-001-E068	$ 807,840
Total U.S. Department of Housing and Urban Development			807,840
U.S. DEPARTMENT OF JUSTICE			
Passed through Office of the Governor			
Crime Victims Liaison Program	16.575	4196603	42,969
Sex Crimes Investigator Project	16.588	4723302	40,159
Total Passed through Office of the Governor			83,128
Direct Grant			
FY 2022 COPS Hiring Program (CHP)	16.710	15JCOPS-22-GG-03410-UHPX	355,525
Total Direct Grant			355,525
Total U.S. Department of Justice			438,653
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Texas Department of Transportation			
STEP - Comprehensive	20.600	2025-AltonPD-S-1YG-00013	4,681
STEP - Impaired Driving Mobilization	20.616	2024-AltonPD-IDM-00003	1,240
Total Passed through Texas Department of Transportation			5,921
Total U.S. Department of Transportation			5,921
U.S. DEPARTMENT OF TREASURY			
Passed through Texas Department of Emergency Management			
COVID-19 - Coronavirus Local Fiscal Recovery Funds (CLFRF)	21.027	272021C0007558	191,546
Total U.S. Department of Treasury			191,546
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Office of the Governor			
Hidalgo- 2023 OPSG	97.067	3694506	14,747
Hidalgo- 2024 OPSG	97.067	3694508	151,497
Total Assistance Listing Number 97.067			166,244
Total U.S. Department of Homeland Security			166,244
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,610,204

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

CITY OF ALTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

1. GENERAL

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all applicable federal award programs of the City of Alton, Texas (the "City") for the year ended September 30, 2025. The City's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

2. BASIS OF ACCOUNTING AND PRESENTATION

The Schedule is presented using the modified accrual basis of accounting. The City's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements.

The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the City were provided to subrecipients.

4. INDIRECT COSTS

The City did not elect to use the de minimis cost rate of 10% as described at 2 CFR §200.414(f) - Indirect (F&A) costs.

CITY OF ALTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. Summary of the Auditors' Results

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None
Type of auditors' report on compliance with major programs:	Unmodified
Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major programs are as follows:	
Assistance Listing Number:	Name of Federal Program or Cluster:
14.228	Community Development Block Grant Disaster Recovery
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee:	Yes

II. Financial Statement Findings

None.

II. Federal Award Findings and Questioned Costs

None.

CITY OF ALTON, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

None.