

OFFICIAL STATEMENT
Dated January 28, 2025

NEW ISSUE – Book-Entry-Only

Rating: S&P: “AA” (Stable Outlook)/Insured
S&P: “A”/Uninsured
Insurance: Assured Guaranty Inc.
(See “BOND INSURANCE,” “BOND INSURANCE GENERAL
RISKS” and “OTHER INFORMATION – Rating”)

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

THE CERTIFICATES ARE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.



\$7,500,000
CITY OF BEEVILLE, TEXAS
(A Political Subdivision of the State of Texas Located in Bee County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: January 15, 2025

Due: August 15, as shown on inside cover

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

AUTHORITY FOR ISSUANCE . . . The \$7,500,000 City of Beeville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are being issued by the City of Beeville, Texas (the “City” or the “Issuer”) pursuant to the Constitution and general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the City’s Home-Rule Charter, and an ordinance adopted by the City Council of the City on January 28, 2025 authorizing the issuance of the Certificates (the “Ordinance”).

The Certificates are direct and general obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE CERTIFICATES – Security and Source of Payment” and “Tax Rate Limitation” herein). Additionally, the Certificates also are secured with a limited pledge of the “Surplus Revenues” of the City’s Waterworks and Sewer System (see “THE CERTIFICATES – Authority for Issuance of the Certificates,” “Security and Source of Payment,” and “Surplus Revenue Pledge for the Certificates”).

PAYMENT TERMS . . . Interest on the Certificates will accrue from the Date of Initial Delivery to the Underwriters (defined below), will be payable on August 15 and February 15 of each year commencing August 15, 2025, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – Paying Agent/Registrar”).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving existing City-owned facilities, comprising (a) administrative buildings housing the governmental functions of the City, including the City Hall, and (b) a public safety facility, including a police station, (2) purchasing and acquiring public works (parks and animal control), public safety (police), and administration-related vehicles, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, (4) the payment of professional services related to the construction, project management, and financing of the aforementioned projects, and (5) paying all or a portion of the legal, financial and engineering fees in connection with these projects and the costs of issuance of the Certificates.

ASSURED GUARANTY The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **ASSURED GUARANTY INC.** See “BOND INSURANCE” herein.

CUSIP PREFIX: 077131
MATURITY SCHEDULE & CUSIP SUFFIX
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchasers, named below (the “Underwriters”) and subject to the approving opinions of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”), San Antonio, Texas (see “APPENDIX C – Form of Bond Counsel’s Opinion”). Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC, San Antonio, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on February 25, 2025 (the “Date of Initial Delivery”).

SAMCO CAPITAL

TEXAS CAPITAL SECURITIES

\$7,500,000
CITY OF BEEVILLE, TEXAS
(A Political Subdivision of the State of Texas Located in Bee County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE

CUSIP Prefix: 077131⁽¹⁾

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2028	\$ 20,000	5.500%	3.180%	NC0
2029	195,000	5.500%	3.210%	ND8
2030	205,000	5.500%	3.260%	NE6
2031	215,000	5.500%	3.310%	NF3
2032	225,000	5.000%	3.360%	NG1
2033	240,000	5.000%	3.420%	NH9
2034	250,000	5.000%	3.490%	NJ5
2035	265,000	5.000%	3.540% ⁽²⁾	NK2
2036	275,000	5.000%	3.590% ⁽²⁾	NL0
2037	290,000	5.000%	3.630% ⁽²⁾	NM8
2038	305,000	5.000%	3.670% ⁽²⁾	NN6
2039	320,000	5.000%	3.730% ⁽²⁾	NP1
2040	335,000	5.000%	3.800% ⁽²⁾	NQ9
2041	355,000	5.000%	3.900% ⁽²⁾	NR7
2042	370,000	5.000%	4.010% ⁽²⁾	NS5
2043	390,000	5.000%	4.090% ⁽²⁾	NT3
2044	410,000	4.125%	4.330%	NU0
2045	425,000	4.250%	4.350%	NV8
2046	445,000	4.250%	4.380%	NW6
2047	460,000	4.250%	4.410%	NX4
2048	480,000	4.250%	4.410%	NY2
2049	500,000	4.250%	4.410%	NZ9
2050	525,000	4.250%	4.410%	PA2

(Interest accrues from the Date of Initial Delivery)

- ⁽¹⁾ 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 the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- ⁽²⁾ Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 15, 2034, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Mr. Michael R. Willow Mayor	2	May 2025	Sales Manager (Aztec Chevrolet LLC)
Mr. Benny Puente, Jr. Mayor Pro-Tem	7	May 2027	Oil and Gas Corporate Sales
Ms. Crystal Franco Council Member	7 Months	May 2027	Asst. Branch Manager
Mr. Ray Garcia, Jr. Council Member	7 Months	May 2027	Retired
Ms. Cyndi Carrasco Council Member	1 Month	May 2025	Auditing Deputy Clerk

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the City
Mr. John Benson	City Manager	4.7
Mr. Daniel Dorgan	Assistant City Manager	0.5
Mr. Frank Warner	City Attorney	30+
Ms. Gabriela Hernandez	City Secretary	10.6
Ms. Kristine Horton	Finance Director	12
Ms. Corinna Shumake	Deputy City Secretary	8.3

CONSULTANTS AND ADVISORS

Bond Counsel..... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

AuditorsBelt Harris Pechacek, LLLP
Houston, Texas

Financial AdvisorSpecialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the City, please contact:

Mr. John Benson
City Manager
City of Beeville
400 N. Washington Street
Beeville, Texas 78102
Phone (361) 358-4641
Facsimile: (361) 358-0250
john.benson@beevilltex.org

or

Mr. Victor Quiroga, Jr.
Managing Director
Specialized Public Finance Inc.
17721 Rogers Ranch Parkway
Suite 140
San Antonio, Texas 78258
Phone: (210) 239-0204
victor@spfmuni.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

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

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

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

NEITHER THE ISSUER, THE UNDERWRITERS, NOR THE FINANCIAL ADVISOR MAKE 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 OR ANY MUNICIPAL BOND INSURER WITH RESPECT TO ITS POLICY OF MUNICIPAL BOND INSURANCE, AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE MUNICIPAL BOND INSURER, RESPECTIVELY.

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy."

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**The City of Beeville, Texas (the “City” or “Issuer”) is the county seat and principal commercial center of Bee County, located approximately 90 miles southeast of San Antonio and 50 miles northwest of Corpus Christi at the intersection of U.S. Highways 59 and 181. The City's estimated population in 2023 was 13,211. The City’s Home Rule Charter provides that the City will operate under the Council/Manager form of government pursuant to the laws of the State of Texas. The City Manager, appointed by the five-member (including the Mayor) elected City Council, is the chief administrative officer of the City (see “APPENDIX B – General Information Regarding the City” and “INTRODUCTION – Description of the City”).
- THE CERTIFICATES**.....The \$7,500,000 City of Beeville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are issued as serial Certificates maturing August 15 in the years 2028 through 2050 (see “THE CERTIFICATES – Description of the Certificates”).
- AUTHORITY FOR ISSUANCE**The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the City’s Home-Rule Charter, and an ordinance adopted by the City Council of the City on January 28, 2025 (the “Ordinance”) authorizing the issuance of the Certificates.
- PAYMENT OF INTEREST**Interest on the Certificates will accrue from the Date of the Initial Delivery and is payable on August 15, 2025, and each February 15 and August 15 thereafter until stated maturity or prior redemption (see “THE CERTIFICATES – Description of the Certificates”).
- SECURITY FOR THE CERTIFICATES**The Certificates constitute direct and general obligations of the Issuer payable from the levy and collection of a direct and continuing ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law. Additionally, the Certificates also are secured by a limited pledge of the “Surplus Revenues” of the City’s Waterworks and Sewer System (see “THE CERTIFICATES – Security and Secure of Payment,” and “Surplus Revenue Pledge for the Certificates”).
- OPTIONAL REDEMPTION**The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).
- TAX EXEMPTION**.....In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.
- QUALIFIED TAX-EXEMPT CERTIFICATES**The Certificates have been designated as “qualified tax-exempt obligations for financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Certificates” herein).

USE OF PROCEEDSProceeds from the sale of the Certificates will be used for the purposes of (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving existing City-owned facilities, comprising (a) administrative buildings housing the governmental functions of the City, including the City Hall, and (b) a public safety facility, including a police station, (2) purchasing and acquiring public works (parks and animal control), public safety (police), and administration-related vehicles, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, (4) the payment of professional services related to the construction, project management, and financing of the aforementioned projects, and (5) paying all or a portion of the legal, financial and engineering fees in connection with these projects and the costs of issuance of the Certificates.

MUNICIPAL BOND RATING AND INSURANCE....The Certificates are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Inc. at the time of delivery of the Certificates. See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS.” The Certificates and the outstanding general obligation indebtedness of the City are also rated “A” by S&P without regard to credit enhancement (see “OTHER INFORMATION – Rating”).

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

PAYMENT RECORDThe City has never defaulted in payment of its general obligation tax debt.

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**OFFICIAL STATEMENT
RELATING TO

\$7,500,000
CITY OF BEEVILLE, TEXAS
(A Political Subdivision of the State of Texas Located in Bee County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of Beeville, Texas (the “City” or “Issuer”) of \$7,500,000 City of Beeville, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the “Certificates”). The Certificates are being issued pursuant to an ordinance adopted by the City Council of the City (the “Ordinance”) on January 28, 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the 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, Specialized Public Finance Inc., San Antonio, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see “OTHER INFORMATION – Forward-Looking Statements Disclaimer”).

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Certificates will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets System (“EMMA”). See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Council Members who are elected in three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. Some of the services that the City provides are public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 14,827, while in 2010 the Census population was 15,099. The City’s estimated 2023 population was 13,211. The City covers approximately 6.10 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated January 15, 2025, and mature on August 15 in each of the years and in the amounts shown on page 2. Interest on the Certificates will accrue from the Date of Initial Delivery to the Underwriters, will be computed on the basis of a 360-day year of twelve 30-day months, and will be initially payable on August 15, 2025, and on each February 15 and August 15 thereafter until stated maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System” herein).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving existing City-owned facilities, comprising (a) administrative buildings housing the governmental functions of the City, including the City Hall, and (b) a public safety facility, including a police station, (2) purchasing and acquiring public works (parks and animal control), public safety (police), and administration-related vehicles, (3) purchasing real property, materials, supplies, equipment, information technology, machinery,

landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, (4) the payment of professional services related to the construction, project management, and financing of the aforementioned projects, and (5) paying all or a portion of the legal, financial and engineering fees in connection with these projects and the costs of issuance of the Certificates.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, the City’s Home-Rule Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct and general obligations of the Issuer payable from ad valorem taxes levied annually against all taxable property therein, within the limits prescribed by law (see “THE CERTIFICATES – Tax Rate Limitation” herein). Additionally, the Certificates also are secured by a limited pledge of the “Surplus Revenues” of the City’s Waterworks and Sewer System (see “THE CERTIFICATES – Surplus Revenue Pledge for the Certificates”).

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 taxable assessed valuation for all purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax-supported debt service calculated at the time of issuance based on 90% tax collections. The City’s 2024/2025 tax rate is \$0.6300, of which \$0.4661 is for debt service purposes.

SURPLUS REVENUE PLEDGE FOR THE CERTIFICATES . . . Solely to comply with Texas law to permit the Certificates to be sold for cash, the Certificates are additionally secured by limited pledge of the “Surplus Revenues” derived from the ownership and operation of the City’s Waterworks and Sewer System (the “System”), as provided in the Ordinance. The term “Surplus Revenues” is generally described in the Ordinance to mean surplus revenues derived from the System after payment of all maintenance and operation expenses of the System and all debt service, reserve, and other requirements and amounts required to be paid under all ordinance heretofore or hereafter authorizing all bonds and other obligations, including contracts, which are secured, in whole or in part, by any System revenues. Even though the City has pledged the Surplus Revenues to further secure the Certificates, the City does not expect that any of such Surplus Revenues will actually be utilized to pay debt service requirements on the Certificates.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034, 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 to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE 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 PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the 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 DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised or 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 an event, DTC may implement, through its book-entry-only system, a redemption of such Certificate held

for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption (see “THE CERTIFICATES – Book-Entry-Only System” herein).

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that 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 Defeasance Securities. The Ordinance provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for Defeasance 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.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved 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.

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 may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the 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 (“DTC”), New York, New York, while the Certificates are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 Certificates registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 detailed 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 Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to

Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor, nor the Underwriters.

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 of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer.

Certificates may be assigned by the execution of an assignment form on the 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 "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 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 record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the

payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

CERTIFICATEHOLDERS’ REMEDIES . . . If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, 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 issuance of a writ 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 certificate holders 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 (the “Court”) ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“*Tooke*”) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson*”) the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity

which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS TO THE ORDINANCE . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance as may be required (i) by the provisions of such Ordinance, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners.

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of such 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 applicable owners in original principal amount of the then outstanding Certificates no amendment may be made for the purpose of (i) extending the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, (ii) giving any preference to any Certificate over any other Certificate, (iii) extending any waiver of default to subsequent defaults, or (iv) reducing the aggregate principal amount of Certificates required for consent to any such amendment, change, modification, or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Certificates will be applied approximately as follows:

SOURCES OF FUNDS:	
Par Amount	\$7,500,000.00
Net Reoffering Premium	<u>357,564.75</u>
Total Sources of Funds	\$7,857,564.75
 USES OF FUNDS:	
Project Construction Fund Deposit	\$7,500,000.00
Debt Service Fund (Rounding)	3,816.85
Capitalized Interest (CIF) Fund	166,847.92
Cost of Issuance*	130,420.09
Underwriters' Discount	<u>56,479.89</u>
	\$7,857,564.75

*Includes cost of bond insurance premium.

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BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Certificates, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Certificates. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

ASSURED GUARANTY INC. . . . AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.: On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings: On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AG: At September 30, 2024:

- The policyholders’ surplus of AG was approximately \$3,644 million.
- The contingency reserve of AG was approximately \$1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference: Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

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

BOND INSURANCE GENERAL RISKS

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 bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by AG at such time and in such amounts as would have been due absent such prepayment by the City (unless AG chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Certificateholders' Remedies"). AG has reserved the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificateholders.

In the event AG is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the Net Revenues. In the event AG 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.

The long-term ratings on the Certificates will be dependent in part on the financial strength of AG and its claims-paying ability. AG'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 AG and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

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

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

AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap. Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal roles, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See “AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies.”

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

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

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

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

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 one hundred seventy-five 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 one hundred seventy-five days (“goods-in-transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax goods-in-transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax goods-in-transit. Goods-in-transit and Freeport Property do not include oil, natural gas or petroleum products, and goods-in-transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based

upon the damage assessment rating assigned by the chief appraiser. 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 more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended. The Texas legislature amended Section 11.35, Tax Code, to clarify that “damage” for purposes of such statute is limited to “physical damage.”

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

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code” for descriptions of any of the City’s tax abatement agreements; see also, APPENDIX A, Table 1, for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

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

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

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. 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 action by creditors and other entities, including governmental units, which 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.

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

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

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

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

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

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2023, which may be applied to a city’s tax rate in tax years 2022 through 2024 without impacting the 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 Council by August 1 or as soon as practicable thereafter.

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

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

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

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

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

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

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

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

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

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

Owners of certain property 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 \$59,562,331 for the 2024 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$15,000. The City has not granted an additional homestead exemption of the market value of residence homesteads.

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

The City does not tax nonbusiness personal property.

The Bee County Tax Assessor-Collector collects taxes for the City (the “Tax Assessor/Collector”).

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

The Tax Assessor/Collector’s office does not permit split payments; but do allow partial payments and quarter payments; discounts are allowed.

The City does not tax Freeport Property.

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

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INVESTMENTS

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or; (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted by the PFIA, and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and

either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

Under State law, the City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

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

government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

CURRENT INVESTMENTS*

TABLE 1

As of November 30, 2024 the City’s investable funds in the amount of \$27,903,919.75 were invested in the following categories:

<u>Type of Investment</u>	<u>Amount</u>
Commercial Checking Accounts	\$9,191,149.25
TexPool Restricted Accounts	<u>18,712,770.50</u>
Total	\$27,903,919.75

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

**Unaudited.*

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Certificates”). In such event, the difference between (i) the “stated redemption price at maturity” of each

Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which

bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

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

CONVENING OF TEXAS LEGISLATURE

The 89th Texas Legislature convened in regular session on January 14, 2025, and will conclude on June 2, 2025. The Texas Governor may thereafter call one or more special sessions. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the City.

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CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Table 1 and numbered Tables 1 through 8 in APPENDIX A and in APPENDIX B. The City will update and provide this information in the numbered Tables within twelve months after the end of each fiscal year ending in or after 2025 and, if then available, audited financial statements of the City. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The 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 SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-reference Tables must be provided by September 30 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 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; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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 Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, 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 their agreement described above under "Annual Reports." In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. Neither the Certificates nor the Ordinance make provision for, liquidity enhancement, or debt service reserves.

For these purposes, (A) any event described in the immediately preceding clause (12) 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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of financial obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

AVAILABILITY OF INFORMATION . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance

with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 underwriters 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 bond 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 SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriters 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 . . . For the fiscal years 2019, 2020, 2022 and 2023, the City had not finalized its annual audit by the time that would have permitted its filing to comply with its annual continuing disclosure filing obligations. As a result, the City has, in each instance, timely filed unaudited financial statements and followed the same by filing the final audit (as and when available), in compliance with its continuing disclosure obligations. As a result, the unavailability of a final audit by the annual continuing disclosure deadline has not impacted the City’s ability to timely satisfy its continuing disclosure obligations. In respect to the City’s annual disclosure report, the City filed all the information that was available at the time of filing, but some tables were not able to be updated to the most current year by the required March 31st date. When the information became available, the City updated those tables and filed amended disclosure tables.

LEGAL MATTERS

LEGAL OPINION . . . Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Certificates and the Ordinance contained under the captions: “THE CERTIFICATES” (exclusive of subcaptions “– Book-Entry-Only System” and “– Certificateholders’ Remedies”), “TAX MATTERS,” “LEGAL MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “– Compliance with Prior Undertakings”), “OTHER INFORMATION – Registration and Qualification of Certificates for Sale,” “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” “APPENDIX C – Form of Bond Counsel’s Opinion” contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City. Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC, San Antonio, Texas.

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

OTHER INFORMATION

RATING . . . The Certificates are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Inc. at the time of delivery of the Certificates. See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS.” The Certificates and the outstanding general obligation indebtedness of the City are also rated “A” by S&P without regard to credit enhancement. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The City also has various issues outstanding which are insured by various commercial insurance companies. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views 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. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Certificates remain outstanding could undertake such an evaluation process.

LITIGATION . . . It is the opinion of the City Attorney and City staff that there is no pending, or to their knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City or its operations.

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

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of at least an “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. 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.

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

NO MATERIAL ADVERSE CHANGE . . . The obligation of the Underwriters to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

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

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

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices set forth on the inside cover page of this Official Statement, less an underwriting discount of \$56,479.89 and no accrued interest. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

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

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, which are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the City 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 assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions.

These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Reference is made to original documents in all respects. The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Certificates by the Underwriters.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

This Official Statement has been approved by the City Council of the City for distribution 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.

/s/ Mr. Michael R. Willow

Mayor

City of Beeville, Texas

ATTEST:

/s/ Ms. Gabriela Hernandez

City Secretary

City of Beeville, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION**TABLE 1**

2024 Total Appraised Value	\$ 828,449,943
Less:	
Disabled Veteran 100%	11,510,620
Disabled Veteran	1,175,600
Optional Over-65	4,698,940
Surviving Spouse of Service Member	-
Real/Personal Abatements	-
Mineral Abatements	-
Real/Personal	136,790
Real Protest Value	-
TCEQ/Pollution Control	104,290
Miscellaneous	4,150,605
Productivity Loss	2,137,910
10% Cap Loss	<u>25,777,600</u>
2024 Net Taxable Assessed Valuation	\$ 778,757,588

Note: The above figures were taken from the Bee County Appraisal District Office which is compiled during the initial phase of the tax year and are subject to change.

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GENERAL OBLIGATION BONDED DEBT

(As of November 30, 2024)

General Obligation Debt Outstanding⁽¹⁾:

Combination Tax & Revenue Certificates of Obligation, Series 2014	\$ 940,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016	2,054,000
General Obligation Bonds, Series 2016	2,820,000
General Obligation Refunding Bonds, Series 2018	586,000
Combinational Tax & Revenue Certificates of Obligation, Series 2020	1,555,000
Combinational Tax & Revenue Certificates of Obligation, Series 2021	6,740,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2023	16,015,000
The Certificates	<u>7,500,000</u>
Total Gross General Obligation Debt Outstanding	\$ 38,210,000

Less: Self-Supporting Debt:

Combination Tax & Revenue Certificates of Obligation, Series 2014	\$ 94,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016	2,054,000
General Obligation Bonds, Series 2016	2,820,000
General Obligation Refunding Bonds, Series 2018	146,500
Combinational Tax & Revenue Certificates of Obligation, Series 2020	155,500
Combinational Tax & Revenue Certificates of Obligation, Series 2021	3,370,000
Combinational Tax & Limited Pledge Revenue Certificates of Obligation, Series 2023	<u>10,409,750</u>
Total Self-Supporting Debt	\$ 19,049,750

Total General Obligation Debt	\$ 19,160,250
Unaudited Interest and Sinking Fund Balance as of September 30, 2024	648,295
2024 Net Taxable Assessed Valuation	\$ 778,757,588
Ratio of Total General Obligation Debt to 2024 Net Taxable Assessed Valuation ⁽¹⁾	2.46%

Area of City:	6.10 Square Miles
Estimated Population:	13,211 in Year 2023
Per Capita Net Taxable Assessed Valuation:	\$58,948
Per Capita General Obligation Debt:	\$1,450

⁽¹⁾ See "AD VALOREM TAX PROCEDURES" in this Official Statement for a description of the Issuer's taxation procedures.

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Capital Leases:

The City has recently entered into a new lease agreement for body cameras with Axon. The lease is approximately \$200,000 and will be paid off in five years with the first payment in February 2025.

The City has entered into lease agreements for equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>Ladder Truck</u>	<u>City Hall HAVOC Replacement</u>	<u>Water Meter AMI System</u>	
Cost	\$976,000	\$1,127,516	\$4,155,694	\$6,259,210
Accumulated Depreciation	(976,000)	(223,813)	(832,631)	(2,032,444)
Net Asset	\$0	\$903,703	\$3,323,063	\$4,226,766

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2023, are as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
2024	\$ 186,294	\$ 33,107	\$219,401
2025	186,294	33,107	\$219,401
2026	186,294	33,107	\$219,401
2027	186,294	33,107	\$219,401
2028	59,432	-	\$59,432
Total Minimum Lease Payments	\$804,608	\$132,428	\$937,036

Note: The above information was taken from the City Reports.

See the Issuer's 2023 Annual Financial Report for various economic development performance agreements entered into by the Beeville Economic Improvement Corporation for various projects.

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GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Total Debt Service	The Certificates			Combined Debt Service	Less: Self-Supporting Debt	Total Net Combined Debt Service
		Principal	Interest	Principal & Interest			
2025	\$ 2,805,466	\$ -	\$ 166,848	\$ 166,848	\$ 2,972,314	\$ 1,597,291	\$ 1,375,024
2026	2,817,278	-	353,325	353,325	3,170,603	1,608,767	1,561,836
2027	2,820,372	-	353,325	353,325	3,173,697	1,608,674	1,565,024
2028	2,838,034	20,000	353,325	373,325	3,211,359	1,621,796	1,589,564
2029	2,443,850	195,000	352,225	547,225	2,991,075	1,425,130	1,565,945
2030	2,118,133	205,000	341,500	546,500	2,664,633	1,395,164	1,269,469
2031	2,111,257	215,000	330,225	545,225	2,656,482	1,390,309	1,266,174
2032	2,113,698	225,000	318,400	543,400	2,657,098	1,391,862	1,265,236
2033	2,114,047	240,000	307,150	547,150	2,661,197	1,394,841	1,266,356
2034	2,112,157	250,000	295,150	545,150	2,657,307	1,392,793	1,264,514
2035	1,998,178	265,000	282,650	547,650	2,545,828	1,381,874	1,163,954
2036	1,996,537	275,000	269,400	544,400	2,540,937	1,380,295	1,160,641
2037	1,540,625	290,000	255,650	545,650	2,086,275	925,821	1,160,454
2038	1,545,950	305,000	241,150	546,150	2,092,100	929,046	1,163,054
2039	1,549,075	320,000	225,900	545,900	2,094,975	930,909	1,164,066
2040	1,546,950	335,000	209,900	544,900	2,091,850	929,426	1,162,424
2041	1,548,375	355,000	193,150	548,150	2,096,525	930,319	1,166,206
2042	1,040,875	370,000	175,400	545,400	1,586,275	676,569	909,706
2043	1,038,700	390,000	156,900	546,900	1,585,600	675,155	910,445
2044	1,040,288	410,000	137,400	547,400	1,587,688	676,187	911,501
2045	1,039,375	425,000	120,488	545,488	1,584,863	675,594	909,269
2046	1,036,975	445,000	102,425	547,425	1,584,400	674,034	910,366
2047	1,038,088	460,000	83,513	543,513	1,581,600	674,757	906,843
2048	1,042,500	480,000	63,963	543,963	1,586,463	677,625	908,838
2049	-	500,000	43,563	543,563	543,563	-	543,563
2050	-	525,000	22,313	547,313	547,313	-	547,313
Total	\$ 43,296,783	\$ 7,500,000	\$ 5,755,235	\$13,255,235	\$56,552,019	\$26,964,236	\$23,950,091

TAX ADEQUACY (Includes Self-Supporting Debt)

2024 Net Taxable Assessed Valuation		\$ 778,757,588
Estimated Maximum Annual Debt Service Requirements for Year Ending:	9/30/2028	\$ 3,211,359
Indicated Interest and Sinking Fund Tax Rate		\$0.4208
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	\$ 3,211,472

Note: See "Tax Data" herein.

TAX ADEQUACY (Excludes Self-Supporting Debt)

2024 Net Taxable Assessed Valuation		\$ 778,757,588
Estimated Maximum Annual Debt Service Requirements for Year Ending:	9/30/2028	\$ 1,589,564
Indicated Interest and Sinking Fund Tax Rate		\$0.2083
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	\$ 1,589,709

Note: See "Tax Data" herein.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Unaudited Interest and Sinking Fund Balance as of September 30, 2024	\$ 648,295
2024 Interest and Sinking Fund Tax Levy at 98% Collections Produce	1,251,161
Total Available for Debt Service	\$ 1,899,456
Less: General Obligation Debt Service Requirements, Fiscal Year Ending: 9/30/2025	1,375,024
Estimated Balance at Fiscal Year Ended 9/30/2025	\$ 524,433

TAXABLE ASSESSED VALUATION FOR YEARS 2020-2024

TABLE 3

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent (%)
2020	\$ 491,122,741	\$ (30,140,829)	-5.78%
2021	541,631,731	50,508,990	10.28%
2022	639,674,264	98,042,533	18.10%
2023	733,450,369	93,776,105	14.66%
2024	778,757,588	45,307,219	6.18%

Note: The above figures were taken from the Bee County Appraisal District.

PRINCIPAL TAXPAYERS

TABLE 4

Name	Type of Property	2024 Net Taxable Assessed Valuation	% of Total 2024 Assessed Valuation
AEP Texas Inc.	Electric Utility	\$ 13,548,960	1.74%
H E Butt Grocery Co.	Grocery Store	8,366,400	1.07%
Beeville Oak Hill 148 LLC	Apartments	8,023,370	1.03%
Wal-Mart Stores Texas LP	Retail Center	7,800,000	1.00%
MCN Beeville LLC	Apartments	7,382,920	0.95%
Eagles Landing Equity Fund LLC	Real Estate	6,991,150	0.90%
Halliburton Energy Services	Oil & Gas	6,499,410	0.83%
Beeville Investment Partners	Apartments	6,113,650	0.79%
Wastequip Mayfab	Recycling Center	5,380,860	0.69%
Walmart Stores Texas LP	Retail Center	5,191,370	0.67%
Total (9.67% of 2024 Net Taxable Assessed Valuation)		\$ 75,298,090	9.67%

Note: The above information was taken from the Bee County Tax Assessor-Collector's Office.

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CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

	2024	% of Total	2023	% of Total	2022	% of Total
Real, Residential, Single-Family	\$ 494,546,710	59.70%	\$ 482,060,360	58.75%	\$ 414,439,246	56.13%
Real, Residential, Multi-Family	50,594,011	6.11%	50,846,958	6.20%	60,950,797	8.26%
Vacant Lots/Tracts & Colonia Lots/Tracts	11,977,880	1.45%	12,301,400	1.50%	12,238,050	1.66%
Qualified Open-Space Land	2,148,350	0.26%	2,138,190	0.26%	2,139,450	0.29%
Rural Land (Non Qualified)/Residential Improvements	2,205,110	0.27%	2,040,840	0.25%	2,077,270	0.28%
Real, Commercial	162,633,843	19.63%	166,972,820	20.35%	154,658,841	20.95%
Real, Industrial	5,715,439	0.69%	5,786,769	0.71%	6,088,769	0.82%
Real & Tangible, Personal Utilities	23,065,260	2.78%	24,274,650	2.96%	21,305,510	2.89%
Tangible Personal, Commercial	43,345,430	5.23%	42,883,410	5.23%	37,645,150	5.10%
Tangible Personal, Industrial	24,561,720	2.96%	22,639,560	2.76%	19,869,200	2.69%
Tangible Personal, Mobile Homes	1,935,040	0.23%	2,060,100	0.25%	513,080	0.07%
Other Inventory	-	0.00%	-	0.00%	365,510	0.05%
Special Inventory	5,721,150	0.69%	6,492,640	0.79%	6,006,740	0.81%
Total Appraised Value	\$ 828,449,943	100.00%	\$ 820,497,697	100.00%	\$ 738,297,613	100.00%
Less:						
Disabled Veteran 100%	\$ 11,510,620		\$ 9,884,110		\$ 8,101,180	
Disabled Veteran	1,175,600		1,218,070		1,157,340	
Optional Over-65	4,698,940		4,639,820		4,511,880	
Surviving Spouse of Service Member	-		-		-	
Real/Personal Abatements	-		-		-	
Mineral Abatements	-		-		-	
Real/Personal	136,790		135,730		113,070	
Real Protest Value	-		30,179,568		56,966,759	
TCEQ/Pollution Control	104,290		104,290		104,290	
Miscellaneous	4,150,605		1,010,120		-	
Productivity Loss	2,137,910		2,126,360		2,125,950	
10% Cap Loss	25,777,600		37,749,260		25,542,880	
Net Taxable Assessed Valuation	\$ 778,757,588		\$ 733,450,369		\$ 639,674,264	

Note: The above figures were taken from the Bee County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

TAX DATA

TABLE 6

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate*	Tax Levy	% Collections		Year Ended
				Current	Total	
2020	\$ 491,122,741	\$ 0.6638	\$ 3,260,171	99.23%	98.19%	9/30/2021
2021	541,631,731	0.6638	3,595,351	89.29%	97.72%	9/30/2022
2022	639,674,264	0.5433	3,475,286	94.92%	94.92%	9/30/2023
2023	733,450,369	0.6092	4,470,374	92.53%	95.66%	9/30/2024
2024	778,757,588	0.6300	4,906,173	In Process		9/30/2025

Note: The above figures were taken from the Issuer's 2023 Annual Financial Report, the Bee County Tax Assessor-Collector's Office, the Bee County Appraisal District and information from the Issuer.

* The tax rates are rounded to the fourth decimal point.

OVERLAPPING DEBT DATA AND INFORMATION

(As of December 31, 2024)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer 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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body		Gross Debt	% Overlapping	Amount Overlapping
Bee County	\$	20,130,000	23.44%	\$ 4,718,472
Beeville ISD		51,028,000	53.14%	27,116,279
Beeville Water Supply District		6,000,000	99.76%	5,985,600
Coastal Bend College		7,038,000	23.44%	1,649,707
Total Gross Overlapping Debt				\$ 39,470,058
Beeville, City of	\$	19,160,250	100.00%	\$ 19,160,250
Total Direct and Overlapping Debt				\$ 58,630,308
Ratio of Direct and Overlapping Debt to the 2024 Assessed Valuation				7.53%
Per Capita Direct and Overlapping Debt	\$			4,438

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Beeville, City of	None	-	-	-	-

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

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TAX RATE DISTRIBUTION

TABLE 7

Tax Year	2024	2023	2022	2021	2020
General Fund	\$0.4661	\$0.4187	\$0.4081	\$0.4294	\$0.4412
I & S Fund	0.1639	0.1905	0.1352	0.2344	0.2226
Total Tax Rate	\$0.6300	\$0.6092	\$0.5433	\$0.6638	\$0.6638

Note: The above information was taken from the Bee County Appraisal District and the tax rates are rounded to the fourth decimal point.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES

TABLE 8

	Fiscal Year Ended				
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Revenues	\$ 9,371,176	\$ 9,048,320	\$ 8,391,828	\$ 8,425,962	\$ 8,704,317
Expenditures	11,064,529	10,911,322	10,317,535	9,722,616	9,369,954
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,693,353)	\$ (1,863,002)	\$ (1,925,707)	\$ (1,296,654)	\$ (665,637)
Other Financing Sources (Uses):					
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	2,169,137	1,581,316	2,198,298	1,384,200	1,341,711
Operating Transfers Out	(287,792)	(70,762)	-	(400,000)	(52,000)
Total Other Financing Sources (Uses):	\$ 1,881,345	\$ 1,510,554	\$ 2,198,298	\$ 984,200	\$ 1,289,711
Net Change in Fund Balance	\$ 187,992	\$ (352,448)	\$ 272,591	\$ (312,454)	\$ 624,074
Fund Balance - Beginning of Year	\$ 1,368,997	\$ 1,721,444	\$ 2,306,489	\$ 1,761,307	\$ 1,137,233
Prior Period Adjustment	(92,787)	-	-	-	-
Fund Balance - Beginning of Year as Restated	1,276,210	-	-	-	-
Fund Balance - End of Year	\$ 2,740,412	\$ 1,368,996	\$ 2,579,080	\$ 1,448,853	\$ 1,761,307

Note: The above information was taken from the Issuer's Annual Reports dated September 30, 2019– 2023. The Unaudited General Fund balance as of September 30, 2024 was \$2,477,750.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

GENERAL INFORMATION REGARDING THE CITY OF BEEVILLE AND BEE COUNTY, TEXAS

Location: The City of Beeville, Texas (the “City”) is located approximately 90 miles southeast of San Antonio and 50 miles northwest of Corpus Christi at the intersection of U.S. Highways 59 and 181. The City's 2023 estimated population was 13,211.

Bee County Characteristics: Bee County, Texas (the “Bee County”) was created in 1836 and reorganized in 1847. The Aransas River runs along the northern boundary, and Lake Corpus Christi, the Nueces River, and Corpus Christi Bay make up the west and south boundaries. The County was the third largest producer of sorghum and tenth largest producing county of cotton in the state for 2016. The County’s 2023 estimated population is 30,850. The County’s seat is Sinton, Texas.

Economic Base:

Mineral: Oil and gas.

Industry: Oil production, hunting leases, government, gas production and agricultural.

Agricultural: Grain sorghum, cotton, corn, and beef cattle.

Oil & Gas 2022: The oil production for this county accounts for 0.01% of the total state production. The county ranks 132 out of all the counties in Texas for oil production. The gas production for this county accounts for 0.10% of the total state production. The county ranks 66 out of all the counties in Texas for gas production.

	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year)</u>
Oil Production: (Texas Railroad Commission)	2021	Oil	170,062 BBL	-10.96
	2022	Oil	156,247 BBL	-8.12

	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year)</u>
Casinghead: (Texas Railroad Commission)	2021	Casinghead	117,431 MCF	-43.25
	2022	Casinghead	98,253 MCF	-16.33

	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year)</u>
Gas Well Production: (Texas Railroad Commission)	2021	GW Gas	7,006,907 MCF	-21.72
	2022	GW Gas	6,396,606 MCF	-8.71

	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year)</u>
Condensate: (Texas Railroad Commission)	2021	Condensate	61,970 BBL	-32.85
	2022	Condensate	51,945 BBL	--16.18

Retail Sales & Effective Buying Income:	Year	2018	2017	2016
Retail Sales		\$157.0M	\$203.4M	\$493.0M
Effective Buying Income (EBI)		\$526.5M	\$518.2M	\$540.9M
County Median Household Income		\$40,876	\$40,041	\$40,870
State Median Household Income		\$61,175	\$57,227	\$55,352
% of Households with EBI below \$25K		27.5%	28.9%	11.4%
% of Households with EBI above \$25K		67.5%	66.7%	66.8%

Employment Data:	2023		2022		2021	
	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
1st Quarter:	8,374	\$100.1M	7,993	\$76.9M	8,008	\$73.4M
2nd Quarter:	N/A	N/A	8,083	\$82.7M	7,988	\$77.1M
3rd Quarter:	N/A	N/A	8,139	\$90.2M	7,877	\$77.7M
4th Quarter:	N/A	N/A	8,294	\$91.6M	8,012	\$86.8M

	Bee County		Texas		United States	
	<u>Sept. 2024</u>	<u>Sept. 2023</u>	<u>Sept. 2024</u>	<u>Sept. 2023</u>	<u>Sept. 2024</u>	<u>Sept. 2023</u>
Total Civilian Labor Force	9,557	9,405	15,553,143	15,127,091	168,569,000	167,718,000
Total Employment	9,063	8,919	14,920,058	14,529,891	162,046,000	161,669,000
Total Unemployment	494	486	633,085	597,200	6,524,000	6,049,000
% Unemployed	5.2	5.2	4.1	3.9	3.9	3.6

Sources: Texas Municipal Reports published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition, any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources and the Texas Labor Market Review.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

February 25, 2025

**CITY OF BEEVILLE, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION SERIES 2025
DATED AS OF JANUARY 15, 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$7,500,000**

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

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we



have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to



investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

APPENDIX D

**EXCERPTS FROM THE CITY OF BEEVILLE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023**

The information contained in this APPENDIX consists of excerpts from the City of Beeville, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Beeville, 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 Beeville, Texas (the "City"), as of and for the year ended September 30, 2023, 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, 2023, 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.

Change in Accounting Principle

As described in Note I.F.9. to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining statements and schedules are presented for purposes of additional analysis and are not required parts 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024 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.

The logo for Belt Harris Pechacek, LLLP features the company name in a stylized, cursive font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are in a smaller, simpler font. The 'L' and 'L' in 'LLLP' are also stylized.

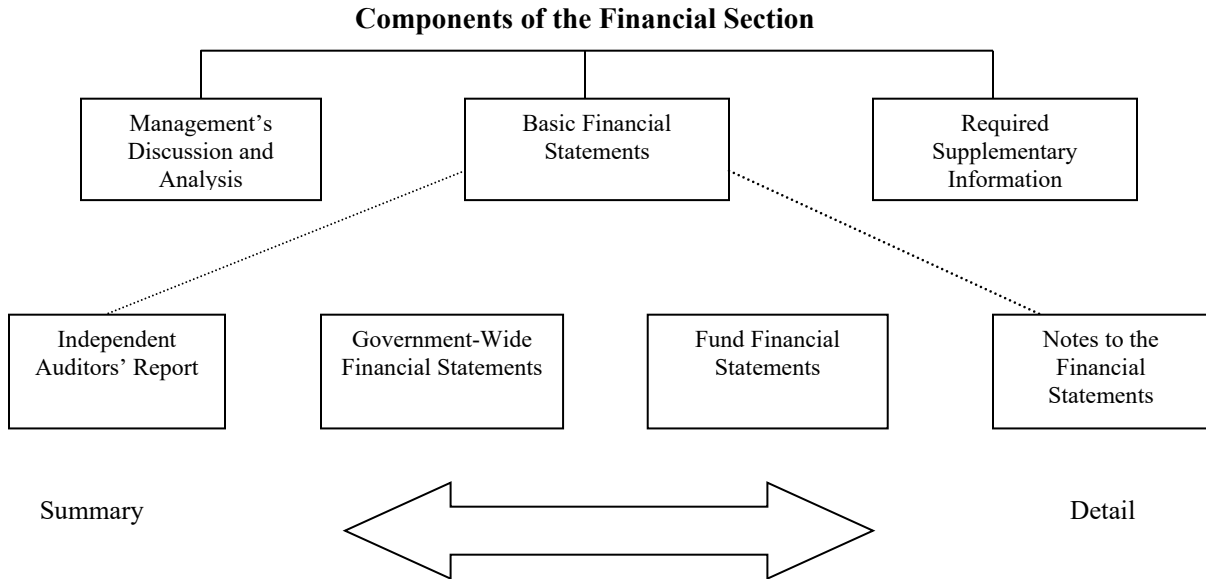
Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 18, 2024

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

CITY OF BEEVILLE, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023

The purpose of the Management’s Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Beeville, Texas (the “City”) for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City’s activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City’s financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City’s basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities report information on the City’s activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account, even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred outflows/inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City’s property tax base and the condition of the City’s infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City’s net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here, including general government, public safety, public works, and culture and recreation. Interest payments on the City's debt are also reported here. Sales taxes, property taxes, franchise fees, charges for services, and other revenue finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater operations.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

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

The City maintains 27 governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, COVID grant fund, and the 2023 Certificate of Obligation (CO) capital projects fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, and certain special revenue funds. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with these budgets.

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund, the utility fund, to account for its water and wastewater operations. The proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and the schedule of changes in net pension liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$37,794,473 as of year end.

A portion of the City's net position, 70%, reflects its investment in capital assets (e.g., land, facilities, infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The City's net investments in capital assets was \$26,443,572 at the end of the fiscal year, which was an increase of \$3,009,119 from the prior year. This increase in net investment in capital assets is primarily due to an increase in governmental activities capital additions and current year principal payments of debt.

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 25,589,669	\$ 3,832,080	\$ 29,421,749	\$ 12,548,243	\$ 3,496,175	\$ 16,044,418
Noncurrent assets	13,372,860	39,391,502	52,764,362	10,238,393	39,222,765	49,461,158
Total Assets	38,962,529	43,223,582	82,186,111	22,786,636	42,718,940	65,505,576
Deferred Outflows of Resources						
Deferred charge on refunding	-	23,917	23,917	-	28,700	28,700
Deferred outflows - pensions	822,633	221,264	1,043,897	229,826	92,269	322,095
Total Deferred Outflows of Resources	822,633	245,181	1,067,814	229,826	120,969	350,795
Liabilities						
Long-term liabilities	23,093,581	18,534,591	41,628,172	5,183,618	18,615,793	23,799,411
Other liabilities	3,031,903	591,939	3,623,842	3,645,876	1,588,122	5,233,998
Total Liabilities	26,125,484	19,126,530	45,252,014	8,829,494	20,203,915	29,033,409
Deferred Inflows of Resources						
Deferred inflows - pensions	37,343	104,913	142,256	526,374	211,326	737,700
Deferred inflows - lease	65,182	-	65,182	81,145	-	81,145
Total Deferred Inflows of Resources	102,525	104,913	207,438	607,519	211,326	818,845
Net Position						
Net investment in capital assets	6,100,070	20,343,502	26,443,572	4,852,994	18,581,459	23,434,453
Restricted	4,748,677	1,067,244	5,815,921	6,689,507	2,148,583	8,838,090
Unrestricted	2,708,406	2,826,574	5,534,980	2,036,948	1,694,626	3,731,574
Total Net Position	\$ 13,557,153	\$ 24,237,320	\$ 37,794,473	\$ 13,579,449	\$ 22,424,668	\$ 36,004,117

A portion of the City's net position, \$5,815,921, represents resources that are subject to external restriction on how they may be used. The balance of unrestricted net position, \$5,534,980, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$1,790,356 or 5% during the current fiscal year. Total assets increased by \$16,680,535. Current and other assets increased due to proceeds from a new bond issuance. Noncurrent assets increased due to capital asset additions. Total deferred outflows of resources increased while total deferred inflows of resources decreased due to the net difference between projected and actual investment earnings on pension plan assets. Total liabilities increased by \$16,218,605 due to a new bond issuance and lease liabilities during the fiscal year. Other liabilities were larger in the prior year due to on-going capital projects.

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

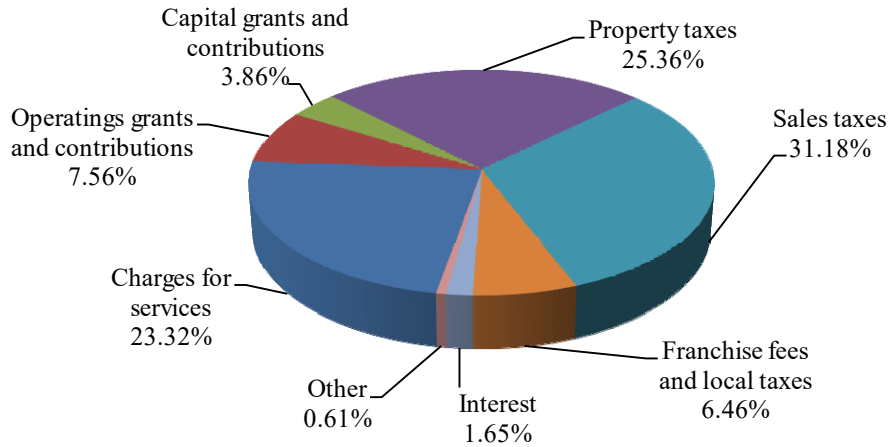
The following table provides a summary of the City's changes in net position:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 3,247,492	\$ 9,844,403	\$ 13,091,895	\$ 3,366,559	\$ 9,985,562	\$ 13,352,121
Operating grants and contributions	1,052,075	-	1,052,075	1,602,332	-	1,602,332
Capital grants and contributions	538,114	-	538,114	-	-	-
General revenues:						
Property taxes	3,530,969	-	3,530,969	3,335,748	-	3,335,748
Sales taxes	4,342,391	-	4,342,391	4,169,552	-	4,169,552
Franchise fees and local taxes	900,122	-	900,122	954,804	-	954,804
Interest	229,243	62,316	291,559	119,310	70,862	190,172
Other	84,687	171,351	256,038	228,239	191,602	419,841
Total Revenues	13,925,093	10,078,070	24,003,163	13,776,544	10,248,026	24,024,570
Expenses						
General government	3,407,198	-	3,407,198	3,401,434	-	3,401,434
Public safety	4,121,196	-	4,121,196	3,673,522	-	3,673,522
Public works	4,507,447	-	4,507,447	4,725,953	-	4,725,953
Culture and recreation	1,422,009	-	1,422,009	996,304	-	996,304
Interest and fiscal charges	503,822	-	503,822	145,373	-	145,373
Utility	-	8,251,135	8,251,135	-	8,379,656	8,379,656
Total Expenses	13,961,672	8,251,135	22,212,807	12,942,586	8,379,656	21,322,242
Increase (Decrease) in Net Position before Transfers	(36,579)	1,826,935	1,790,356	833,958	1,868,370	2,702,328
Transfers	14,283	(14,283)	-	441,440	(441,440)	-
	14,283	(14,283)	-	441,440	(441,440)	-
Change in Net Position	(22,296)	1,812,652	1,790,356	1,275,398	1,426,930	2,702,328
Beginning net position	13,579,449	22,424,668	36,004,117	12,304,051	20,997,738	33,301,789
Ending Net Position	\$ 13,557,153	\$ 24,237,320	\$ 37,794,473	\$ 13,579,449	\$ 22,424,668	\$ 36,004,117

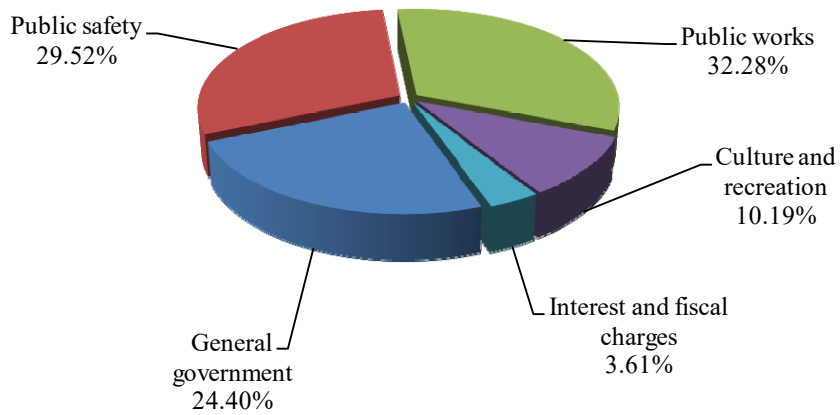
CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Graphic presentation of the selected data from the summary tables follow to assist in the analysis of the City's activities.

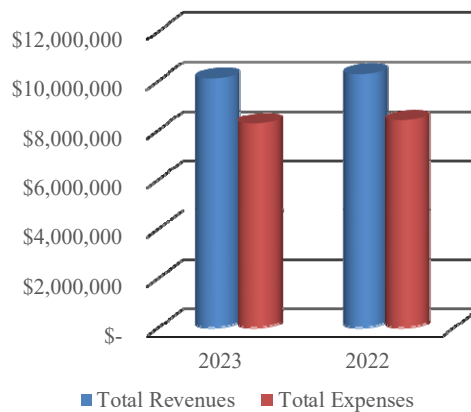
Governmental Revenues



Governmental Expenses



Business-Type Activities



CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Current year net revenues for the governmental activities increased \$148,549, which was primarily due to an increase in property tax revenues from an increase in appraised property values and an increase in sales tax revenues from an increase in economic activity within the City. Governmental expenses increased by \$1,019,086 compared to the prior year due to increases in pension expenses, issuance costs on new debt, garbage collection costs, grants, and financial assistance provided to the Bee Development Authority related to an economic development performance agreement.

Revenues for business-type activities decreased by \$169,956 due to a decrease in customer consumption compared to the prior year. Expenses decreased \$128,521 primarily from a decrease in water purchased from the City of Corpus Christi and prior year inspection services and fines.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$21,822,462. Of this, \$18,841 is nonspendable for prepaids, \$19,813,562 is restricted for various purposes, and \$564,834 is committed for street maintenance. The City has unassigned fund balance of \$1,425,225. Overall, there was an increase in combined fund balance of \$15,684,080 in comparison to the prior year due to a new bond issuance.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$1,441,172, while total fund balance reached \$1,460,013. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12% of total expenditures, while total fund balance represents 12% of the same amount. The fund balance for the general fund demonstrated an overall increase of \$183,800. Revenues increased \$334,363 compared to the prior year due to increases in property tax revenues from an increase in the assessed values of properties within the City and an increase in sales tax collections from improved economic conditions within the City. Expenditures increased \$895,943 compared to the prior year due to an increase in capital outlay related to new lease agreements, building projects, and equipment.

The debt service fund had a net decrease in fund balance for the year of \$115,699. The decrease is primarily due to transfers to the utility fund for debt service payments of \$688,958.

The COVID grant fund recognized ARPA CSLFRF grant revenues and expenditures/transfers out of \$798,502 during the fiscal year. Fund balance increased by \$34,059, which is equal to interest earnings during the fiscal year, resulting in an ending fund balance of \$56,882.

The 2023 CO capital projects fund had an increase in fund balance of \$16,040,024 related to a new bond issuance during the current year.

Proprietary Fund – The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned increase in final budgeted fund balance in the amount of \$117,182 in the general fund while realizing an actual net increase in general fund balance of \$183,800. The final budgeted revenues exceeded actual revenues by \$459,006 due to less intergovernmental revenues than anticipated, which was partially offset by more property tax and sales tax revenues than anticipated. Actual expenditures exceeded the final budgeted expenditures by \$326,233. The largest negative budget variances were recognized within sanitation, debt service, and capital outlay.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$50,603,673 in a variety of capital assets and infrastructure (net of accumulated depreciation).

Major capital asset events during the year included the following:

- Purchased building - \$681,000
- Playground equipment - \$270,577
- Seal coating - \$239,981
- Pumper fire truck - \$364,600
- Additions to construction in progress that were not completed at year end for the following projects:
 - Downtown revitalization - \$361,022
 - New City Hall - \$344,562
 - Moore St. WWTP - \$1,465,796

More detailed information about the City's capital assets is presented in note III.D. to the financial statements.

LONG-TERM DEBT

At the end of the year, the City had total governmental and business-type activities long-term debt outstanding of \$39,570,594. Governmental activities long-term debt outstanding included certificates of obligation of \$18,480,000, sales tax revenue bonds of \$1,397,000, notes payable of \$1,005,711, lease liability of \$683,647, and subscription liability of \$116,842. Business-type activities long-term debt outstanding included general obligation of \$3,755,000, certificates of obligation of \$10,177,000, notes payable of \$3,841,976, and lease liability of \$113,418. During the year, the City had an overall increase in long-term debt of \$15,946,907 due to the issuance of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2023.

More detailed information about the City's long-term liabilities is presented in note III.E. to the financial statements.

The current underlying Standards and Poor's ratings on both debt issues for general obligation bonds and certificates of obligation are 'A'.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2024 adopted budget appropriations total \$41,803,577 for all operating funds. Of that amount, approximately \$11,585,946 is for general fund operations and maintenance, \$6,690,799 is for the utility fund, and \$6,537,698 is for special revenue funds. General debt service appropriation for the 2024 fiscal year is \$3,715,551.

Funding for the fiscal year 2024 adopted general fund budget is generated by means of utilizing fiscal year 2023 revenues and a customary transfer in from other operating funds for general and administrative functions. Revenues in the adopted budget have been projected using existing trends, with these notable changes. Overall, general fund

CITY OF BEEVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

revenues are estimated at \$12.1 million for the fiscal year 2024, which represents an approximate 6.4% increase from the fiscal year 2023 adopted budget. This is primarily due to growth in new and existing values in property tax and growth in sales and use taxes. Sales and use tax revenue is estimated to be \$2.8 million for the fiscal year 2024, or an increase of 1% from the fiscal year 2023 end-of-year estimated budget.

Funding for the fiscal year 2024 adopted utility fund budget is generated by means of utilizing fiscal year 2023 revenues and is estimated at \$10.8 million, which represents an approximate 4.3% increase from the fiscal year 2023 adopted budget. To keep up with rising material costs and water/wastewater infrastructure improvements, the Council updated the five-year utility service rate plan to increase the water and sewer rates by 13% for fiscal year 2024.

The adopted total property tax rate for the 2023 tax levy, which is for revenues in fiscal year 2024, is \$0.60925 per \$100 of taxable property values. This is an increase from the prior year tax rate of \$0.54329. The proposed budget will raise more revenue from property taxes than last year's budget by an amount of \$1,038,638, which is a 34.79% increase from last year's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to finance department, City of Beeville, Texas, 400 N. Washington, Beeville, Texas, 78102 or send an email at finance.director@beevilletx.org.

BASIC FINANCIAL STATEMENTS

CITY OF BEEVILLE, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 22,602,755	\$ 1,525,153	\$ 24,127,908
Restricted cash and cash equivalents	-	995,508	995,508
Investments	682,344	-	682,344
Due from other governments	140,814	-	140,814
Receivables, net	2,144,915	1,311,419	3,456,334
Prepaid expenses	18,841	-	18,841
	<u>25,589,669</u>	<u>3,832,080</u>	<u>29,421,749</u>
Noncurrent assets:			
Net pension asset	1,093,445	1,067,244	2,160,689
Nondepreciable/nonamortizable capital assets	1,685,665	17,144,830	18,830,495
Net depreciable/amortizable capital assets	10,593,750	21,179,428	31,773,178
	<u>13,372,860</u>	<u>39,391,502</u>	<u>52,764,362</u>
Total Assets	<u>38,962,529</u>	<u>43,223,582</u>	<u>82,186,111</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	-	23,917	23,917
Deferred outflows - pensions	822,633	221,264	1,043,897
Total Deferred Outflows of Resources	<u>822,633</u>	<u>245,181</u>	<u>1,067,814</u>
<u>Liabilities</u>			
Accounts payable and other current liabilities	1,352,840	115,296	1,468,136
Accrued interest payable	101,662	93,801	195,463
Unearned revenue	1,577,401	-	1,577,401
Customer deposits	-	382,842	382,842
	<u>3,031,903</u>	<u>591,939</u>	<u>3,623,842</u>
Noncurrent liabilities:			
Long-term liabilities due within one year	2,089,593	1,298,475	3,388,068
Long-term liabilities due in more than one year	21,003,988	17,236,116	38,240,104
	<u>23,093,581</u>	<u>18,534,591</u>	<u>41,628,172</u>
Total Liabilities	<u>26,125,484</u>	<u>19,126,530</u>	<u>45,252,014</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	37,343	104,913	142,256
Deferred inflows - lease	65,182	-	65,182
Total Deferred Inflows of Resources	<u>102,525</u>	<u>104,913</u>	<u>207,438</u>
<u>Net Position</u>			
Net investment in capital assets	6,100,070	20,343,502	26,443,572
Restricted for:			
Debt service	432,522	-	432,522
Construction	38,283	-	38,283
Culture	273,354	-	273,354
Economic development	1,591,518	-	1,591,518
General administration	271,536	-	271,536
Grants	94,903	-	94,903
Hotel/Motel	643,688	-	643,688
Public safety	309,428	-	309,428
Net pension asset	1,093,445	1,067,244	2,160,689
Unrestricted	2,708,406	2,826,574	5,534,980
Total Net Position	<u>\$ 13,557,153</u>	<u>\$ 24,237,320</u>	<u>\$ 37,794,473</u>

See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General government	\$ 3,407,198	\$ 353,908	\$ 805,319	\$ -
Public safety	4,121,196	285,609	246,756	100,000
Public works	4,507,447	2,496,343	-	438,114
Culture and recreation	1,422,009	111,632	-	-
Interest and fiscal charges	503,822	-	-	-
Total Governmental Activities	13,961,672	3,247,492	1,052,075	538,114
Business-Type Activities				
Utility	8,251,135	9,844,403	-	-
Total Business-Type Activities	8,251,135	9,844,403	-	-
Total Primary Government	\$ 22,212,807	\$ 13,091,895	\$ 1,052,075	\$ 538,114

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise fees and local taxes

Investment income

Other

Transfers in (out)

**Total General Revenues and Transfers
Change in Net Position**

Beginning net position

Ending Net Position

See Notes to Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
\$ (2,247,971)	\$ -	\$ (2,247,971)
(3,488,831)	-	(3,488,831)
(1,572,990)	-	(1,572,990)
(1,310,377)	-	(1,310,377)
(503,822)	-	(503,822)
<u>(9,123,991)</u>	<u>-</u>	<u>(9,123,991)</u>
-	1,593,268	1,593,268
-	1,593,268	1,593,268
<u>(9,123,991)</u>	<u>1,593,268</u>	<u>(7,530,723)</u>
3,530,969	-	3,530,969
4,342,391	-	4,342,391
900,122	-	900,122
229,243	62,316	291,559
84,687	171,351	256,038
14,283	(14,283)	-
<u>9,101,695</u>	<u>219,384</u>	<u>9,321,079</u>
(22,296)	1,812,652	1,790,356
<u>13,579,449</u>	<u>22,424,668</u>	<u>36,004,117</u>
<u>\$ 13,557,153</u>	<u>\$ 24,237,320</u>	<u>\$ 37,794,473</u>

CITY OF BEEVILLE, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

	General	Debt Service	COVID Grant	2023 CO Capital Projects
<u>Assets</u>				
Cash and cash equivalents	\$ 902,303	\$ 350,806	\$ 1,499,608	\$ 16,805,024
Investments	5,007	-	-	-
Due from other governments	-	-	-	-
Receivables, net	1,584,485	126,767	-	-
Due from other funds	68,806	-	-	-
Prepays	18,841	-	-	-
Total Assets	\$ 2,579,442	\$ 477,573	\$ 1,499,608	\$ 16,805,024
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 316,124	\$ -	\$ 19,373	\$ 765,000
Accrued wages	86,878	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	1,423,353	-
Total Liabilities	403,002	-	1,442,726	765,000
<u>Deferred Inflows of Resources</u>				
Deferred inflows - lease	65,182	-	-	-
Unavailable revenue - garbage	62,900	-	-	-
Unavailable revenue - court fines and warrants	230,286	-	-	-
Unavailable revenue - property taxes	358,059	120,539	-	-
Total Deferred Inflows of Resources	716,427	120,539	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepays	18,841	-	-	-
Restricted:				
Debt service	-	357,034	-	-
Construction	-	-	-	16,040,024
Culture	-	-	-	-
Economic development	-	-	-	-
General administration	-	-	-	-
Grants	-	-	56,882	-
Hotel/Motel	-	-	-	-
Public safety	-	-	-	-
Committed	-	-	-	-
Unassigned	1,441,172	-	-	-
Total Fund Balances	1,460,013	357,034	56,882	16,040,024
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,579,442	\$ 477,573	\$ 1,499,608	\$ 16,805,024

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 3,045,014	\$ 22,602,755
677,337	682,344
140,814	140,814
433,663	2,144,915
-	68,806
-	18,841
<u>\$ 4,296,828</u>	<u>\$ 25,658,475</u>
\$ 165,465	\$ 1,265,962
-	86,878
68,806	68,806
154,048	1,577,401
<u>388,319</u>	<u>2,999,047</u>
-	65,182
-	62,900
-	230,286
-	478,598
<u>-</u>	<u>836,966</u>
-	18,841
56,611	413,645
175,466	16,215,490
273,354	273,354
1,591,518	1,591,518
271,536	271,536
38,021	94,903
643,688	643,688
309,428	309,428
564,834	564,834
(15,947)	1,425,225
<u>3,908,509</u>	<u>21,822,462</u>
<u>\$ 4,296,828</u>	<u>\$ 25,658,475</u>

CITY OF BEEVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balances for the governmental funds	\$ 21,822,462
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable/amortizable capital assets	1,685,665
Depreciable/amortizable capital assets	26,191,334
Accumulated depreciation/amortization	(15,597,584)
Noncurrent asset and deferred outflows and inflows related to the pensions are not reported in the governmental funds.	
Net pension asset	1,093,445
Deferred outflows - pensions	822,633
Deferred inflows - pensions	(37,343)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
Unavailable revenue related to property taxes	478,598
Unavailable revenue related to court fines and warrants	230,286
Unavailable revenue related to garbage	62,900
Liabilities from accrued interest payable and long-term liabilities from debt, compensated absences, and total OPEB liability are not reported in the governmental funds.	
Accrued interest payable	(101,662)
Long-term liabilities due within one year	(2,089,593)
Long-term liabilities due in more than one year	(21,003,988)
Net Position of Governmental Activities	\$ 13,557,153

See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

<u>Revenues</u>	<u>General</u>	<u>Debt Service</u>	<u>COVID Grant</u>	<u>2023 CO Capital Projects</u>
Property taxes	\$ 2,597,289	\$ 867,189	\$ -	\$ -
Sales taxes	2,895,147	-	-	-
Occupancy taxes	-	-	-	-
Charges for services	2,824,219	-	-	-
Franchise fees and local taxes	597,758	-	-	-
Fines and forfeitures	152,894	-	-	-
Licenses and permits	179,757	-	-	-
Investment income	31,089	7,192	34,059	95,997
Intergovernmental	14,802	-	798,502	-
Other	89,728	-	-	-
Total Revenues	<u>9,382,683</u>	<u>874,381</u>	<u>832,561</u>	<u>95,997</u>
<u>Expenditures</u>				
Current:				
General government	2,221,252	-	31,028	-
Public safety	3,561,883	-	-	-
Public works	4,101,038	-	-	-
Culture and recreation	977,671	-	-	-
Debt service:				
Principal	62,264	282,655	-	-
Interest and fiscal charges	1,784	95,392	-	-
Issuance costs	-	-	-	314,660
Capital outlay	<u>881,373</u>	<u>-</u>	<u>337,007</u>	<u>765,000</u>
Total Expenditures	<u>11,807,265</u>	<u>378,047</u>	<u>368,035</u>	<u>1,079,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,424,582)</u>	<u>496,334</u>	<u>464,526</u>	<u>(983,663)</u>
<u>Other Financing Sources (Uses)</u>				
Bond proceeds	-	4,133	-	16,535,867
Bond premiums	-	-	-	643,793
Leases	690,215	-	-	-
Subscriptions	64,545	-	-	-
Transfers in	1,926,414	72,792	-	-
Transfers (out)	(72,792)	(688,958)	(430,467)	(155,973)
Total Other Financing Sources (Uses)	<u>2,608,382</u>	<u>(612,033)</u>	<u>(430,467)</u>	<u>17,023,687</u>
Net Change in Fund Balances	183,800	(115,699)	34,059	16,040,024
Beginning fund balances	<u>1,276,213</u>	<u>472,733</u>	<u>22,823</u>	<u>-</u>
Ending Fund Balances	<u>\$ 1,460,013</u>	<u>\$ 357,034</u>	<u>\$ 56,882</u>	<u>\$ 16,040,024</u>

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 3,464,478
1,447,244	4,342,391
284,258	284,258
111,632	2,935,851
18,106	615,864
11,309	164,203
-	179,757
60,906	229,243
676,885	1,490,189
85,823	175,551
<u>2,696,163</u>	<u>13,881,785</u>
676,951	2,929,231
89,947	3,651,830
41,957	4,142,995
4,295	981,966
391,000	735,919
38,741	135,917
-	314,660
1,701,284	3,684,664
<u>2,944,175</u>	<u>16,577,182</u>
<u>(248,012)</u>	<u>(2,695,397)</u>
-	16,540,000
-	643,793
-	690,215
-	64,545
269,977	2,269,183
(480,069)	(1,828,259)
<u>(210,092)</u>	<u>18,379,477</u>
(458,104)	15,684,080
<u>4,366,613</u>	<u>6,138,382</u>
<u>\$ 3,908,509</u>	<u>\$ 21,822,462</u>

CITY OF BEEVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net changes in fund balances - total governmental funds \$ 15,684,080

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

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

Capital asset acquisitions	3,397,409
Capital contributions	100,000
Depreciation/amortization expense	(1,365,523)
Net disposals	(90,864)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Net change in unavailable revenues - property taxes	66,491
Net change in unavailable revenues - court fines and warrants	9,948
Net change in unavailable revenues - garbage	(42,267)

Changes in net pension liability/(asset) and deferred outflows and inflows related to the net pension liability/(asset) are not reported in the governmental funds.

Net pension (asset)	(1,596,829)
Deferred outflows - pensions	592,807
Deferred inflows - pensions	489,031

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

Principal paid on long-term debt	735,919
Amortization of premium	29,700
Accrued interest expense	(82,945)
Issuance of debt	(16,540,000)
Premiums on issuance of debt	(643,793)
Leases	(690,215)
Subscriptions	(64,545)

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 the governmental funds.

Compensated absences	(10,700)
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Change in Net Position of Governmental Activities	\$ (22,296)
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See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2023

	Business-Type Activities
	Utility
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 1,525,153
Restricted cash and cash equivalents	995,508
Receivables, net	1,311,419
Total Current Assets	3,832,080
Noncurrent Assets	
Net pension asset	1,067,244
Capital assets:	
Right-to-use assets	113,418
Land	318,924
Construction in progress	16,825,906
Building	548,396
Infrastructure	37,413,045
Machinery and equipment	2,668,932
Less accumulated depreciation/amortization	(19,564,363)
Total Net Depreciable/Amortizable Assets	38,324,258
Total Noncurrent Assets	39,391,502
Total Assets	43,223,582
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	221,264
Deferred charge on refunding	23,917
Total Deferred Outflows of Resources	245,181
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued liabilities	97,004
Accrued interest payable	93,801
Accrued wages payable	18,292
Customer deposits	382,842
Bonds, notes, and other payables - current	1,226,695
Compensated absences	71,780
Total Current Liabilities	1,890,414
Noncurrent Liabilities	
Bonds, notes, and other payables, net of premium	17,228,140
Compensated absences	7,976
Total Noncurrent Liabilities	17,236,116
Total Liabilities	19,126,530
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	104,913
<u>Net Position</u>	
Net investment in capital assets	20,343,502
Restricted	1,067,244
Unrestricted	2,826,574
Total Net Position	\$ 24,237,320

See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Operating Revenues</u>	
Water charges	\$ 6,003,660
Wastewater charges	3,840,743
Other	171,351
Total Operating Revenues	10,015,754
 <u>Operating Expenses</u>	
Personnel	1,233,532
Supplies	106,134
Services	5,222,845
Depreciation/amortization	1,182,346
Total Operating Expenses	7,744,857
Operating Income	2,270,897
 <u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	62,316
Interest expense	(506,278)
Total Nonoperating (Expenses)	(443,962)
Income (Loss) Before Transfers and Contributions	1,826,935
 <u>Transfers and Contributions</u>	
Capital contributions	426,641
Transfers in	1,013,764
Transfers out	(1,454,688)
Total Transfers and Contributions	(14,283)
Change in Net Position	1,812,652
Beginning net position	22,424,668
Ending Net Position	\$ 24,237,320

See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Utility
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 10,551,316
Payments to suppliers	(5,679,449)
Payments to employees	(1,144,034)
Net Cash Provided by Operating Activities	3,727,833
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in	1,013,764
Transfers (out)	(1,454,688)
Net Cash (Used) by Noncapital Financing Activities	(440,924)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(1,158,493)
Principal paid on capital debt	(882,351)
Interest payments	(459,671)
Net Cash (Used) by Capital and Related Financing Activities	(2,500,515)
<u>Cash Flows from Investing Activities</u>	
Interest received	62,316
Net Cash Provided by Investing Activities	62,316
Net Increase in Cash and Cash Equivalents	848,710
Beginning cash and cash equivalents	1,671,951
Ending Cash and Cash Equivalents	\$ 2,520,661
Ending Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	\$ 1,525,153
Restricted cash and cash equivalents	995,508
Ending Cash and Cash Equivalents	\$ 2,520,661
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 2,270,897
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/Amortization	1,182,346
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	512,805
Net pension asset	347,469
Deferred outflows - pension	(128,995)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(350,470)
Accrued wages payable	(38,582)
Customer deposits	22,757
Compensated absences	16,019
Deferred inflows - pension	(106,413)
Net Cash Provided by Operating Activities	\$ 3,727,833
Schedule of Non-Cash Capital and Related Financing Activities:	
Capital contributions	\$ 426,641
Right-to-use assets	113,418
Lease liability	(113,418)
Total Non-Cash Capital and Related Financing Activities	\$ 426,641

See Notes to Financial Statements.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Beeville, Texas (the “City”) was incorporated by an election. The City operates under a Home Rule City type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services.

The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The Beeville Economic Improvement Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended Component Unit

Beeville Economic Improvement Corporation

The Beeville Economic Improvement Corporation (BEIC) was created by State law to provide financing for economic development objectives and infrastructure improvements. Revenues are provided primarily with funds derived from 0.375% sales and use tax approved by the voters. The City Council appoints the board and has financial accountability. Although it is legally separate from the City, the BEIC is reported as if it were part of the primary government because its primary purpose is to issue revenue bonds to finance major capital improvements on behalf of the City.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. 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 City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

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 utility functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. While the debt service fund did not meet the criteria to be reported as a major fund, the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The COVID grant fund is considered a major fund for reporting purposes. The remaining special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from bonds, notes and related interest earnings for capital improvement projects. The 2023 Certificates of Obligation (CO) capital projects fund is considered a major fund for reporting purposes. The remaining capital projects funds are considered nonmajor funds for reporting purposes.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The City reports the following proprietary fund:

The *enterprise fund* is used to account for the activities of the water distribution system, the sewer and sewage treatment plant, sewage pumping stations, and collection systems. The services 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 will be financed or recovered primarily through user charges. The utility fund is considered a major fund for reporting purposes.

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

Property taxes, sales taxes, franchise fees, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Entitlements

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

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

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

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

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit
- Money market accounts
- Statewide investment pools

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) and are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, machinery, 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, machinery, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10-50 years
Machinery and equipment	3-10 years
Vehicles	3-10 years
Water and wastewater system	5-50 years
Infrastructure	10-50 years

5. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the average of the expected service lives of pension plan members, except for the net differences between the projected and actual investment earnings on the pension plan assets, which are amortized over a period of five years.
- For employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- A deferred inflow related to lease receivable is recognized at the fund level under modified accrual basis of accounting and on the Statement of Net Position under the full accrual basis of accounting. The revenue is recognized at the fund level and on the Statement of Activities as the deferred inflow from lease receivable is amortized.

At the fund level, the City has two types of items, which arises under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues as well as deferred inflows from leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations. One-half of sick leave up to 120 hours, all vacation pay up to 240 hours, all compensatory time up to 240 hours, and all police compensatory time up to 480 hours are accrued when incurred.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of utility infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of utility revenues.

8. Leases

Lessee

The City is a lessee for a noncancellable lease of vehicles and equipment. The City recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor

The City is a lessor for a noncancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

9. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City recognizes a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

At the commencement of the SBITAs, the City initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using either the implicit rate or the City's incremental borrowing rate if the interest rate is not readily determinable. The subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, plus payments made before the commencement of the subscription term and capitalizable implementation costs. The subscription asset is reduced for any vendor incentives received. The subscription asset is amortized on a straight-line basis over the subscription term.

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

- The City uses the interest rate charged on the SBITAs as the discount rate. When the interest rate charged on the SBITAs is not provided, the City uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the SBITAs plus options periods, in which one party may exercise, that the City is reasonably certain will be exercised.
- The subscription payments included in the measurement of the subscription liability are composed of fixed or fixed in substance payments and other payments associated with the SBITA that the City is reasonably certain to make based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its subscription arrangements and will remeasure the subscription liability and asset if certain changes occur that are expected to significantly affect the amount of the subscription liability. The subscription liabilities are reported with long-term debt and the subscription assets are reported with other capital assets on the Statement of Net Position.

10. Net Position Flow Assumption

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

11. 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.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

12. Fund Balance Policies

Fund balances of governmental funds are 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).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council 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 City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In fiscal year 2023, the City Council adopted a minimum fund balance policy for the general fund. The policy required the unassigned fund balance at fiscal year-end to be at least equal to 20 percent of the subsequent year's budgeted general fund expenditures.

13. Estimates

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

14. Pensions

For the purposes of measuring the net pension liability/(asset), 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' 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.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of budgetary control is at the fund level. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the finance director and city manager. Amendments to the budget require City Council approval if the amendments are between funds. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the fiscal year. The general fund, debt service fund, and certain special revenue funds all have adopted budgets. During the year, the City amended its budget to reflect current levels of revenues and anticipated expenditures. There were not any material changes between the original budget and the final amended budget.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

A. Expenditures in Excess of Appropriations

Expenditures exceeded the appropriations at the legal level of control as follows:

General Fund	\$	326,233
COVID Grant	\$	100,202
Beeville Economic Improvement Corporation Fund	\$	37,325
CDBG Grant Fund	\$	139,831
Fire Equipment Fund	\$	155,674
Main Street Fund	\$	10,199
Street Maintenance Fund	\$	178,692

B. Deficit Fund Balance

As of September 30, 2023, The following funds report a deficit fund balance:

CDBG Grant Fund	\$	15,847
TPWD Grant Fund		14
Non-Specific Capital Fund		86

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 17,664,897	0.07
Certificates of deposit	682,344	0.96
Total Investments	\$ 18,347,241	

Portfolio Weighted Average Maturity	0.10
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Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term investments.

Credit risk. State law and the City’s investment policy limits investments to 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. Further, commercial paper must be rated not less than “A-1” or “P-1” or an equivalent rating by at least two nationally recognized credit rating agencies. As of year end, the City’s investments in the investment pool were rated “AAAm” by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the U.S. government or the issuing U.S. agency.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2023, fair market values of pledged securities and FDIC coverage exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Standard & Poor’s rated TexPool “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Utility</u>	<u>Total</u>
Property taxes	\$ 384,522	\$ 129,520	\$ -	\$ -	\$ 514,042
Sales taxes	504,960	-	63,120	-	568,080
Accounts	322,471	-	14,517	1,347,670	1,684,658
Franchise fees	82,031	-	-	-	82,031
Hotel occupancy tax	-	-	160,312	-	160,312
Leases	69,873	-	-	-	69,873
Miscellaneous	256,599	6,228	196,104	6,291	465,222
Allowance	(35,971)	(8,981)	(390)	(42,542)	(87,884)
Totals	<u>\$ 1,584,485</u>	<u>\$ 126,767</u>	<u>\$ 433,663</u>	<u>\$ 1,311,419</u>	<u>\$ 3,456,334</u>

C. Lease Receivable

The City has entered into a lease agreement (the “Agreement”) as a lessor for the use of land with the lessee (Southern Towers, Inc.). The remaining term of the Agreement, including the renewal option in which it is probable the option will be exercised is 60 months at the start of fiscal year 2023. The annual payments for the lease range from \$1,278 to \$1,712. An initial lease receivable and deferred inflow of resources from leases are recorded in the amount of \$81,145 at the beginning of the fiscal year within the general fund. As of September 30, 2023, the value of the lease receivable is \$69,873. The interest rate on the lease receivable is based on the City’s incremental borrowing rate of 6.50%. The lease revenue for fiscal year 2023 was \$20,454 which consists of an interest payment on the lease receivable of \$4,491 and the amortization of the deferred inflow of resources from the lease of \$15,963. The remaining principal and interest payments from leases are as follows:

Fiscal Year Ending Sep. 30	Lease Receivable			Amortization of Deferred Inflows
	Lease Receipts			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2024	\$ 14,427	\$ 4,124	\$ 18,551	\$ 15,963
2025	16,190	3,129	19,319	15,963
2026	17,871	2,027	19,898	15,963
2027	19,683	812	20,495	15,963
2028	1,702	9	1,711	1,330
Total	<u>\$ 69,873</u>	<u>\$ 10,101</u>	<u>\$ 79,974</u>	<u>\$ 65,182</u>

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year:

	*Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized:				
Land	\$ 719,552	\$ -	\$ -	\$ 719,552
Construction in progress	152,549	813,564	-	966,113
Total capital assets not being depreciated/amortized	872,101	813,564	-	1,685,665
Other capital assets:				
Infrastructure	4,059,774	239,981	-	4,299,755
Buildings and improvements	11,809,797	1,001,887	-	12,811,684
Vehicles and equipment	7,529,925	561,612	-	8,091,537
Intangibles	127,772	-	(127,772)	-
Right-to-use assets vehicles and equipment	-	690,215	-	690,215
Subscription assets	107,993	190,150	-	298,143
Total other capital assets	23,635,261	2,683,845	(127,772)	26,191,334
Less accumulated depreciation/amortization for:				
Infrastructure	(2,029,678)	(139,354)	-	(2,169,032)
Buildings and improvements	(5,916,275)	(535,042)	-	(6,451,317)
Vehicles and equipment	(6,286,108)	(591,948)	-	(6,878,056)
Intangibles	(36,908)	-	36,908	-
Right-to-use assets vehicles and equipment	-	(7,153)	-	(7,153)
Subscription assets	-	(92,026)	-	(92,026)
Total accumulated depreciation/amortization	(14,268,969)	(1,365,523)	36,908	(15,597,584)
Other capital assets, net	9,366,292	1,318,322	(90,864)	10,593,750
Total Governmental Activities Capital Assets, Net	\$ 10,238,393	\$ 2,131,886	\$ (90,864)	12,279,415
			Less associated debt	(22,356,552)
			Unspent debt proceeds	16,177,207
			Net Investment in Capital Assets	\$ 6,100,070

*Restated.

Depreciation/amortization was charged to governmental functions as follows:

General government	\$ 324,306
Public safety	232,264
Public works	416,804
Culture and recreation	392,149
Total Governmental Activities Depreciation/Amortization Expense	\$ 1,365,523

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Significant construction in progress and the remaining project costs under construction contracts for governmental activities at year end were as follows:

Project Description	Total in Progress	Remaining Project Costs
Governmental activities:		
City Hall	\$ 289,989	\$ 222,227
Downtown Revitalization Program	326,783	67,513
Hurricane Harvey State MIT	227,715	401,048
Total Governmental Activities	\$ 844,487	\$ 690,788

The following is a summary of changes in capital assets for business-type activities for the year:

	*Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities				
Capital assets not being depreciated/amortized:				
Land	\$ 318,924	\$ -	\$ -	\$ 318,924
Construction in progress	15,360,110	1,465,796	-	16,825,906
Total capital assets not being depreciated/amortized	15,679,034	1,465,796	-	17,144,830
Other capital assets:				
Buildings and improvements	548,396	-	-	548,396
Machinery and equipment	2,549,594	119,338	-	2,668,932
Infrastructure	37,413,045	-	-	37,413,045
Right-to-use assets vehicles	-	113,418	-	113,418
Total other capital assets	40,511,035	232,756	-	40,743,791
Less accumulated depreciation/amortization for:				
Buildings and improvements	(547,388)	(726)	-	(548,114)
Machinery and equipment	(1,992,531)	(199,804)	-	(2,192,335)
Infrastructure	(15,842,098)	(981,816)	-	(16,823,914)
Right-to-use assets vehicles	-	-	-	-
Total accumulated depreciation/amortization	(18,382,017)	(1,182,346)	-	(19,564,363)
Other capital assets, net	22,129,018	(949,590)	-	21,179,428
Total Business-Type Activities				
Capital Assets, Net	\$ 37,808,052	\$ 516,206	\$ -	\$ 38,324,258
			Less associated debt	(18,454,835)
			Unspent debt proceeds	450,162
			Plus deferred loss on refunding	23,917
			Net investment in Capital Assets	\$ 20,343,502

*Restated.

Depreciation/amortization was charged to business-type functions as follows:

Utility	\$ 1,182,346
Total Business-Type Activities Depreciation/Amortization Expense	\$ 1,182,346

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Significant construction in progress and the remaining project costs under construction contracts for business-type activities at year end were as follows:

Project Description	Total in Progress	Remaining Project Costs
Business-type activities:		
Moore Street Wastewater Treatment Plant	\$ 1,061,300	\$ 32,200
Total Business-Type Activities	\$ 1,061,300	\$ 32,200

E. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds, notes, and other payables:					
Certificates of obligation	\$ 2,160,000	\$ 16,540,000	\$ (220,000)	\$ 18,480,000	* \$ 747,500
Sales tax revenue from direct borrowings/placements	1,788,000	-	(391,000)	1,397,000	* 405,000
Premium	59,259	643,793	(29,700)	673,352	*
Notes payable from direct borrowings/placements	1,068,366	-	(62,655)	1,005,711	* 64,516
Lease liability	-	690,215	(6,568)	683,647	* 142,309
Subscription liability	107,993	64,545	(55,696)	116,842	* 66,942
Compensated absences	726,329	375,031	(364,331)	737,029	663,326
Total Governmental Activities	\$ 5,909,947	\$ 18,313,584	\$ (1,129,950)	\$ 23,093,581	\$ 2,089,593
Long-term debt due in more than one year				\$ 21,003,988	
*Debt associated with governmental activities capital assets				\$ 22,356,552	

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities					
Bonds, notes, and other payables:					
General obligation from direct borrowings/placements	\$ 4,096,000	\$ -	\$ (341,000)	\$ 3,755,000 *	\$ 349,000
Certificates of obligation	8,110,000	-	(145,000)	7,965,000 *	447,500
Certificates of obligation from direct borrowings/placements	2,369,000	-	(157,000)	2,212,000 *	158,000
Premium	598,965	-	(31,524)	567,441 *	-
Notes payable from direct borrowings/placements	4,081,328	-	(239,352)	3,841,976 *	246,460
Lease liability	-	113,418	-	113,418 *	25,735
Compensated absences	63,737	72,299	(56,280)	79,756	71,780
Total Business-Type Activities	<u>\$ 19,319,030</u>	<u>\$ 185,717</u>	<u>\$ (970,156)</u>	<u>\$ 18,534,591</u>	<u>\$ 1,298,475</u>
				<u>\$ 17,236,116</u>	
				<u>\$ 18,454,835</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. For the governmental activities, compensated absences, the lease liability, and the subscription liability are generally liquidated by the general fund.

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

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental Activities		
Certificates of Obligation		
Series 2014 Tax and Revenue	3.50%-4.00%	\$ 1,015,000
Series 2020 Tax and Revenue	1.88%	925,000
Series 2023	4.00%-5.00%	16,540,000
	Total	<u>18,480,000</u>
Sales Tax Revenue		
Series 2011	3.26%	837,000
Series 2017	2.27%	560,000
	Total	<u>1,397,000</u>
Note Payable		
2020 PSI Engery Saving	2.97%	1,005,711
	Total Governmental Activities Long-Term Debt	<u>\$ 20,882,711</u>

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Business-Type Activities

General Obligation

Series 2016	1.01%-2.12%	\$ 3,035,000
Series 2018 Refunding	2.98%	720,000
Total		3,755,000

Certificates of Obligation

Series 2016 Tax and Revenue	0.74%-1.72%	2,212,000
Series 2020 Tax and Revenue	1.88%	925,000
Series 2021 Tax and Revenue	3.00%	7,040,000
Total		10,177,000

Notes Payable

2020 PSI Engery Saving	2.97%	3,706,756
2021 PSI Engery Saving-1st Amendment	2.97%	135,220
Total		3,841,976

Total Business-Type Activities Long-Term Debt \$ 17,773,976

The City is not obligated in any manner for special assessment debt.

The governmental activities annual requirements to amortize long-term debt issues outstanding at year end were as follows:

Year Ending Sep 30	Governmental Activities - Certificates of Obligation		
	Principal	Interest	Total
2024	\$ 747,500	\$ 775,711	\$ 1,523,211
2025	760,000	765,642	1,525,642
2026	797,500	738,822	1,536,322
2027	835,000	710,155	1,545,155
2028	882,500	680,041	1,562,541
2029-2033	3,007,500	2,934,930	5,942,430
2034-2038	3,100,000	2,205,025	5,305,025
2039-2043	3,755,000	1,447,600	5,202,600
2044-2048	4,595,000	602,225	5,197,225
Total	\$ 18,480,000	\$ 10,860,151	\$ 29,340,151

Year Ending Sep 30	Governmental Activities - Sales Tax Revenue		
	Principal	Interest	Total
2024	\$ 405,000	\$ 39,981	\$ 444,981
2025	419,000	28,119	447,119
2026	428,000	15,850	443,850
2027	145,000	3,287	148,287
Total	\$ 1,397,000	\$ 87,237	\$ 1,484,237

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Year Ending Sep 30	Governmental Activities - Note Payable		
	Principal	Interest	Total
2024	\$ 64,516	\$ 29,870	\$ 94,386
2025	66,432	27,954	94,386
2026	68,405	25,980	94,385
2027	70,436	23,949	94,385
2028	72,528	21,857	94,385
2029-2033	396,261	75,665	471,926
2034-2036	267,133	16,022	283,155
Total	\$ 1,005,711	\$ 221,297	\$ 1,227,008

The business-type activities annual requirements to amortize long-term debt issues outstanding at year end were as follows:

Year Ending Sep 30	Business-Type Activities - General Obligation		
	Principal	Interest	Total
2024	\$ 349,000	\$ 70,688	\$ 419,688
2025	356,000	64,419	420,419
2026	363,000	57,866	420,866
2027	370,000	50,970	420,970
2028	377,000	43,588	420,588
2029-2033	1,175,000	149,420	1,324,420
2034-2036	765,000	32,470	797,470
Total	\$ 3,755,000	\$ 469,421	\$ 4,224,421

Year Ending Sep 30	Business-Type Activities - Certificates of Obligation		
	Principal	Interest	Total
2024	\$ 447,500	\$ 224,090	\$ 671,590
2025	460,000	212,167	672,167
2026	472,500	199,897	672,397
2027	480,000	187,355	667,355
2028	492,500	174,541	667,041
2029-2033	2,012,500	684,805	2,697,305
2034-2038	2,145,000	382,875	2,527,875
2039-2041	1,455,000	66,375	1,521,375
Total	\$ 7,965,000	\$ 2,132,105	\$ 10,097,105

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Year Ending Sep 30	Business-Type Activities - Certificates of Obligation from Direct Borrowings/Placements		
	Principal	Interest	Total
2024	\$ 158,000	\$ 29,530	\$ 187,530
2025	159,000	28,238	187,238
2026	161,000	26,693	187,693
2027	162,000	24,892	186,892
2028	165,000	22,864	187,864
2029-2033	858,000	78,831	936,831
2034-2038	549,000	14,077	563,077
Total	\$ 2,212,000	\$ 225,125	\$ 2,437,125

Year Ending Sep 30	Business-Type Activities - Note Payable		
	Principal	Interest	Total
2024	\$ 246,460	\$ 114,107	\$ 360,567
2025	253,780	106,787	360,567
2026	261,317	99,250	360,567
2027	269,078	91,488	360,566
2028	277,070	83,497	360,567
2029-2033	1,513,781	289,052	1,802,833
2034-2036	1,020,490	61,208	1,081,698
Total	\$ 3,841,976	\$ 845,389	\$ 4,687,365

General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of utility system assets. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds for business-type activities will be paid with utility rate revenues.

Certificates of Obligation

The City has issued tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of certificates for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities will be paid with utility rate revenues.

During the fiscal year, the City issued \$16,540,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2023 (the "Certificates"). Proceeds from the Certificates will be used for (1) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's water works and sewer utility system; (2) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving City public works, administration, and safety facilities, including improvements to City Hall and the Police Station; (3) purchasing public works, public safety, and administration-related vehicles; (4) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements; and (5) pay the costs of issuance and expenses related to the Certificates. The

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Certificates will be paid by the debt service fund from property tax collections. The interest rates range from 4.00% to 5.00%. The Certificates mature on August 15, 2048.

Sales Tax Revenue Bonds

The Beeville Economic Improvement Corporation (BEIC) has issued sales tax revenue bonds to provide funds for the acquisition and construction of major capital facilities for the City. The sales tax revenue bonds are direct obligations of the BEIC which are pledged with, and will be repaid with, BEIC sales tax revenues.

Notes Payable

The City has entered into a lease purchasing agreement to finance the acquisition and installation of certain energy savings improvements at certain City facilities. The notes payable are direct obligations of the City for which its full faith and credit are pledged. Repayment of the notes payable for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities will be paid with utility rate revenues.

Authorized Debt Limit

The City is authorized to issue debt up to 10% of the average full valuation of taxable real property which is currently \$87,202,846. The net indebtedness subject to the debt limit is \$21,999,518 resulting in a net debt contracting margin of \$65,203,328.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Lease Liability

During the fiscal year, the City entered into lease agreements as a lessee for the acquisition and use of vehicles, equipment, and golf carts. An initial lease liability and right-to-use assets were recorded in the amount of \$690,215 for governmental activities and \$113,418 for business-type activities. As of September 30, 2023, the value of the lease liability was \$683,647 for governmental activities and \$113,418 for business-type activities. The City is required to make monthly principal and interest payments ranging from \$783 to \$1,771 for each agreement. The lease interest rate is based on an incremental borrowing rate of 6.50%. In addition, the City's right-to-use lease assets will be amortized using a straight-line basis over the remaining term of the lease. The value of the right-to-use assets, as of the end of the current fiscal year, was \$690,215 for governmental activities and \$113,418 for business-type activities and had an accumulated amortization of \$7,153 for governmental activities and \$0 for business-type activities.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The future principal and interest lease payments as of September 30, 2023 were as follows:

Year Ending Sep 30	Governmental Activities - Lease Liability		
	Principal	Interest	Total
2024	\$ 142,309	\$ 43,985	\$ 186,294
2025	151,589	34,705	186,294
2026	161,475	24,819	186,294
2027	172,005	14,289	186,294
2028	56,269	3,163	59,432
Total	\$ 683,647	\$ 120,961	\$ 804,608

Year Ending Sep 30	Business-Type Activities - Lease Liability		
	Principal	Interest	Total
2024	\$ 25,735	\$ 7,372	\$ 33,107
2025	27,408	5,699	33,107
2026	29,189	3,918	33,107
2027	31,086	2,021	33,107
Total	\$ 113,418	\$ 19,010	\$ 132,428

Subscription Liability

The City has entered into subscription-based information technology arrangements (SBITAs) to control the right to use software for public safety and finance. An initial subscription liability was recorded in the amount of \$172,538 and a subscription asset was recorded in the amount of \$298,143. As of September 30, 2023, the value of the subscription liability was \$116,842. The City is required to make annual principal and interest payments ranging from \$18,841 to \$55,696. The SBITAs' interest rate is based on an incremental borrowing rate of 6.50%. In addition, the City's subscription assets will be amortized using a straight-line basis over the remaining term of the SBITAs. The value of the subscription assets, as of the end of the current fiscal year was \$298,143 and had an accumulated amortization of \$92,026. The future principal and interest SBITAs payments as of September 30, 2023 were as follows:

Year Ending Sep 30	Governmental Activities - Subscription Liability		
	Principal	Interest	Total
2024	\$ 66,942	\$ 7,595	\$ 74,537
2025	15,597	3,243	18,840
2026	16,611	2,230	18,841
2027	17,692	1,150	18,842
Total	\$ 116,842	\$ 14,218	\$ 131,060

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

F. Interfund Transactions

Interfund balances at September 30, 2023, consisted of the following:

Receivables Fund	Payables Fund	Amounts
General Fund	Nonmajor Governmental	\$ 68,806

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers between the primary government funds during the year were as follows:

Transfers In	Transfers Out	Amounts
General Fund	Utility Fund	\$ 1,437,683
General Fund	2023 CO Capital Projects	155,973
General Fund	COVID Grant	47,912
General Fund	Nonmajor Governmental Funds	284,846
Debt Service Fund	General Fund	72,792
Nonmajor Governmental Funds	COVID Grant	57,749
Nonmajor Governmental Funds	Nonmajor Governmental Funds	195,223
Nonmajor Governmental Funds	Utility Fund	17,005
Utility Fund	Debt Service Fund	688,958
Utility Fund	COVID Grant	324,806
		\$ 3,282,947

Amounts transferred between funds related to amounts collected by the general fund for debt service payments. The 2023 CO capital projects fund transferred funds to the general fund to reimburse the general fund project expenditures. The debt service fund transferred funds to the utility fund for debt service payments. The COVID grant fund transferred funds to the general fund, nonmajor governmental funds, and utility fund to reimburse those funds for expenditures charged to a COVID grant. The nonmajor governmental fund transferred funds to the general fund and nonmajor governmental funds to reimburse those funds for various expenditures. The utility fund transferred funds to the general fund and nonmajor fund to cover various project costs.

G. Restricted Assets

As of September 30, 2023, the City held restricted cash and cash equivalents of \$995,508 in the enterprise fund for unspent bond proceeds and customer deposits.

H. Fund Equity

As of September 30, 2023, \$683,647 of the City's total fund balance is restricted by enabling legislation.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

I. Restatement

The City has restated fund balance and net position in multiple funds for the reasons and amounts noted in the charts below. Net position was restated for the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The restatement had no effect on beginning net position.

	Governmental Activities				
	General	Street Maintenance	COVID Grant	Beeville Economic Improvement Corporation	Governmental Activities
Prior year ending fund balance/net position balance	\$ 1,368,996	\$ 680,030	\$ 2,244,678	\$ 1,654,336	\$ 15,167,199
Sales tax receivable	232,722	29,102	-	87,275	349,099
Unavailable revenue - garbage	(105,167)	-	-	-	-
Unavailable revenue - municipal court	(220,338)	-	-	-	-
Unearned revenues - ARPA	-	-	(2,221,855)	-	(2,221,855)
Prior years payables and retainage not reversed	-	-	-	83,225	83,225
Leases receivable	81,145	-	-	-	81,145
Deferred inflows - leases	(81,145)	-	-	-	(81,145)
Subscription liability	-	-	-	-	(107,993)
Right-to-use subscription asset	-	-	-	-	107,993
Unrecognized prior year construction in progress	-	-	-	-	201,781
Beginning fund balance/net position balance - restated	\$ 1,276,213	\$ 709,132	\$ 22,823	\$ 1,824,836	\$ 13,579,449

	Business-Type Activities		
	Utility	Water Supply District	Business-Type Activities
Prior year ending net position balance	\$ 16,066,049	\$ 5,378,548	\$ 21,444,597
Unrecognized prior year note payable	(143,644)	-	(143,644)
Capital contributions	6,502,263	-	6,502,263
Remove Beeville Water Supply District from the City's Annual Comprehensive Financial Report	-	(5,378,548)	(5,378,548)
Beginning net position balance - restated	\$ 22,424,668	\$ -	\$ 22,424,668

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,824 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The City is a member of the Texas Municipal League Workers' Compensation Intergovernmental Risk Pool (the "TML Pool"), which is not intended to operate as an insurance company, but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The TML Pool contracts with a third-party administrator for administration, investigation, and adjustment services in the handling

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2023	2022
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	0%	0%
Annuity increase (to retirees)	0%	0%

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to, but not yet receiving, benefits	78
Active employees	101
Total	259

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages 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 actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 1.29% and 1.16% in calendar years 2022 and 2023. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$61,599, which were equal to the required contributions.

Net Pension Liability/(Asset)

The City's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2022 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

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	35.00%	7.70%
Core fixed income	6.00%	4.90%
Non-core fixed income	20.00%	8.70%
Other public and private market	12.00%	8.10%
Real estate	12.00%	5.80%
Hedge funds	5.00%	6.90%
Private equity	10.00%	11.80%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL 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, TMRS'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 TPL.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 406,743	\$ -	\$ 406,743
Interest	802,488	-	802,488
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(135,480)	-	(135,480)
Changes in assumptions	-	-	-
Contributions - employer	-	62,464	(62,464)
Contributions - employee	-	242,109	(242,109)
Net investment income	-	(1,177,094)	1,177,094
Benefit payments, including refunds of employee contributions	(761,562)	(761,562)	-
Administrative expense	-	(10,215)	10,215
Other changes	-	12,189	(12,189)
Net Changes	312,189	(1,632,109)	1,944,298
Balance at December 31, 2021	12,066,119	16,171,106	(4,104,987)
Balance at December 31, 2022	\$ 12,378,308	\$ 14,538,997	\$ (2,160,689)

Sensitivity of the NPL/(A) to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ (610,524)	\$ (2,160,689)	\$ (3,444,582)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by participating City. That report may be obtained at www.tmr.com.

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

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$63,887.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

At September 30, 2023, the City reported deferred outflows and 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	\$ 485	\$ 142,256
Changes in actuarial assumptions	-	-
Net difference between projected and actual investment earnings	997,392	-
Contributions subsequent to the measurement date	46,020	-
Total	\$ 1,043,897	\$ 142,256

\$46,020 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the NPL/(A) for the fiscal year ending September 30, 2024.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Pension Expense
2024	\$ (57,899)
2025	190,486
2026	269,307
2027	453,727
2028	-
Thereafter	-
Total	\$ 855,621

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan, makes investment decisions, and disburses funds to employees in accordance with Plan provisions.

E. Economic Incentive Agreements

In 2021, the Beeville Economic Improvement Corporation (BEIC) entered into an economic development performance agreement (the “Agreement”) with a company that agreed to make site improvements on existing property, construct a new facility for a commercial/retail store, invest approximately \$1,900,000 in the overall project, and create 15 full-time jobs. The BEIC agreed to provide \$200,000 in financial assistance. \$50,000 was paid upon the issuance of a letter of completion. Over a term of 10 years, the BEIC agreed to reimburse up to a maximum of \$150,000 in sales tax revenues derived from sales tax from the company’s tenant at the new facility. Reimbursements are made quarterly. The BEIC recognized expenditures of \$37,882 during the fiscal year related to this Agreement.

CITY OF BEEVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

F. Subsequent Event

In January 2024, the Beeville Economic Improvement Corporation (BEIC) entered into an economic development performance agreement with a company that agreed to make site improvements and renovations of an existing building for a restaurant, invest approximately \$417,527 in the overall project, and create 55 full-time jobs. The BEIC agreed to provide \$200,000 in financial assistance. \$50,000 will be paid upon the issuance of a letter of completion. Over a term of 10 years, the BEIC agreed to reimburse up to a maximum of \$150,000 in sales tax revenues derived from sales tax from the company.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES