

OFFICIAL STATEMENT

August 5, 2025

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

\$18,160,000

CITY OF CONVERSE, TEXAS

(A political subdivision of the State of Texas located in Bexar County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: August 1, 2025

Due: February 1, as shown on inside cover

The \$18,160,000 City of Converse, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Converse, Texas (the "City" or the "Issuer") on August 5, 2025, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM TAX PROCEDURES - Debt Tax Rate Limitations" herein.)

Interest on the Certificates will accrue from August 1, 2025 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2026, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (3) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including the Greenway Trail; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued by ASSURED GUARANTY INC. ("AG").

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,
CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about August 27, 2025.

\$18,160,000
CITY OF CONVERSE, TEXAS
(A political subdivision of the State of Texas located in Bexar County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

MATURITY SCHEDULE
(Due February 1)

CUSIP Prefix No. 212544⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.
2/1	Amount	Rate	Yield	Suffix ⁽¹⁾	2/1	Amount	Rate	Yield	Suffix ⁽¹⁾
2026	\$ 365,000	5.000%	2.600%	GZ7	2036	\$ 965,000	5.000%	3.690% ⁽²⁾	HK9
2027	350,000	5.000%	2.600%	HA1	2037	1,015,000	5.000%	3.860% ⁽²⁾	HL7
2028	345,000	5.000%	2.610%	HB9	2038	1,065,000	5.000%	4.010% ⁽²⁾	HM5
2029	450,000	5.000%	2.610%	HC7	2039	1,115,000	4.250%	4.300%	HN3
2030	570,000	5.000%	2.740%	HD5	2040	1,165,000	4.375%	4.400%	HP8
2031	685,000	5.000%	2.890%	HE3	2041	1,215,000	4.375%	4.480%	HQ6
2032	790,000	5.000%	3.020%	HF0	2042	1,270,000	4.500%	4.550%	HR4
2033	830,000	5.000%	3.180%	HG8	2043	1,330,000	4.500%	4.600%	HS2
2034	870,000	5.000%	3.290%	HH6	2044	1,395,000	4.625%	4.650%	HT0
2035	915,000	5.000%	3.510% ⁽²⁾	HJ2	2045	1,455,000	4.625%	4.700%	HU7

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Assured Guaranty Inc. ("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 "CERTIFICATE INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2034, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

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CITY OF CONVERSE TEXAS

403 South Seguin Road
Converse, Texas 78109

ELECTED OFFICIALS

Name	Position	Years Served	Term Expires November
Al Suarez	Mayor	18	2025
Deborah James	Mayor Pro-Tem	13	2026
Stephanie Gonzales	Place 1	2	2025
Kassandra Leon	Place 3	2	2025
Sylvia Meyer	Place 4	4	2026
Stacey L. Adams, Sr.	Place 5	2	2025
Nancy Droneburg	Place 6	13	2026

ADMINISTRATION

Name	Position	Length of Service (Years)
Stan Farmer	City Manager	*
Adelina Mardegain	Finance Director	3
Samantha Lee	City Secretary	5

*Mr. Farmer started as City Manager on June 16, 2025.

CONSULTANTS AND ADVISORS

Bond CounselNorton Rose Fulbright US LLP
San Antonio, Texas

Certified Public AccountantsBrookswatson & Co.
Houston, Texas

Financial AdvisorSAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. Stan Farmer
City Manager
City of Converse
403 South Seguin Road
Converse, Texas 78109
Telephone: (210) 658-5356
sfarmer@conversetx.net

Ms. Adelina Mardegain
Finance Director
City of Converse
403 South Seguin Road
Converse, Texas 78109
Telephone: (210) 658-5356
amardegain@conversetx.net

Mr. Mark M. McLiney
Senior Managing Director
Mr. Andrew T. Friedman
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

The Financial Advisor 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 its responsibilities to the Issuer 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.

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

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System or any municipal bond insurance provider, or its policy described under "BOND INSURANCE" herein, as such information is provided by DTC and the bond insurer respectively.

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 Purchaser 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.

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The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer

The City of Converse, Texas (the "City" or "Issuer") was originally incorporated March 25, 1961. Effective January 15, 1982, the City adopted a Home Rule Charter, which was last amended on November 7, 2017. The City operates under a Council/Manager form of government with a Mayor and six council members. The City is located in northeast Bexar County, just northeast of San Antonio and is approximately a 20 minute drive from downtown San Antonio. The City is located on FM 1604, San Antonio's outer loop, and midway between IH 35 and IH 10. (See "APPENDIX B - General Information Regarding the City of Converse and Bexar County, Texas" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on August 5, 2025 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitations" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2034, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (3) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including the Greenway Trail; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Ratings

The Certificates are expected to be rated "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 by Assured Guaranty Inc. ("AG"). S&P has assigned an underlying, unenhanced rating of "AA-" to the Certificates without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)

Bond Insurance

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. ("AG"). (See "CERTIFICATE INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem debt in 2025, except for potentially issuing refunding bonds for debt service savings.

Delivery

When issued, anticipated on or about August 27, 2025.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

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**OFFICIAL STATEMENT
relating to**

\$18,160,000

CITY OF CONVERSE, TEXAS

(A political subdivision of the State of Texas located in Bexar County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Converse, Texas (the “City” or the “Issuer”) of its \$18,160,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the “Certificates”) identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and the City’s Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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 historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated August 1, 2025 (the “Dated Date”), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2026, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under “BOOK-ENTRY-ONLY SYSTEM”. In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”) particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the “Ordinance”) adopted by the City Council of the City (the “City Council”) on August 5, 2025, and the City’s Home Rule Charter.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See “AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations” herein.)

Limited Revenue Pledge Benefiting the Certificates. Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the “System”) not to exceed \$1,000 during the entire period the Certificates or

interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, 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, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for 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 Certificates 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 Issuer or the Paying Agent/Registrar. Neither the Issuer 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 "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and landscaping incidental thereto; (2) designing, engineering, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system;

(3) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including the Greenway Trail; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ 18,160,000.00
Accrued Interest on the Certificates	62,188.75
Net Reoffering Premium	<u>776,244.25</u>
Total Sources of Funds	<u>\$ 18,998,433.00</u>
Uses	
Project Fund Deposit	\$ 18,420,000.00
Purchaser's Discount (including bond insurance premium)	356,066.31
Certificate Fund Deposit	62,366.69
Costs of Issuance	<u>160,000.00</u>
Total Uses	<u>\$ 18,998,433.00</u>

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition or recession.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, 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 on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use

lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

Default and 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 bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

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 Texas Supreme Court (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 new 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in

Bankruptcy Court instead of 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.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each 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 physical 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 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).

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or 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 Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the 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 "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

CERTIFICATE INSURANCE

Certificate 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 in Appendix E 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 June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On October 18, 2024, KBRA announced that 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).

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, 2024.

Capitalization of AG

At March 31, 2025:

- The policyholders’ surplus of AG was approximately \$3,522 million.
- The contingency reserve of AG was approximately \$1,421 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,416 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, 2024 (filed by AGL with the SEC on February 28, 2025); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

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 "CERTIFICATE INSURANCE".

CERTIFICATE INSURANCE GENERAL RISKS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the beneficial owners as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE CERTIFICATES – Default and Remedies". The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the Pledged Revenues pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

Neither the City, the Financial Advisor, nor the Purchaser have made independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business, and Fitch Ratings, Inc. 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, past 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.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the Issuer 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 Issuer funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer 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 Issuer'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 investment officers of the Issuer must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (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) the investment strategy expressed in the Issuer's investment policy, and (b) the Public Funds Investment Act. No person may invest Issuer funds without express written authority from the City Council.

Current Investments ⁽¹⁾

TABLE 1

As of June 30, 2025 the City held investments as follows:

Type of Security	Market Value	Percentage of Total
General Fund	\$ 13,737,790	53.67%
Utility Fund	<u>11,858,047</u>	<u>46.33%</u>
Total	<u>\$ 25,595,837</u>	<u>100.00%</u>

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

⁽¹⁾ Unaudited.

CONVENING OF TEXAS LEGISLATURE

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions").

The Governor called for a special session on June 23, 2025, which commenced on July 21, 2025, and may last no longer than 30 days (the "First Special Session"). The Governor identified eighteen (18) agenda items that will be considered in the First Special Session. Among the items being considered is "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The City is unable to predict the substance of such legislation or the effect, if any, it will have on the City's finances or operations.

Additional special sessions may be called by the Governor. During this time, the Legislature may enact laws that materially affect the City and its finances. The City is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the City cannot make any representations as to the full impact of such legislation. Further, the City can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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 (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, unless extended by the 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. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

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

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

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

Other Exempt Property

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

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. 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. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exception. For more information on the exemption, reference is made to Section 11.35, Texas Tax Code, as amended.

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.

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.

City and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

“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 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 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 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. See "APPENDIX A – Municipal Sales Tax Collections".

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.

Debt Tax Rate Limitations

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

CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City has not elected to grant an exemption of up to 20% of the appraised value of residence homesteads (but not less than \$5,000).

The City has elected to grant a Local Option Homestead Exemption of \$15,000 of the appraised value of the residence homestead of persons 65 year of age or older and the disabled.

The City has not implement the Local Option Freeze of ad valorem taxes for the elderly or disabled.

The City took official action before April 1, 1990 to tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does not offer split payments or discounts for early payment of ad valorem property taxes.

On June 20, 2017, the City Council designated a portion of the City as a reinvestment zone pursuant to Chapter 311, as amended, Texas Tax Code, to increase development and add roads and water, sewer, and drainage facilities within the reinvestment zone. The City identified the zone as "Project Converse Moving Forward Tax Increment Reinvestment Zone Number One, City of Converse, Texas" ("Zone No. 1"), which the City created, in conjunction with Bexar County, for 30 years and covers approximately 185 acres with a base value of \$31,580,892. The City has pledged to pay 85% of ad valorem taxes (less administrative costs) levied on the tax increment within Zone No. 1 in each tax year.

TAX MATTERS

Tax Exemption

The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the City pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons

other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the periodic calculation and payment to the United States Treasury of any arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchaser should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Tax Accounting Treatment of Discount Certificates

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an

interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

Tax Accounting Treatment of Premium on Certain Certificates

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

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

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 these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access (“EMMA”) system through an internet website accessible at www.emma.msrb.org as described below under “Availability of Information”.

Annual Reports

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

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-14 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2025. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer’s annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a 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 any such 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 any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. 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." Neither the Certificates nor the Ordinance make provision for credit enhancement (although an application has been made for a municipal bond insurance policy), liquidity enhancement, or debt service reserves.

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

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual

Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

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

Ratings

S&P Global Inc. ("S&P") assigned a rating of "AA" (stable outlook) to the Certificates based solely upon the municipal bond insurance policy to be issued by the Bond Insurer on the date of initial delivery of the Certificates and an underlying rating of "AA-" to the Certificates without regard to credit enhancement. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating 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.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer

to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

The Financial Advisor 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 its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Incorporated (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$776,244.25, less a Purchaser's discount (including the Insurance Premium) of \$356,066.31, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since the date of the last financial statements of the City appearing in the Official Statement.

Authorization of the Official Statement

The Official Statement was approved as to form and content and the use thereof in the offering of the Certificates was authorized, ratified and approved by the City Council, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use in the reoffering of the Certificates by the Purchaser.

This Official Statement was approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF CONVERSE, TEXAS

/s/ Al Suarez

Mayor
City of Converse, Texas

ATTEST:

/s/ Samantha Lee

City Secretary
City of Converse, Texas

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF CONVERSE, TEXAS**

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FINANCIAL INFORMATION OF THE CITY OF CONVERSE, TEXAS

ASSESSED VALUATION

TABLE 1

2025 Actual Certified Market Value of Taxable Property (100% of Market Value) ^(a)	\$ 3,355,787,638
Less Exemptions:	
Local, Optional Over-65 and/or Disabled	\$ 26,207,114
Local, Optional Percentage Exemption	1,184,630
Disabled and Deceased Veterans	400,532,283
Freeport Exemptions	2,552,011
Open-Space Land and Timberland	16,452,380
Pollution Control	-
Mandatory Partial Exemption	28,242,066
10% Per Year Cap	20,995,364
TOTAL EXEMPTIONS	496,165,848
2025 Assessed Value of Taxable Property	\$ <u>2,859,621,790</u>

Source: Bexar County Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2025)

General Obligation Debt Principal Outstanding

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	\$ 2,360,000
General Obligation Bonds, Series 2015	260,000
General Obligation Bonds, Series 2016	6,430,000
General Obligation Bonds, Series 2017	6,025,000
Tax Notes, Series 2019	370,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	6,700,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates")	18,160,000
Total Gross General Obligation Debt	\$ <u>40,305,000</u>

Less: Self Supporting Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 (26.69% EDC)	\$ 630,000
Tax Notes, Series 2019 (100% Utility System)	370,000
The Certificates (43.78% Utility System)	7,950,000
Total Self-Supporting Debt	\$ <u>8,950,000</u>
Total Net General Obligation Debt Outstanding	\$ <u>31,355,000</u>

2025 Net Assessed Valuation	\$ 2,859,621,790
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	1.41%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	1.10%

Population: 1990 - 8,887; 2000 - 11,508; 2010 - 18,198; est. 2025 30,000

Per Capita Certified Net Taxable Assessed Valuation - \$95,320.73

Per Capita Gross General Obligation Debt Principal - \$1,343.50

Per Capita Net General Obligation Debt Principal - \$1,045.17

^(a) See "AD VALOREM PROPERTY TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

(As of September 30, 2024)

The annual requirements to amortize lease liabilities outstanding at year end were as follows:

Lease Liabilities

Fiscal Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 223,367	\$ 13,783	\$ 16,995	\$ 1,708
2026	228,462	8,689	17,570	1,132
2027	206,713	3,471	18,166	537
2028	33,338	248	6,191	43
Total	<u>\$ 691,880</u>	<u>\$ 26,191</u>	<u>\$ 58,922</u>	<u>\$ 3,420</u>

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2024.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Total Outstanding Debt ^(b)	<u>The Certificates</u>			Combined Debt Service ^(a)	Less: Self- Supporting Water and Sewer System Debt	Less: Self- Supporting Economic Development Corporation Debt	Total Net Debt Service
		Principal	Interest	Total				
2026	2,750,766	\$ 365,000	\$ 851,950	1,216,950	\$ 3,967,716	\$ 1,010,008	\$ 82,381	\$ 2,875,326
2027	2,119,980	350,000	834,075	1,184,075	3,304,055	608,831	85,350	2,609,874
2028	2,115,836	345,000	816,700	1,161,700	3,277,536	610,956	83,197	2,583,383
2029	2,116,886	450,000	796,825	1,246,825	3,363,711	612,331	80,963	2,670,418
2030	2,113,375	570,000	771,325	1,341,325	3,454,700	608,081	83,513	2,763,106
2031	2,121,709	685,000	739,950	1,424,950	3,546,659	608,206	80,800	2,857,653
2032	2,116,311	790,000	703,075	1,493,075	3,609,386	612,456	82,900	2,914,029
2033	2,108,797	830,000	662,575	1,492,575	3,601,372	610,831	84,800	2,905,741
2034	2,108,905	870,000	620,075	1,490,075	3,598,980	608,456	81,600	2,908,924
2035	1,797,562	915,000	575,450	1,490,450	3,288,012	610,206		2,677,806
2036	1,700,910	965,000	528,450	1,493,450	3,194,360	610,956	-	2,583,404
2037	1,027,540	1,015,000	478,950	1,493,950	2,521,490	610,706	-	1,910,784
2038	436,150	1,065,000	426,950	1,491,950	1,928,100	609,456	-	1,318,644
2039	437,750	1,115,000	376,631	1,491,631	1,929,381	608,913	-	1,320,469
2040		1,165,000	327,453	1,492,453	1,492,453	608,853	-	883,600
2041		1,215,000	275,391	1,490,391	1,490,391	607,634		882,756
2042		1,270,000	220,238	1,490,238	1,490,238	610,106		880,131
2043		1,330,000	161,738	1,491,738	1,491,738	611,144		880,594
2044		1,395,000	99,553	1,494,553	1,494,553	610,700		883,853
2045	-	1,455,000	33,647	1,488,647	1,488,647	608,759	-	879,888
Total	<u>\$ 25,072,476</u>	<u>\$ 18,160,000</u>	<u>\$ 10,301,000</u>	<u>\$ 28,461,000</u>	<u>\$ 53,533,477</u>	<u>\$ 12,597,593</u>	<u>\$ 745,503</u>	<u>\$ 40,190,381</u>

^(a) Includes self-supporting debt.

TAX ADEQUACY (Includes Self-Supporting Debt)

2025 Assessed Value of Taxable Property	\$	2,859,621,790
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)		3,967,715.56 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.1416 *

* Includes the Certificates.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt)

2025 Assessed Value of Taxable Property	\$	2,859,621,790
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2032)		2,914,029 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$	0.10398 *

* Includes the Certificates.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2024	\$ (21,839)
2024 Interest and Sinking Fund Tax Levy at 100% Collections Produce	<u>2,323,679</u>
Total Available for General Obligation Debt	<u>\$ 2,301,840</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/25 ⁽¹⁾	<u>2,233,577</u>
Estimated Surplus at Fiscal Year Ending 9/30/25 ⁽²⁾	<u><u>\$ 68,263</u></u>

⁽¹⁾ Does not include self-supporting general obligation debt.

⁽²⁾ Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of August 1, 2025)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding ^(a)	The Certificates	Total		
2026	\$ 2,225,000	\$ 365,000	\$ 2,590,000	\$ 37,715,000	6.4%
2027	1,640,000	350,000	1,990,000	35,725,000	11.4%
2028	1,680,000	345,000	2,025,000	33,700,000	16.4%
2029	1,730,000	450,000	2,180,000	31,520,000	21.8%
2030	1,770,000	570,000	2,340,000	29,180,000	27.6%
2031	1,820,000	685,000	2,505,000	26,675,000	33.8%
2032	1,860,000	790,000	2,650,000	24,025,000	40.4%
2033	1,900,000	830,000	2,730,000	21,295,000	47.2%
2034	1,950,000	870,000	2,820,000	18,475,000	54.2%
2035	1,685,000	915,000	2,600,000	15,875,000	60.6%
2036	1,630,000	965,000	2,595,000	13,280,000	67.1%
2037	990,000	1,015,000	2,005,000	11,275,000	72.0%
2038	415,000	1,065,000	1,480,000	9,795,000	75.7%
2039	425,000	1,115,000	1,540,000	8,255,000	79.5%
2040	425,000	1,165,000	1,590,000	6,665,000	83.5%
2041	-	1,215,000	1,215,000	5,450,000	86.5%
2042	-	1,270,000	1,270,000	4,180,000	89.6%
2043	-	1,330,000	1,330,000	2,850,000	92.9%
2044	-	1,395,000	1,395,000	1,455,000	96.4%
2045	-	1,455,000	1,455,000	-	100.0%
Total	<u>\$ 22,145,000</u>	<u>\$ 18,160,000</u>	<u># \$ 40,305,000</u>		

^(a) Includes self-supporting debt.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2016-2025**TABLE 3**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2016	\$ 1,150,063,343	\$ 129,566,451	12.70%
2017	1,242,450,474	92,387,131	8.03%
2018	1,497,222,229	254,771,755	20.51%
2019	1,609,391,279	112,169,050	7.49%
2020	1,698,622,029	89,230,750	5.54%
2021	1,868,171,525	169,549,496	9.98%
2022	2,290,212,619	422,041,094	22.59%
2023	2,690,419,521	400,206,902	17.47%
2024	2,828,821,759	138,402,238	5.14%
2025	2,859,621,790	30,800,031	1.09%

Source: Bexar County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION
TABLE 4

	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 2,735,889,653	81.53%	\$ 2,681,382,858	80.79%	\$ 2,622,857,321	80.54%
Real, Residential, Multi-Family	147,595,646	4.40%	150,224,917	4.53%	144,395,338	4.43%
Real, Vacant Lots/Tracts	25,576,533	0.76%	25,964,504	0.78%	26,199,013	0.80%
Real, Acreage (Land Only)	16,525,771	0.49%	17,956,071	0.54%	17,510,052	0.54%
Real, Farm and Ranch Improvements	30,296,804	0.90%	26,814,472	0.81%	26,822,267	0.82%
Real, Commercial	278,742,559	8.31%	269,556,650	8.12%	261,790,669	8.04%
Real, Industrial	9,648,755	0.29%	9,868,584	0.30%	8,307,666	0.26%
Real & Tangible, Personal Utilities	7,558,948	0.23%	6,681,831	0.20%	6,283,841	0.19%
Tangible Personal, Commercial	49,776,688	1.48%	53,771,819	1.62%	47,830,862	1.47%
Tangible Personal, Industrial	13,968,118	0.42%	16,535,382	0.50%	18,348,886	0.56%
Tangible Personal, Mobile Homes	9,860,483	0.29%	7,318,630	0.22%	6,208,730	0.19%
Real Property, Inventory	29,943,200	0.89%	52,452,309	1.58%	69,857,786	2.15%
Real Property, Special Inventory	404,480	0.01%	279,170	0.01%	291,820	0.01%
Total Appraised Value	\$ 3,355,787,638	100.00%	\$ 3,318,807,197	100.00%	\$ 3,256,704,251	100.00%
Less:						
Local, Optional Over-65 and/or Disabled	\$ 26,207,114		\$ 25,173,519		\$ 23,593,925	
Local, Optional Percentage Exemption	1,184,630		1,171,594		791,703	
Disabled and Deceased Veterans	400,532,283		363,063,003		304,803,823	
Freepport Exemptions	2,552,011		4,323,440		5,420,770	
Open-Space Land and Timberland	16,452,380		17,863,505		17,419,134	
Pollution Control	-		4,926		4,926	
Mandatory Partial Exemption	28,242,066		27,083,049		24,887,179	
10% Per Year Cap	20,995,364		51,302,402		189,363,270	
Net Taxable Assessed Valuation	\$ 2,859,621,790		\$ 2,828,821,759		\$ 2,690,419,521	

Source: Bexar County Appraisal District.

PRINCIPAL TAXPAYERS*
TABLE 5

Name	Type of Business/Property	2024 Net Taxable Assessed Valuation	% of Total 2024 Assessed Valuation
TJ Elite Properties	Real Estate	\$ 35,582,310	1.24%
DE 9205 FM78 LLC	Apartments	31,000,000	1.08%
Heights San Antonio LLC Etal	Real Estate	28,000,000	0.98%
Wal Mart Stores Inc. #2404	Retail	26,642,279	0.93%
LGI Homes Texas LLC	Homebuilder	11,946,800	0.42%
Shadow Creek Property Owner LP	Apartments	10,800,000	0.38%
P3 LAF Scheel Gardens LP	Town Home Community	9,709,540	0.34%
Bluff Estates LTD Inc.	Town Home Community	9,274,030	0.32%
Placid FMHC LLC	Commercial Construction	8,700,000	0.30%
Meadow Burke Products	Construction	12,948,760	0.45%
		\$ 184,603,719	6.46%

Source: Bexar County Appraisal District.

*2025 Principal Taxpayers not available at time of printing.

TAX RATE DISTRIBUTION
TABLE 6

	2024	2023	2022	2021	2020
General Fund	\$ 0.349257	\$ 0.338246	\$ 0.324198	\$ 0.368653	\$ 0.382673
I & S Fund	0.082143	0.083143	0.097191	0.111162	0.119579
Total Tax Rate	\$ 0.431400	\$ 0.421389	\$ 0.421389	\$ 0.479815	\$ 0.502252

Source: Bexar County Appraisal District.

TAX DATA
TABLE 7

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Fiscal Year Ended
2016	1,150,063,343	0.502660	5,780,908	99.25	99.82	9/30/2017
2017	1,242,450,474	0.502660	6,245,302	99.11	101.56	9/30/2018
2018	1,497,222,229	0.485000	7,261,528	98.82	101.60	9/30/2019
2019	1,609,391,279	0.422540	7,922,293	97.47	100.00	9/30/2020
2020	1,698,622,029	0.502252	8,531,363	99.12	101.40	9/30/2021
2021	1,868,171,525	0.479815	8,963,767	97.81	100.27	9/30/2022
2022	2,290,212,619	0.421389	9,650,704	95.45	95.61	9/30/2023
2023	2,690,419,521	0.421389	11,337,132	93.52	95.62	9/30/2024
2024	2,828,821,759	0.431400	10,915,618	97.00	97.00	9/30/2025*
2025	2,859,621,790					

Source: Bexar County Appraisal District.

*Collections as of May 30, 2025.

MUNICIPAL SALES TAX COLLECTIONS**TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, which authorizes the City to levy a 1% sales and use tax and use the revenues from such tax for general municipal purposes. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development tax. At an election held on August 9, 1997, an additional 1/2 cent sales tax was authorized by the voters for economic development. The City began collecting this increase of 1/2 of 1% on July 1, 2000. Revenues received from the 1/2 cent sales tax for economic development are transferred to the Converse Economic Development Corporation (a nonprofit economic development corporation created by the City) to be used to promote economic development in the City and are not available to be used for general municipal purposes. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2015	\$ 3,031,843	55.00%	0.297
2016	3,192,841	55.23%	0.278
2017	3,237,272	51.84%	0.261
2018	3,708,526	51.07%	0.248
2019	3,887,731	49.07%	0.242
2020	4,403,626	51.62%	0.259
2021	5,035,635	56.18%	0.270
2022	5,891,838	61.05%	0.257
2023	6,410,038	56.54%	0.238
2024	6,405,922	58.69%	0.226
2025	4,451,205	(as of August 2025)	

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(as of August 1, 2025)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. 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 tax bonds was 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 listed 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 (As of 8/1/2025)	% Overlapping	Amount Overlapping
Alamo CCD	\$ 674,050,000	1.04%	\$ 7,010,120
Bexar County	2,145,880,000	1.04%	22,317,152
Bexar County Hospital District	1,238,865,000	1.04%	12,884,196
East Central Independent School District *	319,733,479	2.65%	8,472,937
Judson Independent School District	801,944,085	13.49%	108,182,257
Schertz-Cibolo-Universal City Independent School District	299,475,612	1.24%	3,713,498
Total Gross Overlapping Debt			<u>\$ 162,580,160</u>
Converse, City of			\$ 40,305,000
Total Gross Direct and Overlapping Debt			<u>\$ 202,885,160</u>
Ratio of Net Direct and Overlapping Debt to 2025 Net Assessed Valuation			7.09%
Per Capita Gross Direct Debt and Overlapping Debt			\$6,762.84

Note: The above figures show Gross General Obligation Debt for the City of Converse, Texas. The Issuer's Net General Obligation Debt is \$31,355,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 193,935,160
Ratio of Net Direct and Overlapping Debt to 2025 Net Assessed Valuation	6.78%
Per Capita Net Direct and Overlapping Debt	\$6,464.51

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2024 Assessed Valuation	% of Actual	2024 Tax Rate
Alamo Community College	\$ 264,667,825,782	100%	\$ 0.149000
Bexar County	225,077,496,945	100%	0.288000
Bexar County Hospital District	229,211,538,249	100%	0.276000
Judson Independent School District	14,857,783,544	100%	1.035000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Alamo Community College District	5/3/2025	College Facility	\$ 987,000,000	\$ -	\$ 987,000,000
Bexar County	None				
Bexar County Hospital District	None				
East Central Independent School District *	5/3/2025	School Building	\$ 309,150,000	80,000,000	\$ 229,150,000
Judson Independent School District	None				
Schertz-Cibolo-Universal City Independent School District	None				
Converse, City of	None				

* Reflects Series 2025A closing August 7, 2025.

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	9/30/2024	9/30/2023	Fiscal Year Ended 9/30/2022	9/30/2021	9/30/2020
Fund Balance - Beginning of Year	\$ 8,041,955	\$ 6,557,345	\$ 6,003,670	\$ 5,276,057	\$ 4,701,490
Revenues	19,884,689	18,003,629	17,080,428	16,745,381	14,662,772
Expenditures	19,637,859	16,432,661	16,491,753	16,002,768	14,088,205
Excess (Deficit) of Revenues Over Expenditures	\$ 246,830	\$ 1,570,968	\$ 588,675	\$ 742,613	\$ 574,567
Other Financing Sources (Uses):					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases	905,877	-	-	-	-
Proceeds from Sale of Capital Assets	-	(86,358)	-	-	-
Transfers Out	-	-	(35,000)	(15,000)	-
Total Other Financing Sources (Uses):	\$ 905,877	\$ (86,358)	\$ (35,000)	\$ (15,000)	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 574,567
Prior Period Adjustment	(470,623)	-	-	-	-
Fund Balance - End of Year ⁽¹⁾	\$ 8,724,039	\$ 8,041,955	\$ 6,557,345	\$ 6,003,670	\$ 5,276,057

Source: The Issuer's Comprehensive Annual Financial Reports and information provided by the Issuer.

⁽¹⁾ City Administration anticipates an unaudited General Fund balance of approximately \$8,600,000 for the fiscal year ending September 30, 2025.

Information regarding the City's Pension Plan can be found in the City's 2024 Annual Financial Report under Note D - Pension Plans

UTILITY PLANT IN SERVICE**TABLE 11**

(As of September 30, 2024)

Land	\$ 14,995,360
Right-to-use asset	905,877
Construction in Progress	10,462,812
Buildings	18,745,377
Machinery and Equipment	14,077,898
Infrastructure	40,124,458
Accumulated Depreciation	(37,299,631)
Totals	<u>\$ 62,012,151</u>

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**TABLE 12**

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital. Net income may include certain restricted revenues that are not available for debt service.

	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Revenues	\$ 14,139,901	\$ 13,555,273	\$ 12,153,413	\$ 11,450,499	\$ 10,341,930
Expenses	<u>10,217,577</u>	<u>10,153,303</u>	<u>8,658,309</u>	<u>8,039,978</u>	<u>9,988,906</u>
Net Income	\$ 3,922,324	\$ 3,401,970	\$ 3,495,104	\$ 3,410,521	\$ 353,024
Customer Count:					
Water	8,107	8,076	8,397	7,880	7,776
Sewer	8,076	8,046	7,980	7,465	7,545

Source: The Issuer's Annual Financial Reports

WATER RATES**TABLE 13**

Charges for water furnished by the city to residential users of water will be based as follows for all billing cycle beginning on or after October 1st of each year:

Rates for water customers residing within and outside the city limits.

Residential base rates will be as follows:

Base Rate for customers residing within city limits: \$15.00

Base rate for customers residing outside city limits: \$17.25

Residential volumetric rates (per 1,000 gallons) will be as follows:

Water-Base Fee	2021	2022	2023	2024	2025
0-5,000 Gallons	\$ 2.48	\$ 2.61	\$ 2.76	\$ 3.01	\$ 3.01
5,001-25,000	\$ 3.08	\$ 3.21	\$ 3.36	\$ 3.61	\$ 3.61
Above 25,001 Gallons	\$ 3.68	\$ 3.81	\$ 3.96	\$ 4.21	\$ 4.21

Implementation of Conservation Restrictions

At each stage of conservation restrictions, the following increases may be applied to the volumetric rate of water usage depending on the availability of water. If implemented, these rate increases will remain in effect for the duration of the conservation stage activity:

Stage 2	10%
Stage 3	15%
Stage 4	20%
Stage 5	25%

Charges for water furnished by the city to commercial users of water will be as follows for all billing cycles beginning on or after October 1st of each year:

1) Commercial rates. The base rates for commercial users will be based on the size of meter as follows:

Water Base fee

5/8 COM 1/C WTR	15.00
5/8 COM 1/C IRR Only	15.00
1 COM 1/C WTR	21.00
1 COM 1/C IRR ONLY	21.00
1.5 COM 1/C 1/C WTR	27.00
1.5 COM 1/C IRR	27.00
2 COM 1/CWTR	43.50
2 COM 1/C IRR ONLY	43.50
3 COM 1/CWTR	165.00
4 COM 1/CWTR	210.00
6 COM 1/CWTR	315.00
5/8 COM O/C WTR	17.25
8 COM 1/CWTR	435.00

Commercial volumetric rates. The volumetric rate (per 1,000 gallons) will be as follows:

Water	2021	2022	2023	2024	2025
Commercial	\$ 3.19	\$ 3.36	\$ 3.66	\$ 3.88	\$ 3.88
Irrigation					
0-5,000 Gallons	\$ 4.71	\$ 4.98	\$ 5.50	\$ 5.87	\$ 5.87
5,001-25,000 Gallons	\$ 5.31	\$ 5.58	\$ 6.10	\$ 6.47	\$ 6.47
Above 25,001 Gallons	\$ 5.91	\$ 6.18	\$ 6.70	\$ 7.07	\$ 7.07

Implementation of conservation restrictions. At each stage of conservation restrictions, the following increases may be applied to the volumetric rate of water usage depending on the availability of water. If implemented, these rate increases will remain in effect for the duration of the conservation stage activity:

Stage 2 -	10%
Stage 3 -	15%
Stage 4 -	20%
Stage 5 -	25%

SEWER RATES**TABLE 14**

Single-family residential collection fees. For each single-family residential unit connected to the city sewage facilities, the customer shall pay the fixed charge per month plus the volumetric rate per 1,000 gallons of water consumption for the collection of sewage as indicated in the table below for all billing cycles beginning on or after October 1st of each year:

	2021	2022	2023	2024	2025
Base Fee	\$ 9.96	\$ 10.71	\$ 11.51	\$ 12.34	\$ 13.21
Volumetric Fee	\$ 1.33	\$ 1.34	\$ 2.14	\$ 3.00	\$ 3.71

Single-family residential treatment fees. For each single-family residential unit connected to the city sewage facilities, the customer shall pay the fixed charge per month plus the volumetric rate per 1,000 gallons of water consumption for the treatment of sewage by the San Antonio River Authority (SARA) as indicated below:

Base Fee	\$ 13.53
Volumetric Fee	\$ 2.02

The winter average, as defined by SARA, shall be the average monthly water consumption during the months of December through February. Where the account has not established a winter average, the customer shall be charged based on the established City of Converse winter average for all households.

All other users collection fees. For all other users, which are not single-family residential units and which are connected to the city sewage facilities, the customer shall pay the fixed charge per month plus the volumetric rate per 1,000 gallons of water consumption for the collection of sewage as indicated in the table below for all billing cycles beginning on or after October 1st of each year:

	2021	2022	2023	2024	2025
Base Fee	\$ 20.42	\$ 21.17	\$ 21.97	\$ 22.80	\$ 23.67
Volumetric Fee	\$ 0.77	\$ 0.78	\$ 1.58	\$ 2.44	\$ 3.20

All other users treatment fees. For all other users, which are not single-family residential units and which are connected to the city sewage facilities, the customer shall pay the volumetric rate per 1,000 gallons of water consumption for the treatment of sewage by the San Antonio River Authority (SARA) as indicated below:

Volumetric Fee	\$4.65
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SEWER TREATMENT

The City contracts with the San Antonio River Authority to provide sewage treatment for the City.

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF CONVERSE
AND BEXAR COUNTY, TEXAS**

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GENERAL INFORMATION REGARDING THE CITY OF CONVERSE, TEXAS AND BEXAR COUNTY, TEXAS

The City of Converse

The City of Converse Texas was incorporated in 1961. The City is located in northeast Bexar County, Texas is northeast of the City of San Antonio, Texas near Randolph Air Force Base and FM1604. The City has operated as a general law city under State Statutes with a Council-Manager form of government. The City Council is the principal legislative body of the City. The City Manager is the 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 provides the following services: public safety to include police and fire protection, EMS, municipal court, public works to include streets and drainage, water and sewer services and general administration.



Bexar County

Bexar County (the "County") was created in 1836 from Spanish municipality named for Duke de Bexar, a colonial capital of Texas. The county is located in south central Texas and is component of the Metropolitan Statistical Area ("MSA") of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837.

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County's ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County's growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues.

Principal Employers

Principal Employers	Category	Total	Percent of County Employment
Joint Base San Antonio	Government	67,350	7.24
H.E.B. Grocery Company	Retail	27,947	3.00
USAA	Finance/Insurance	17,000	1.83
Walmart/SAM's Club	Retail	13,750	1.48
City of San Antonio	Government	13,703	1.47
Northside Independent School District	Education	13,000	1.40
Methodist Healthcare System	Medical	11,000	1.18
University Health System	Medical	12,198	1.31
iHeart Media Inc.	Media	10,800	1.16
Northeast Independent School District	Education	8,209	0.88

Source: 2024 Bexar County Annual Financial Report

Labor Force Statistics ⁽¹⁾

	2025 ⁽²⁾	2024 ⁽²⁾	2023 ⁽³⁾	2022 ⁽³⁾	2021 ⁽³⁾
Civilian Labor Force	1,064,156	1,038,335	1,010,042	683,255	958,647
Total Employed	1,023,362	998,663	971,849	946,503	907,781
Total Unemployed	40,794	39,672	38,193	36,752	50,866
%Unemployed	3.8%	3.8%	3.8%	3.7%	5.3%
% Unemployed (Texas)	4.1%	4.1%	4.0%	3.9%	5.6%
% Unemployed (United States)	4.4%	4.0%	3.6%	3.6%	5.3%

(1) Source: Texas Workforce Commission.

(2) As of June 2025.

(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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August 27, 2025



Norton Rose Fulbright US LLP
Frost Tower
111 West Houston Street, Suite 1800
San Antonio, Texas 78205
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the “City of Converse, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025” (the *Certificates*), dated August 1, 2025 in the aggregate principal amount of \$18,160,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Converse, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2026 through 2045, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CONVERSE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “CITY OF CONVERSE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025”

to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Converse, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Converse, Texas (the "City") as of and for the year ended September 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Converse, Texas, as of September 30, 2024, and the respective changes in financial position, and cashflows where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Emphasis of Matters

As discussed in Note V.E. to the financial statements due to various accounting corrections, the City restated beginning fund balance/net position for the general fund, 2020 Bond capital project fund, utility fund, stormwater fund, governmental activities, business-type activities, and economic development activities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Converse, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the

supplemental schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2025 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.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
April 10, 2025

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

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City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2024

As management of the City of Converse, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. 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. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources (net position) at September 30, 2024 by \$86,522,399. Of this amount, \$15,914,899 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,715,789. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$15,886,834 at September 30, 2024, a decrease of \$220,723 from the prior fiscal year; this includes an increase of \$1,152,707 in the general fund, a decrease of \$82,827 in the debt service fund, a decrease of \$501,068 in the 2014 Bond capital projects fund, a decrease of \$1,185,671 in the 2020 Bond capital projects fund, a decrease of \$394,643 in the American rescue plan fund and an increase of \$1,493 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$8,673,977 or 44% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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 non-financial 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, municipal court, public safety, fire and emergency services, public works, parks and recreation, library, and interest and fiscal charges. The business-type activities of the City include utility and stormwater operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate component unit, the Converse Economic Development Corporation, which the City is financially accountable. Financial information for this component unit are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 20-25 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable*

City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, 2014 Bond and 2020 Bond capital project funds, and American Rescue Plan fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, and certain special revenue funds. A budgetary comparison statement has been provided for the general fund.

The basic governmental fund financial statements can be found on pages 26-35 of this report.

Proprietary Funds

The City's proprietary funds are all 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 an enterprise fund to account for its utility, water acquisition, water impact fees, utility debt services, sewer impact fees, and stormwater operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, wastewater treatment, garbage collection, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility fund and stormwater fund which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 36-41 of this report.

City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2024

Component Unit

The City maintains the accounting and financial statements for one component unit. The Converse Economic Development Corporation is a discretely presented component unit and displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-85 of this report.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund and schedules concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Converse, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$86,522,399 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$53,935,912 reflects its investments in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, construction in progress), less any debt used to acquire those assets that are still outstanding. 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.

An additional portion of the City of Converse, Texas's net position of \$16,671,588 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,914,899 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Converse, Texas is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 22,550,423	\$ 21,375,264	\$ 43,925,687	\$ 24,163,723	\$ 19,281,996	\$ 43,445,719
Internal balances	(623,091)	623,091	-	-	-	-
Long-term assets	62,012,151	18,198,291	80,210,442	56,867,810	18,665,018	75,532,828
Total Assets	83,939,483	40,196,646	124,136,129	81,031,533	37,947,014	118,978,547
 Deferred Outflows	 1,986,729	 219,975	 2,206,704	 3,434,038	 249,750	 3,683,788
Current liabilities	7,593,342	1,662,744	9,256,086	7,037,781	1,470,162	8,507,943
Long-term liabilities	29,020,036	1,086,995	30,107,031	34,060,243	1,872,579	35,932,822
Total Liabilities	36,613,378	2,749,739	39,363,117	41,098,024	3,342,741	44,440,765
 Deferred Inflows	 411,729	 45,588	 457,317	 384,522	 30,438	 414,960
Net Position:						
Net investment in capital assets	36,526,542	17,409,370	53,935,912	35,804,932	17,580,017	53,384,949
Restricted	7,170,076	9,501,512	16,671,588	4,546,796	13,165,085	17,711,881
Unrestricted	5,204,487	10,710,412	15,914,899	2,631,297	4,078,483	6,709,780
Total Net Position	\$ 48,901,105	\$ 37,621,294	\$ 86,522,399	\$ 42,983,025	\$ 34,823,585	\$ 77,806,610

Long-term assets for governmental activities increased by \$5,144,341 due to continued construction work on the Rocket Lane infrastructure project. Current liabilities for governmental activities increased by \$555,561 due to greater payables related to capital projects and general operations in the current year. Long-term liabilities for governmental activities decreased by \$5,040,207 primarily due to a decline in the City's net pension liability in the current year. In addition, the decrease is due to continued principal payments on long-term debt in the current year.

City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2024

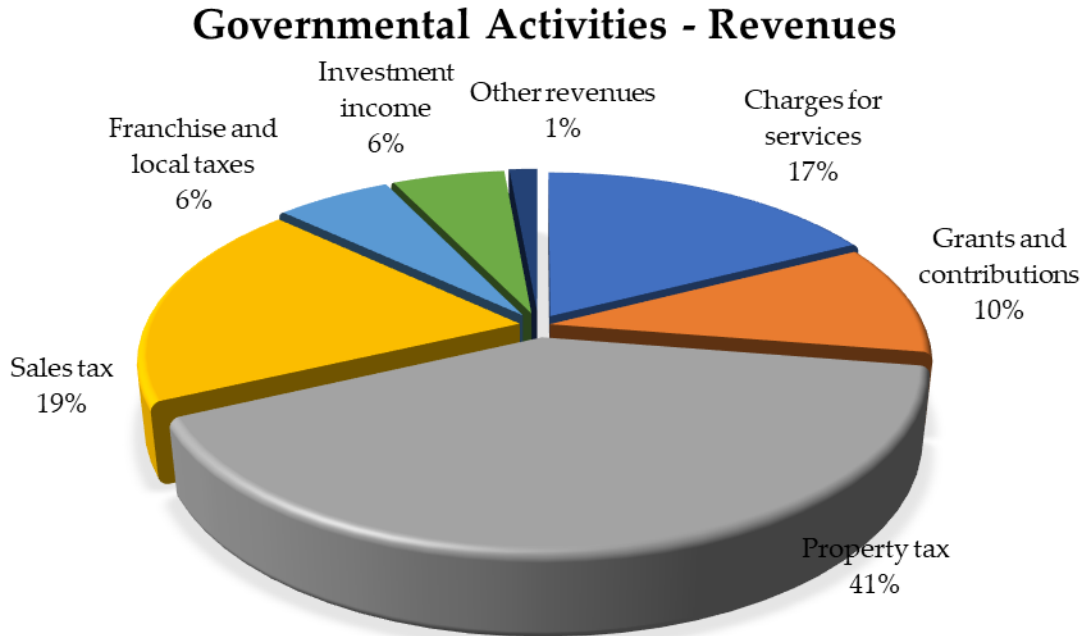
Statement of Activities:

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

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 4,886,105	\$ 13,754,050	\$ 18,640,155	\$ 3,244,393	\$ 13,571,773	\$ 16,816,166
Operating grants	1,410,212	-	1,410,212	1,243,945	-	1,243,945
Capital contributions	1,419,798	-	1,419,798	5,942,736	-	5,942,736
General revenues:						
Property tax	11,348,562	-	11,348,562	9,645,134	-	9,645,134
Sales tax	5,309,057	-	5,309,057	5,368,541	-	5,368,541
Franchise & local taxes	1,647,549	-	1,647,549	1,600,468	-	1,600,468
Investment income	1,607,471	706,271	2,313,742	1,318,595	635,704	1,954,299
Other revenues	400,746	-	400,746	343,372	-	343,372
Total Revenues	28,029,500	14,460,321	42,489,821	28,707,184	14,207,477	42,914,661
Expenses						
General government	4,642,401	-	4,642,401	4,647,554	-	4,647,554
Municipal court	341,349	-	341,349	289,549	-	289,549
Public safety	5,926,600	-	5,926,600	7,251,855	-	7,251,855
Fire and EMS	5,146,881	-	5,146,881	4,837,469	-	4,837,469
Public works	4,331,315	-	4,331,315	3,860,388	-	3,860,388
Parks and recreation	719,533	-	719,533	688,971	-	688,971
Library	455,181	-	455,181	480,575	-	480,575
Interest & fiscal charges	548,160	-	548,160	606,263	-	606,263
Utility	-	11,306,424	11,306,424	-	11,006,927	11,006,927
Stormwater	-	356,188	356,188	-	151,784	151,784
Total Expenses	22,111,420	11,662,612	33,774,032	22,662,624	11,158,711	33,821,335
Change in Net Position						
Before Transfers	5,918,080	2,797,709	8,715,789	6,044,560	3,048,766	9,093,326
Transfers	-	-	-	218,750	(218,750)	-
Total	-	-	-	218,750	(218,750)	-
Change in Net Position	5,918,080	2,797,709	8,715,789	6,263,310	2,830,016	9,093,326
Beg. Net Position (as previously presented)	44,920,999	34,547,447	79,468,446	37,147,584	32,032,685	69,180,269
Error correction	(1,937,974)	276,138	(1,661,836)	-	-	-
Net Position, as restated	42,983,025	34,823,585	77,806,610	36,719,715	31,993,569	68,713,284
Ending Net Position	\$ 48,901,105	\$ 37,621,294	\$ 86,522,399	\$ 42,983,025	\$ 34,823,585	\$ 77,806,610

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

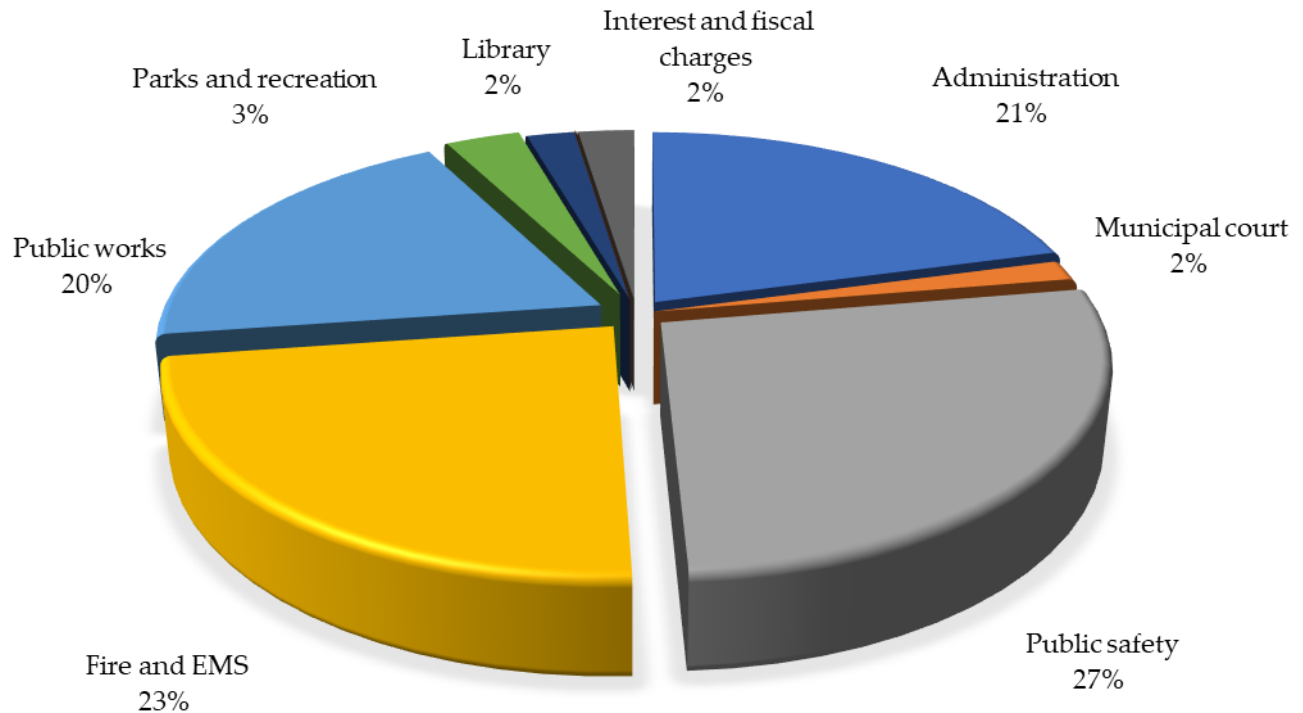


For the year ended September 30, 2024, revenues from governmental activities totaled \$28,029,500. Property tax and sales tax are the City's largest general revenue sources. Overall revenue decreased by \$677,684 or 2% from the prior year. Charges for services increased by \$1,641,712 or 51% primarily due to greater EMS fees and services related to an increased demand for emergency medical services over the course of the year. Total grants and contributions decreased by \$4,356,671 or 61% primarily due to nonrecurring grants related to Greenway Trail and economic development received in the prior year. Property taxes increased by \$1,703,428 or 18% primarily due to greater appraised values in the current year. Investment income increased by \$288,876 or 22% due to greater interest-bearing cash balances and realization of higher interest rates over the course of the year. Other revenues increased by \$57,374 or 17% primarily due to nonrecurring school crossing guard revenues earned in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

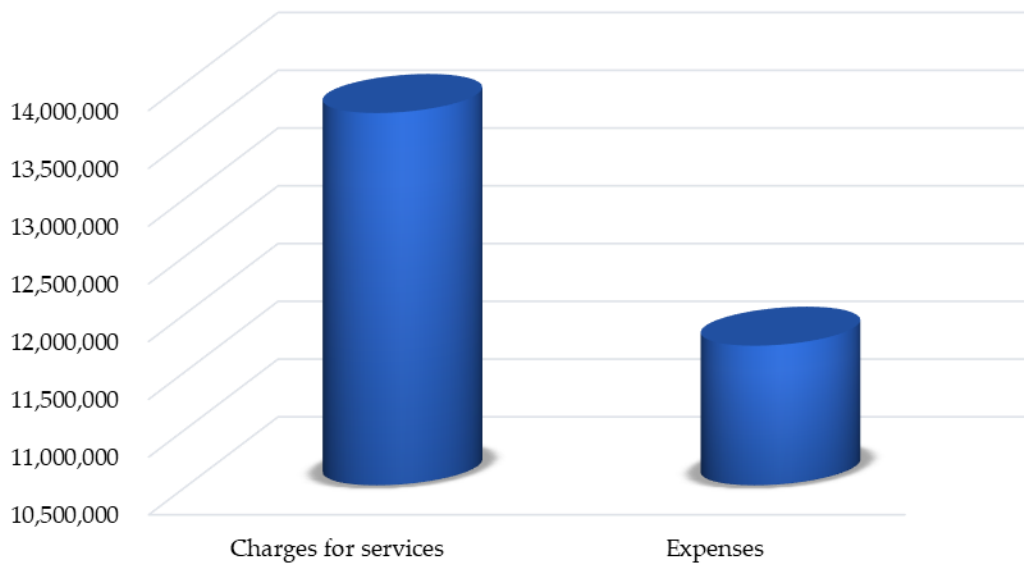


For the year ended September 30, 2024, expenses for governmental activities totaled \$22,111,420. This represents a slight decrease of \$551,204 from the prior year. The City's largest functional expense is public safety totaling \$5,926,600, which decreased by \$1,325,255 or 18% due to nonrecurring employee benefit costs resulting from changes in the City's pension valuation in the prior year. Fire and EMS expenses increased by \$309,412 or 6% primarily due to greater personnel costs related to wage increases and new hires in the current year. Public works expenses increased by \$470,927 or 12% greater personnel costs, resulting from annual pay raises and new hires in the current year. All other governmental activities expenses remained relatively consistent with the prior year.

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2024, charges for services by business-type activities totaled \$13,754,050. This represents an increase of \$182,277 and 1% from the previous year which is considered relatively consistent to the previous year.

Total business-type activity expenses increased by \$503,901 or 5% to a total of \$11,662,612. Utility expenses increased by \$299,497 or 3% which is considered relatively consistent with the prior year. Stormwater expenses increased by \$204,404 or over 100% primarily due to greater personnel costs related to new hires and wage increases in the current year.

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

At September 30, 2024, the City's governmental funds reported combined fund balances of \$15,886,834, a decrease of \$220,723 in comparison with the prior year. Approximately 54% of this amount, \$8,635,090, constitutes *unassigned fund balance*, which is available for spending at the government's

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

discretion. The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form \$50,062 or 2) restricted for particular purposes \$7,201,682.

As of the end of the year the general fund reflected a total fund balance of \$8,724,039. Of this, \$50,062 is considered not in spendable form and \$8,673,977 is unassigned. General fund balance increased by \$1,152,707 during the current year primarily as a result greater than expected revenues and the lease issuance in the current year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$8,673,977 is 44% of total general fund expenditures.

The debt service fund had an ending fund deficit of \$21,839 at September 30, 2024, a decrease of \$82,827 primarily due to the required debt service payments exceeding current year property taxes and intergovernmental revenues for the year.

The 2014 Bond capital projects fund had an ending fund deficit of \$672,967 at September 30, 2024, a decrease of \$501,068 when compared to the prior year. This decrease was primarily a result of public works expenditures exceeding investment income in the current year.

The 2020 Bond capital project fund had an ending fund balance of \$1,319,206, a decrease of \$1,185,671 is primarily due to capital outlay expenditures exceeding current year capital grants and contributions during the year.

The American Rescue Plan fund had an ending fund deficit of \$-738,400, a decrease of \$-394,643 when compared to prior year. The decrease was primarily due to capital outlay expenditures exceeding current year investment income and intergovernmental revenues.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the utility fund, totaled \$36,461,799. Unrestricted net position at the close of the fiscal year for all proprietary funds amounted to \$10,710,412, an increase of \$6,631,929 over the previous year. Total investment in capital assets, net of related debt was \$17,409,370, and capital assets, net of depreciation totaled \$18,198,291.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total budgeted revenues of \$18,069,505 were less than actual revenues of \$19,884,689, resulting in a total positive revenue variance of \$1,815,184. All actual revenues were greater than the budgeted amounts, with the exception of license and permits and other revenue. Total budgeted expenditures of \$18,717,143 were less than actual expenditures of \$19,637,859, resulting in a total negative expenditure variance of \$920,716. All departmental expenditures were more than the budgeted amounts, with the exception of the library department. Expenditures exceeded appropriations at the legal level of control by \$920,716. No budget amendments were approved during the year.

City of Converse, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2024

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$62,012,151 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$18,198,291 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Continued construction on the Rocket Lane projects for \$4,046,169.
- General construction improvements to the City totaling \$1,117,171.
- City Hall conversion totaling \$788,222.
- Fire station improvements totaling \$41,116.
- Purchased shade covers for the animal control building for \$43,938.
- Continued improvements on the Greenway Trail for \$81,662.
- Entered into a lease agreement for multiple public safety and public work vehicles totaling \$905,877.
- Purchased fire and EMS equipment for \$260,370.
- Purchased generators totaling \$432,894.
- Began making sewer improvements to the Placid Mobile Home Park for \$180,832.
- Made improvements to Old Topperwein Road for \$100,067.
- Entered into a vehicle lease for the utilities department for \$69,941.

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

LONG-TERM DEBT

The City's outstanding bonds, notes payable, and lease liabilities, net of all premiums and discounts, decreased by \$1,312,224 from the prior year. The total bonds at the close of the fiscal year was \$24,200,980, net of all premiums and discounts. The entire amount (excluding unamortized premium/discount) comprises of bonded debt backed by the full faith and credit of the City. During the year, the City entered into multiple lease agreements totaling \$975,818 and \$247,364 of principal payments were made on the leases.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of their community and improving services provided to their public citizens. The

City of Converse, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2024

City is budgeting conservatively for the upcoming year and planning to maintain similar services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Financial Department, 406 S Seguin, Converse, TX 78109.

BASIC FINANCIAL STATEMENTS

City of Converse, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 18,770,284	\$ 19,326,329	\$ 38,096,613
Investments	175,142	-	175,142
Receivables, net	3,554,935	1,642,642	5,197,577
Due from primary government	-	-	-
Internal balances	(623,091)	623,091	-
Inventories	-	399,793	399,793
Prepays and other assets	50,062	6,500	56,562
Total Current Assets	21,927,332	21,998,355	43,925,687
Capital assets:			
Non-depreciable	25,458,172	4,009,371	29,467,543
Net depreciable capital assets	36,553,979	14,188,920	50,742,899
Total Noncurrent Assets	62,012,151	18,198,291	80,210,442
Total Assets	83,939,483	40,196,646	124,136,129
<u>Deferred Outflows of Resources</u>			
Pension outflows	1,960,004	217,016	2,177,020
OPEB outflows - TMRS	6,442	713	7,155
OPEB outflows - Healthcare	20,283	2,246	22,529
Total Deferred Outflows of Resources	1,986,729	219,975	2,206,704

Component
Unit
Converse
EDC

\$	5,078,517
	-
	189,508
	9,353
	-
	-
	-
	5,277,378

	3,053,601
	82,110
	3,135,711
	8,413,089

	47,688
	157
	494
	48,339

City of Converse, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Accounts payable	\$ 1,689,888	\$ 715,024	\$ 2,404,912
Due to component unit	9,353	-	9,353
Deposits payable	355,641	261,021	616,662
Grants received in advance	2,974,415	-	2,974,415
Due to other governments	-	255,000	255,000
Compensated absences, current	497,475	51,476	548,951
Accrued interest payable	93,203	3,228	96,431
Long-term debt due in one year	1,973,367	376,995	2,350,362
	<u>7,593,342</u>	<u>1,662,744</u>	<u>9,256,086</u>
Noncurrent liabilities:			
Net pension liability	5,178,846	573,416	5,752,262
OPEB liability - TMRS	347,035	38,425	385,460
OPEB liability - Healthcare	519,387	57,508	576,895
Compensated absences, noncurrent	55,275	5,719	60,994
Long-term debt due in more than one year	22,919,493	411,927	23,331,420
Total Noncurrent Liabilities	<u>29,020,036</u>	<u>1,086,995</u>	<u>30,107,031</u>
Total Liabilities	<u>36,613,378</u>	<u>2,749,739</u>	<u>39,363,117</u>
<u>Deferred Inflows of Resources</u>			
Pension inflows	168,095	18,612	186,707
OEPB inflows - TMRS	85,370	9,452	94,822
OEPB inflows - Healthcare	158,264	17,524	175,788
Total Deferred Inflows of Resources	<u>411,729</u>	<u>45,588</u>	<u>457,317</u>
<u>Net Position</u>			
Net investment in capital assets	36,526,542	17,409,370	53,935,912
Restricted for:			
Public safety	26,627	-	26,627
Parks	871,193	-	871,193
Communication	500,640	-	500,640
TIRZ	7,480	-	7,480
Municipal court	183,948	-	183,948
Housing finance corp.	238,756	-	238,756
Public facility corp.	1,616,112	-	1,616,112
Capital projects	3,725,320	-	3,725,320
Community development	-	-	-
Water acquisition	-	4,070,460	4,070,460
Water impact	-	4,059,674	4,059,674
Sewer impact	-	1,371,378	1,371,378
Unrestricted	5,204,487	10,710,412	15,914,899
Total Net Position	<u>\$ 48,901,105</u>	<u>\$ 37,621,294</u>	<u>\$ 86,522,399</u>

See Notes to Financial Statements.

Component	Unit
Converse	EDC
\$	25,696
	-
	-
	-
	-
	8,950
	-
	-
	34,646
	126,006
	8,444
	12,637
	995
	-
	148,082
	182,728
	4,090
	2,077
	3,851
	10,018
	3,135,711
	-
	-
	-
	-
	-
	-
	5,132,971
	-
	-
	-
	-
\$	8,268,682

City of Converse, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,642,401	\$ 2,685,859	\$ 1,378,258	\$ -
Municipal court	341,349	1,071,420	-	-
Public safety	5,926,600	925,682	25,679	-
Fire and EMS	5,146,881	203,144	6,000	-
Public works	4,331,315	-	275	1,419,798
Parks and recreation	719,533	-	-	-
Library	455,181	-	-	-
Interest and fiscal charges	548,160	-	-	-
Total Governmental Activities	<u>22,111,420</u>	<u>4,886,105</u>	<u>1,410,212</u>	<u>1,419,798</u>
Business-Type Activities				
Utility	11,306,424	13,468,862	-	-
Stormwater	356,188	285,188	-	-
Total Business-Type Activities	<u>11,662,612</u>	<u>13,754,050</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 33,774,032</u>	<u>\$ 18,640,155</u>	<u>\$ 1,410,212</u>	<u>\$ 1,419,798</u>
Component Units				
EDC	745,315	-	-	-
Total Component Units	<u>\$ 745,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Other revenues

Investment income

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position, as previously reported

Error correction

Beginning Net Position, as adjusted

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Converse EDC
\$ (578,284)	\$ -	\$ (578,284)	\$ -
730,071	-	730,071	-
(4,975,239)	-	(4,975,239)	-
(4,937,737)	-	(4,937,737)	-
(2,911,242)	-	(2,911,242)	-
(719,533)	-	(719,533)	-
(455,181)	-	(455,181)	-
(548,160)	-	(548,160)	-
(14,395,305)	-	(14,395,305)	-
-	2,162,438	2,162,438	-
-	(71,000)	(71,000)	-
-	2,091,438	2,091,438	-
(14,395,305)	2,091,438	(12,303,867)	-
			(745,315)
			(745,315)
11,348,562	-	11,348,562	-
5,309,057	-	5,309,057	1,085,417
1,647,549	-	1,647,549	-
400,746	-	400,746	1,377
1,607,471	706,271	2,313,742	238,713
20,313,385	706,271	21,019,656	1,325,507
5,918,080	2,797,709	8,715,789	580,192
44,920,999	34,547,447	79,468,446	7,697,990
(1,937,974)	276,138	(1,661,836)	(9,500)
42,983,025	34,823,585	77,806,610	7,688,490
\$ 48,901,105	\$ 37,621,294	\$ 86,522,399	\$ 8,268,682

City of Converse, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS (Page 1 of 2)
September 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>2014 Bond Capital Project</u>	<u>2020 Bond Capital Project</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 9,076,376	\$ 10,119	\$ 90,531	\$ 302,089
Investments	-	-	-	-
Accounts receivable, net	1,954,319	67,025	-	1,342,676
Due from other funds	66,774	77,826	-	-
Prepays and other assets	50,062	-	-	-
Total Assets	<u><u>\$ 11,147,531</u></u>	<u><u>\$ 154,970</u></u>	<u><u>\$ 90,531</u></u>	<u><u>\$ 1,644,765</u></u>
<u>Liabilities</u>				
Accounts payable	1,007,207	109,784	134,088	257,782
Customer deposits	355,641	-	-	-
Grants received in advance	-	-	-	-
Due to component unit	9,058	-	-	-
Due to other funds	107,410	-	629,410	67,777
Total Liabilities	<u><u>1,479,316</u></u>	<u><u>109,784</u></u>	<u><u>763,498</u></u>	<u><u>325,559</u></u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	234,109	67,025	-	-
Unavailable revenue - EMS services	710,067	-	-	-
Total Deferred Inflows of Resources	<u><u>944,176</u></u>	<u><u>67,025</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<u>Fund Balances</u>				
Nonspendable:				
Prepays	50,062	-	-	-
Restricted for:				
Public safety	-	-	-	-
Parks	-	-	-	-
Communication	-	-	-	-
TIRZ	-	-	-	-
Municipal court	-	-	-	-
Housing finance corp.	-	-	-	-
Public facility corp.	-	-	-	-
Child safety	-	-	-	-
Capital projects	-	-	-	1,319,206
Unassigned	8,673,977	(21,839)	(672,967)	-
Total Fund Balances	<u><u>8,724,039</u></u>	<u><u>(21,839)</u></u>	<u><u>(672,967)</u></u>	<u><u>1,319,206</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 11,147,531</u></u>	<u><u>\$ 45,186</u></u>	<u><u>\$ (672,967)</u></u>	<u><u>\$ 1,319,206</u></u>

See Notes to Financial Statements.

American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,730,646	\$ 5,560,523	\$ 18,770,284
-	175,142	175,142
-	190,915	3,554,935
52,700	38,817	236,117
-	-	50,062
<u>\$ 3,783,346</u>	<u>\$ 5,965,397</u>	<u>\$ 22,786,540</u>
70,531	110,496	1,689,888
-	-	355,641
2,974,415	-	2,974,415
-	295	9,353
-	54,611	859,208
<u>3,044,946</u>	<u>165,402</u>	<u>5,888,505</u>
-	-	301,134
-	-	710,067
<u>-</u>	<u>-</u>	<u>1,011,201</u>
-	-	50,062
-	26,627	26,627
-	871,193	871,193
-	500,640	500,640
-	7,480	7,480
-	183,948	183,948
-	238,756	238,756
-	1,616,112	1,616,112
-	31,606	31,606
-	2,406,114	3,725,320
738,400	(82,481)	8,635,090
<u>738,400</u>	<u>5,799,995</u>	<u>15,886,834</u>
<u>\$ 738,400</u>	<u>\$ 5,965,397</u>	<u>\$ 21,775,339</u>

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City of Converse, Texas

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

September 30, 2024

Fund Balances - Total Governmental Funds \$ 15,886,834

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable 25,458,172

Capital assets - net depreciable 36,553,979

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 1,011,201

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time

Pension inflows (168,095)

OPEB inflows - TMRS (85,370)

OPEB inflows - HC (158,264)

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then

Pension outflows 1,960,004

OPEB outflows - TMRS 6,442

OPEB outflows - healthcare 20,283

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest (93,203)

Deferred charges:

Bond premium (675,980)

Net pension liability (5,178,846)

OPEB liability - TMRS (347,035)

OPEB liability - healthcare (519,387)

Compensated absences (552,750)

Non-current liabilities due in one year (1,973,367)

Non-current liabilities due in more than one year (22,243,513)

Net Position of Governmental Activities \$ 48,901,105

See Notes to Financial Statements.

City of Converse, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2024

	General	Debt Service	2014 Bond Capital Project	2020 Bond Capital Project
<u>Revenues</u>				
Property tax	\$ 8,475,964	\$ 2,082,000	\$ -	\$ -
Sales tax	4,223,640	-	-	-
Franchise and local taxes	1,635,959	-	-	-
License and permits	925,682	-	-	-
Grants and contributions	32,019	-	-	1,419,798
Intergovernmental	-	80,981	-	-
Charges for services	2,685,859	-	-	-
Fines and forfeitures	784,490	-	-	-
Investment income	795,170	1,162	1,553	268,029
Other revenue	325,906	-	-	-
Total Revenues	19,884,689	2,164,143	1,553	1,687,827
<u>Expenditures</u>				
Current:				
General government	3,207,750	-	-	-
Municipal court	341,544	-	-	-
Public safety	6,649,964	-	-	-
Fire and EMS	5,056,838	-	-	-
Public works	3,201,589	-	502,621	-
Parks and recreation	543,723	-	-	-
Library	400,106	-	-	-
Animal control	-	-	-	-
Debt service:				
Principal	236,345	1,635,000	-	-
Interest and fiscal charges	-	611,970	-	-
Capital outlay	-	-	-	2,870,759
Total Expenditures	19,637,859	2,246,970	502,621	2,870,759

American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 725,352	\$ 11,283,316
-	1,085,417	5,309,057
-	11,590	1,647,549
-	-	925,682
-	-	1,451,817
1,297,212	-	1,378,193
-	-	2,685,859
-	286,930	1,071,420
328,179	213,378	1,607,471
-	74,840	400,746
<u>1,625,391</u>	<u>2,397,507</u>	<u>27,761,110</u>
-	757,569	3,965,319
-	-	341,544
-	63,493	6,713,457
-	-	5,056,838
-	1,331,575	5,035,785
-	115,939	659,662
-	-	400,106
-	45,776	45,776
-	-	1,871,345
-	-	611,970
1,233,487	81,662	4,185,908
<u>1,233,487</u>	<u>2,396,014</u>	<u>28,887,710</u>

City of Converse, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>2014 Bond Capital Project</u>	<u>2020 Bond Capital Project</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ 246,830	\$ (82,827)	\$ (501,068)	\$ (1,182,932)
<u>Other Financing Sources (Uses)</u>				
Lease issuance	905,877	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(2,739)
Total Other Financing Sources				
(Uses)	905,877	-	-	(2,739)
Net Change in Fund Balances	1,152,707	(82,827)	(501,068)	(1,185,671)
Beginning fund balances, as reported	8,041,955	60,988	(92,308)	4,407,926
Correction of errors	(470,623)	-	(79,591)	(1,903,049)
Beginning fund balances, restated	7,571,332	60,988	(171,899)	2,504,877
Ending Fund Balances	<u>\$ 8,724,039</u>	<u>\$ (21,839)</u>	<u>\$ (672,967)</u>	<u>\$ 1,319,206</u>

See Notes to Financial Statements.

American Rescue Plan	Nonmajor Governmental Funds	Total Governmental Funds
\$ 391,904	\$ 1,493	\$ (1,126,600)
-	-	905,877
2,739	-	2,739
-	-	(2,739)
2,739	-	905,877
394,643	1,493	(220,723)
343,757	5,798,502	18,560,820
-	-	(2,453,263)
343,757	5,798,502	16,107,557
\$ 738,400	\$ 5,799,995	\$ 15,886,834

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City of Converse, Texas

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

For the Year Ended September 30, 2024

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

Net changes in fund balances - total governmental funds	\$	(220,723)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		7,657,713
Depreciation expense		(3,036,869)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		268,390
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		13,603
Accrued interest		13,132
Pension expense		283,295
OPEB expense - healthcare		(121,542)
OPEB expense - TMRS		44,935

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 they are 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.

Lease issuance		(905,877)
Amortization of premium		50,678
Principal payments		1,871,345

Change in Net Position of Governmental Activities	\$	5,918,080
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See Notes to Financial Statements.

City of Converse, Texas

STATEMENT OF NET POSITION PROPRIETARY FUNDS (Page 1 of 2)

September 30, 2024

	Utility	Stormwater	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 18,545,080	\$ 781,249	\$ 19,326,329
Accounts receivable, net	1,608,198	34,444	1,642,642
Inventories	399,793	-	399,793
Prepaid items	6,500	-	6,500
Due from other funds	631,624	-	631,624
Total Current Assets	21,191,195	815,693	22,006,888
<u>Noncurrent Assets</u>			
Capital assets:			
Non-depreciable	4,009,371	-	4,009,371
Net depreciable capital assets	13,778,750	410,170	14,188,920
Total Noncurrent Assets	17,788,121	410,170	18,198,291
Total Assets	38,979,316	1,225,863	40,205,179
<u>Deferred Outflows of Resources</u>			
Pension outflows	187,560	29,456	217,016
OPEB outflows - TMRS	616	97	713
OPEB outflows - healthcare	2,246	-	2,246
Total Deferred Outflows of Resources	190,422	29,553	219,975

See Notes to Financial Statements.

City of Converse, Texas

STATEMENT OF NET POSITION PROPRIETARY FUNDS (Page 2 of 2)

September 30, 2024

	Utility	Stormwater	Total
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 707,855	\$ 7,169	\$ 715,024
Customer deposits	261,021	-	261,021
Compensated absences, current	49,770	1,706	51,476
Due to other funds	8,533	-	8,533
Long-term debt, current	376,995	-	376,995
Accrued interest	3,228	-	3,228
Due to other governments	255,000	-	255,000
Total Current Liabilities	1,662,402	8,875	1,671,277
<u>Noncurrent Liabilities</u>			
Compensated absences, noncurrent	5,530	189	5,719
Long-term debt, noncurrent	411,927	-	411,927
Net pension liability	495,584	77,832	573,416
OPEB liability - TMRS	33,209	5,216	38,425
OPEB liability - healthcare	57,508	-	57,508
Total Liabilities	2,666,160	92,112	2,758,272
<u>Deferred Inflows of Resources</u>			
Pension inflows	16,086	2,526	18,612
OPEB inflows - TMRS	8,169	1,283	9,452
OPEB inflows - healthcare	17,524	-	17,524
Total Deferred Inflows of Resources	41,779	3,809	45,588
<u>Net Position</u>			
Net investment in capital assets	16,999,200	410,170	17,409,370
Restricted for:			
Water acquisition	4,070,460	-	4,070,460
Water impact	4,059,674	-	4,059,674
Sewer impact	1,371,378	-	1,371,378
Unrestricted	9,961,087	749,325	10,710,412
Total Net Position	\$ 36,461,799	\$ 1,159,495	\$ 37,621,294

See Notes to Financial Statements.

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City of Converse, Texas

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

For the Year Ended September 30, 2024

	Utility	Stormwater	Total
<u>Operating Revenues</u>			
Charges for services, net	\$ 12,772,421	\$ 285,188	\$ 13,057,609
Impact fees	408,203	-	408,203
Other income	288,238	-	288,238
Total Operating Revenues	13,468,862	285,188	13,754,050
<u>Operating Expenses</u>			
Personnel	1,223,785	241,891	1,465,676
Garbage collection	2,898,408	-	2,898,408
Utilities	146,895	397	147,292
Supplies	99,462	4,133	103,595
Maintenance and repairs	485,759	15,776	501,535
Water fees	1,004,468	-	1,004,468
Wastewater treatment	3,521,371	-	3,521,371
Capital outlay	38,239	12,310	50,549
Other expenses	799,190	38,191	837,381
Depreciation	1,071,154	43,490	1,114,644
Total Operating Expenses	11,288,731	356,188	11,644,919
Operating Income (Loss)	2,180,131	(71,000)	2,109,131
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	671,039	35,232	706,271
Interest expense	(17,693)	-	(17,693)
Total Nonoperating Revenues (Expenses)	653,346	35,232	688,578
Change in Net Position	2,833,477	(35,768)	2,797,709
Beginning net position, as reported	34,547,447	-	34,547,447
Reclassification of funds	(1,195,263)	1,195,263	-
Correction of liabilities	276,138	-	276,138
Beginning net position, restated	33,628,322	1,195,263	34,823,585
Ending Net Position	\$ 36,461,799	\$ 1,159,495	\$ 37,621,294

See Notes to Financial Statements.

City of Converse, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2024

	Utility	Stormwater	Total
<u>Cash Flows from Operating Activities</u>			
Payments to employees	\$ (1,302,967)	\$ (199,616)	\$ (1,502,583)
Payments to suppliers for goods & services	(9,250,504)	(93,310)	(9,343,814)
Receipts from customers and users	12,595,093	288,612	12,883,705
Outstanding payables to funds	12,770	-	12,770
Net Cash Provided (Used) by Operating Activities	2,054,392	(4,314)	2,050,078
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchase of capital assets	(577,976)	-	(577,976)
Interest paid on capital debt	(28,712)	1,283	(27,429)
Principal paid on capital debt	(355,000)	-	(355,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(961,688)	1,283	(960,405)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	671,039	35,232	706,271
Net Cash Provided (Used) by Investing Activities	671,039	35,232	706,271
Net Increase (Decrease) in Cash and Cash Equivalents	1,763,743	32,201	1,795,944
Beginning cash and cash equivalents	16,781,337	749,048	17,530,385
Ending Cash and Cash Equivalents	\$ 18,545,080	\$ 781,249	\$ 19,326,329

See Notes to Financial Statements.

City of Converse, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2024

	Utility	Stormwater	Total
<u>Reconciliation of Operating Income</u>			
<u>(Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 2,180,131	\$ (71,000)	\$ 2,109,131
Adjustments to reconcile operating income (loss) to net cash provided (used):			
Depreciation	1,071,154	43,490	1,114,644
Changes in Operating Assets and Liabilities:			
 (Increase) Decrease in:			
Accounts receivable	(188,705)	(1,792)	(190,497)
Due from other funds	(718,013)	-	(718,013)
Inventory	(124,323)	-	(124,323)
 Increase (Decrease) in:			
Accounts payable	(263,275)	(22,503)	(285,778)
Due to other funds	94,922	-	94,922
Due to the state	80,000	-	80,000
Deferred outflows - pension	62,191	(29,456)	32,735
Deferred outflows - OPEB - TMRS	(616)	(97)	(713)
Deferred outflows - OPEB - healthcare	2,234	-	2,234
Deferred inflows - pension	16,086	2,526	18,612
Deferred inflows - OPEB - TMRS	8,169	-	8,169
Deferred inflows - OPEB - healthcare	(17,395)	-	(17,395)
Net pension liability	(106,828)	69,302	(37,526)
OPEB liability - TMRS	33,209	-	33,209
OPEB liability - healthcare	(76,232)	-	(76,232)
Customer deposits	1,683	5,216	6,899
Net Cash Provided (Used) by Operating Activities	\$ 2,054,392	\$ (4,314)	\$ 2,050,078

Schedule of Non-Cash Capital and Related Financing

Lease issuance	\$ 69,941	\$ -	\$ 69,941
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See Notes to Financial Statements.

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City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Converse, Texas (the “City”) was established in 1877. The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government.

The City’s major operations include public safety, fire protection, emergency medical services, municipal court, public works, parks and recreation, and library. Additionally, the City operates utility funds for the provision of utilities, including electric, stormwater, water acquisition, water impact fees, utility debt service, and sewer impact fees.

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

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Blended Component Units

Converse Public Facility Corporation

The Corporation was organized exclusively for the purpose of assisting the City in financing, refinancing or providing for public facilities. The Corporation has and possesses the broadest possible powers to finance the acquisition of City obligations issued or incurred in accordance with existing law, to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the City. The board of directors consists of the City Council of the City of Converse.

Converse Housing Finance Corporation

The Corporation was organized exclusively for the purpose of providing the City and Public Facility Corporation in financing, refinancing or providing for public facilities. The board of directors consists of the City Council of the City of Converse.

Discretely Presented Component Units

Converse Economic Development Corporation

The Converse Community Development Corporation (the "EDC"), was organized for the purpose of promoting economic development in order to eliminate unemployment and underemployment and to promote and encourage employment and public welfare of, for, and on behalf of the City. The board of directors consists of seven members appointed by the City of Council. The City is financially accountable for the Corporation because the City Council approves the Corporation's budget. Separate financial statements for the Corporation may be obtained by contacting the City of Converse.

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

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

As discussed earlier, the government has one discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The government reports the following major governmental funds:

General Fund

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 and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, recreation and leisure, business and support services, and community development.

Debt Service Fund

The City accounts for the accumulation of financial resources for the payments of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the debt service fund is restricted exclusively for debt service expenditures.

2014 Bond Capital Projects Fund

The City's capital projects fund accounts for the acquisition and construction of the government's major capital facilities financed by the 2014 sale of bonds or certificates of obligations and grants.

2020 Bond Capital Projects Fund

The City's 2020 bond capital projects fund accounts for the acquisition and construction of the government's major capital facilities financed by the 2020 certificates of obligations and grants.

American Rescue Plan Fund

The American Rescue Plan fund is used to account for revenues and grant expenditures related to funds received through the federal government's COVID-19 response.

The government reports the following major enterprise funds:

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Utility Fund

Utility, water acquisition, water impact fees, utility debt service, and sewer impact fees services used by the City are accounted for in the utility fund. Activities of the fund include administration, maintenance and repairs, water fees, wastewater treatment, supplies, and garbage collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for outstanding debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the funds.

Stormwater Fund

This fund accounts for the administration, operation and maintenance of the City's stormwater system.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the TIRZ, court technology, court security, court truancy, court municipal jury, LEOSE training, police federal seizure, child safety, court time payment, PEG, street maintenance, police state seizure, police blue Santa, parkland dedication, animal care donations, senior center, housing finance corporation, public facility corporation, and the 2017 bond capital projects fund.

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

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement focus and basis of accounting

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

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

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

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the 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.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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

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

4. 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). The inventories of supplies are reported at cost using the first-in/first-out method. The City does not maintain significant inventories of materials and supplies in the governmental fund types, except for street department materials. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Restricted Assets

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

6. Capital Assets

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

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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

Asset Description	Estimated Useful Life
Building and improvements	15 - 40 years
Streets and improvements	10 - 40 years
Machinery and equipment	5 - 30 years
Water and wastewater system	5 - 50 years

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures.

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

The net pension liability is included within long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarial calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

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

9. Leases

Lessee: The City is a lessee for a noncancellable lease of multiple vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset (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 its useful life.

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.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

- 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 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.

10. Pensions

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

11. Net Position Flow Assumption

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

12. Fund Balance Flow Assumptions

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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.

13. Fund Balance Policies

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

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

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

14. Estimates

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

F. 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

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value less exemptions. The City's property taxes are billed and collected by the Bexar County Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year. Penalties and interest on unpaid taxes are calculated at the rate of 1.5% per month of delinquency.

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

3. Compensated Absences

City employees are entitled to certain compensated absences based on the length of their employment. Sick leave may be carried from one year to the next year. Employees with more than five years of service with the City will be paid for unused sick leave upon separation of employment. The amount of leave is based on their length of service with the maximum amount paid between 40 days and 60 days. Compensation for vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to two times their annual vacation days upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. Additionally, employees can accumulate up to 40 to 48 hours per year in compensation time to be used as time off from work. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

4. 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 utility fund, golf course fund, and storm water utility funds are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) 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. 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."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund, debt service, 2014 Bond, 2020 Bond, most special revenue funds, and proprietary funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations lapse at the end of the year.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

A. Expenditures Exceeding Appropriations

The following funds expenditures exceeded appropriations at the legal level of control:

General Fund	\$920,716
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B. Deficit Fund Balance

As of September 30, 2024, the debt service, 2014 Bond capital projects, LEOSE training, police federal seizure, and senior center funds had deficit fund balances of \$21,839, \$672,967, \$2,214, \$47,873, and \$32,394, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2024.

As of September 30, 2024, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 41,892,690	0.10
Certificates of deposit	175,142	0.14
Total value	\$ 42,067,832	
Portfolio weighted average maturity		0.10

Interest rate risk: In compliance with the City's Investment Policy, as of September 30, 2024, the City minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2024, all of the City's purchased investments in US treasury fixed income securities are rated AAA+ by Moody's.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

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

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas 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. Finally, Standard & Poor's rate 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. As of September 30, 2024, the fair value of the portion in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") was created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

September 30, 2024

Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Finally, Standard & Poor's rate Texas CLASS 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. There were no limitations or restrictions on withdrawals.

B. Receivables

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

					Governmental Activities Total
	General	Debt Service	2020 Bond Capital Projects	Nonmajor	
Property taxes	\$ 263,690	\$ 71,301	\$ -	\$ -	\$ 334,991
Sales tax	728,915	-	-	189,508	918,423
Franchise taxes	276,749	-	-	1,407	278,156
Grants	-	-	1,342,676	-	1,342,676
EMS	1,910,948	-	-	-	1,910,948
Accounts	4,480	-	-	-	4,480
Allowance	(1,230,463)	(4,276)	-	-	(1,234,739)
Total	\$ 1,954,319	\$ 67,025	\$ 1,342,676	\$ 190,915	\$ 3,554,935

			Business-Type Activities Total
	Utility	Stormwater	
Utility	\$ 874,692	\$ -	\$ 874,692
Sanitation	278,154	-	278,154
Accounts	550,388	34,444	584,832
Allowance	(95,036)	-	(95,036)
Total	\$ 1,608,198	\$ 34,444	\$ 1,642,642

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

The following comprise receivable balances of the discretely presented component unit at year end:

	CDC
Sales taxes	\$ 189,508
Total	\$ 189,508

C. Capital Assets

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 14,995,360	\$ -	\$ -	\$ 14,995,360
Construction in progress	5,299,472	5,163,340	-	10,462,812
Total capital assets not being depreciated	20,294,832	5,163,340	-	25,458,172
Capital assets, being depreciated:				
Buildings and improvements	17,856,551	888,826	-	18,745,377
Infrastructure	40,001,435	123,023	-	40,124,458
Equipment and vehicles	13,501,251	576,647	-	14,077,898
Right-to-use asset	-	905,877	-	905,877
Total capital assets being depreciated	71,359,237	2,494,373	-	73,853,610
Less accumulated depreciation				
Buildings and improvements	5,814,000	700,873	-	6,514,873
Infrastructure	20,357,157	1,440,776	-	21,797,933
Equipment and vehicles	8,091,605	806,670	-	8,898,275
Right-to-use asset	-	88,550	-	88,550
Total accumulated depreciation	34,262,762	3,036,869	-	37,299,631
Net capital assets being depreciated	37,096,475	(542,496)	-	36,553,979
Total Capital Assets	\$ 57,391,307	\$ 4,620,844	\$ -	\$ 62,012,151

Depreciation was charged to governmental functions as follows:

General government	\$ 556,212
Public safety	243,137
Fire and EMS	395,269
Public works	1,653,020
Parks and recreation	102,273
Library	55,499
Animal control	31,459
Total Governmental Activities Depreciation Expense	\$ 3,036,869

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 193,655	\$ -	\$ -	\$ 193,655
Construction in progress	3,815,716	-	-	3,815,716
Total capital assets not being depreciated	<u>4,009,371</u>	<u>-</u>	<u>-</u>	<u>4,009,371</u>
Capital assets, being depreciated:				
Buildings and improvements	363,521	180,832	-	544,353
Equipment and vehicles	2,538,934	297,077	-	2,836,011
Water and wastewater system	26,582,662	100,067	-	26,682,729
Right-of-use assets	-	69,941	-	69,941
Total capital assets being depreciated	<u>29,485,117</u>	<u>647,917</u>	<u>-</u>	<u>30,133,034</u>
Less accumulated depreciation				
Buildings and improvements	244,790	9,342	-	254,132
Equipment and vehicles	12,396,380	131,058	-	12,527,438
Water and wastewater system	2,188,300	961,130	-	3,149,430
Right-of-use assets	-	13,114	-	13,114
Total accumulated depreciation	<u>14,829,470</u>	<u>1,114,644</u>	<u>-</u>	<u>15,944,114</u>
Net capital assets being depreciated	<u>14,655,647</u>	<u>(466,727)</u>	<u>-</u>	<u>14,188,920</u>
Total Capital Assets	<u><u>\$ 18,665,018</u></u>	<u><u>\$ (466,727)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,198,291</u></u>

Depreciation was charged to business-type activities as follows:

Utility	\$ 1,071,154
Stormwater	43,490
Total Business-type Activities Depreciation Expense	<u><u>\$ 1,114,644</u></u>

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 3,053,601	\$ -	\$ -	\$ 3,053,601
Total capital assets not being depreciated	<u>3,053,601</u>	<u>-</u>	<u>-</u>	<u>3,053,601</u>
Capital assets, being depreciated:				
Buidlings	155,554	-	-	155,554
Equipment and vehicles	26,650	-	-	26,650
Total capital assets being depreciated	<u>182,204</u>	<u>-</u>	<u>-</u>	<u>182,204</u>
Less accumulated depreciation				
Buidlings	65,326	7,778	-	73,104
Equipment and vehicles	25,972	1,018	-	26,990
Total accumulated depreciation	<u>91,298</u>	<u>8,796</u>	<u>-</u>	<u>100,094</u>
Net capital assets being depreciated	<u>90,906</u>	<u>(8,796)</u>	<u>-</u>	<u>82,110</u>
Total Capital Assets	<u><u>\$ 3,144,507</u></u>	<u><u>\$ (8,796)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,135,711</u></u>

Depreciation was charged to component unit activities as follows:

Converse Economic Development Corporation	\$ 8,796
Total Component Unit Activities Depreciation Expense	<u><u>\$ 8,796</u></u>

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2024. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 15,025,000	\$ -	\$ (1,140,000)	\$ 13,885,000	\$ 1,170,000
Certificate of Obligation Bonds	10,135,000	-	(495,000)	9,640,000	580,000
Premiums	726,658	-	(50,678)	675,980	-
Total Bonds Payable	25,886,658	-	(1,685,678)	24,200,980	1,750,000
Lease liabilities	22,348	905,877	(236,345)	691,880	223,367
Total Governmental Activities	\$ 25,909,006	\$ 905,877	\$ (1,922,023)	\$ 24,892,860	\$ 1,973,367
Long-term liabilities due in more than one year				\$ 22,919,493	
Business-Type Activities:					
Tax notes	\$ 1,085,000	\$ -	\$ (355,000)	\$ 730,000	\$ 360,000
Lease liabilities	-	69,941	(11,019)	58,922	16,995
Total Business-Type Activities	\$ 1,085,000	\$ 69,941	\$ (366,019)	\$ 788,922	\$ 376,995
Long-term liabilities due in more than one year				\$ 411,927	

General obligation bonds and certificates are serviced by the debt service fund. The amount of long-term debt that can be incurred by the City is not limited by state statute or the City's Home Rule Charter. The only limitation would be the overall tax rate limitation of \$2.50 per \$100 assessed valuation. Bond covenants for the general obligation bonds and certificates of obligation require the City to levy a tax sufficient to pay the current interest and principal of the debt. During the current year, the City was in compliance with these bond covenants.

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund.

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
\$2,000,000 General Obligation Refunding Bond, Series 2015, due in installments through 2026, interest at 0.645% - 2.266%	\$ 515,000	\$ -	\$ 515,000
\$9,495,000 General Obligation Refunding Bonds, Series 2016, due in installments through 2036, interest at 2.0%	6,940,000	-	6,940,000
\$8,205,000 General Obligation Refunding Bonds, Series 2017, due in installments through 2037, interest at 2.8%	6,430,000	-	6,430,000
Total General Obligation Bonds	\$ 13,885,000	\$ -	\$ 13,885,000
Certificates of Obligation:			
\$4,000,000 Certificates of Obligation, Series 2014, due in annual installments through 2034, interest at 2.0%	\$ 2,580,000	\$ -	\$ 2,580,000
\$7,840,000 Certificates of Obligation, Series 2020, due in annual installments through 2042, interest at 1.38% - 4%	7,060,000	-	7,060,000
Total Certificates of Obligation	\$ 9,640,000	\$ -	\$ 9,640,000
Tax Notes			
\$2,445,000 tax notes, Series 2019, due in installments through 2026, interest at 1.79%	\$ -	\$ 730,000	\$ 730,000
Total Tax Notes	\$ -	\$ 730,000	\$ 730,000
Less deferred amounts:			
Premiums/discounts	\$ 675,980	\$ -	\$ 675,980
Total Deferred Amounts	675,980	-	675,980
Lease Liabilities:			
\$905,877 lease payable to Enterprise Fleet Management, due in monthly installments of \$19,762 through 2028, interest ranging from 0.92% - 4.90%	691,880	-	691,880
\$69,941 lease payable to Enterprise Fleet Management, due in monthly installments of \$1,558 through Dec 2028, interest at 3.34%	-	58,922	58,922
Total Leases Liabilities	691,880	58,922	750,802
Total Debt	\$ 24,892,860	\$ 788,922	\$ 25,681,782

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

The annual requirements to amortize the City's long-term activities debt issues outstanding at year end were as follows:

Certificates of Obligations

Year Ending	Governmental Activities	
	Principal	Interest
2025	\$ 580,000	\$ 215,656
2026	650,000	202,813
2027	665,000	188,925
2028	685,000	168,931
2029	710,000	144,706
2030-2034	3,785,000	466,369
2035-2039	2,140,000	143,822
2040	425,000	4,250
Total	\$ 9,640,000	\$ 1,535,472

General Obligation Refunding Bonds

Year Ending,	Governmental Activities	
	Principal	Interest
2025	\$ 1,170,000	\$ 352,176
2026	1,205,000	319,651
2027	975,000	291,055
2028	995,000	266,905
2029	1,020,000	242,180
2030-2034	5,515,000	802,727
2035-2037	3,005,000	111,090
Total	\$ 13,885,000	\$ 2,385,784

Tax Notes

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2025	\$ 360,000	\$ 9,818
2026	370,000	3,302
Total	\$ 730,000	\$ 13,120

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

The annual requirements to amortize lease liabilities outstanding at year end were as follows:

Lease Liabilities

Year ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 223,367	\$ 13,783	\$ 16,995	\$ 1,708
2026	228,462	8,689	17,570	1,132
2027	206,713	3,471	18,166	537
2028	33,338	248	6,191	43
Total	\$ 691,880	\$ 22,472	\$ 58,922	\$ 2,840

F. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general fund and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 566,353	\$ 552,750	\$ (566,353)	\$ 552,750	\$ 497,475
Total Governmental Activities	\$ 566,353	\$ 552,750	\$ (566,353)	\$ 552,750	\$ 497,475
Long-term Liabilities Due in More than One Year				\$ 55,275	
Business-Type Activities:					
Compensated Absences	\$ 57,195	\$ 57,195	\$ (57,195)	\$ 57,195	\$ 51,476
Total Business-Type Activities	\$ 57,195	\$ 57,195	\$ (57,195)	\$ 57,195	\$ 51,476
Long-term Liabilities Due in More than One Year				\$ 5,719	
Component Unit Activities:					
Compensated Absences	\$ 2,012	\$ 9,945	\$ (2,012)	\$ 9,945	\$ 8,950
Total Business-Type Activities	\$ 2,012	\$ 9,945	\$ (2,012)	\$ 9,945	\$ 8,950
Long-term Liabilities Due in More than One Year				\$ 995	

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

G. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2024 were as follows:

<u>Due to (payable):</u>	<u>Due From (receivable):</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>ARPA</u>	<u>Nonmajor Governmental Funds</u>	<u>Utility Fund</u>	
General	\$ -	\$ 69,293	\$ -	\$ 38,117	\$ -	\$ 107,410
2014 Bond capital projects		-	-	-	629,410	629,410
2020 Bond capital projects	66,774	-	1,003	-	-	67,777
Nonmajor governmental funds	-	-	51,697	700	2,214	54,611
Utility		8,533	-	-	-	8,533
Total	<u>\$ 66,774</u>	<u>\$ 77,826</u>	<u>\$ 52,700</u>	<u>\$ 38,817</u>	<u>\$ 631,624</u>	<u>\$ 859,208</u>

The amounts payable relates to temporary loans for operating and capital activities that will be replenished in the subsequent year. The EDC recognized a receivable from the primary government in the amount of \$9,353 in the current year.

Transfers between the primary government during the 2024 year were as follows:

<u>Transfer In:</u>	<u>Transfers (Out):</u>	
	<u>2020 Bond Capital Projects</u>	<u>Total</u>
ARPA	\$ 2,739	\$ 2,739
Total	<u>\$ 2,739</u>	<u>\$ 2,739</u>

Transfers between the primary government and the component unit during the 2024 year were as follows:

<u>Transfer In:</u>	<u>Transfers (Out):</u>	
	<u>EDC</u>	<u>Total</u>
Debt service	\$ 80,981	\$ 80,981
ARPA	63,725	63,725
Total	<u>\$ 144,706</u>	<u>\$ 144,706</u>

Transfers between the primary government funds were primarily to support debt service requirements and operation of funds. Transfers between the primary government and the

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

component unit are presented as expenses and intergovernmental revenue in the EDC and primary government, respectively.

H. Governmental Fund Equity

The City records restrictions to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures due to internal assignments. The following is a list of restricted/assigned fund balances:

	Restricted Fund Balance
Public safety	\$ 26,627
Parks	871,193
Communication	500,640
TIRZ	7,480
Municipal court	183,948
Housing finance corp.	238,756
Public facility corp.	1,616,112
Child safety	31,606
Capital projects	3,725,320
Total	\$ 7,201,682

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts; theft, damage, or destruction of assets; errors and omission; injuries to employees or others; and natural disasters. The City's primary risk management activity is to maintain various types of insurance coverage to cover any significant losses that might be incurred.

The City is contingently liable with respect to claims or litigation arising from the ordinary course of operations. The settlement of such claims would require budget appropriations of future revenues. City officials have asserted that they have no significant pending or threatened litigation or claims against the City that would have a material adverse effect on the financial position of the City. Federal and State funds received during the current year and prior years through various grant programs are subject to audit by the applicable agencies. The City does not anticipate any substantial disallowance of project costs for any of the projects.

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

B. Contingent Liabilities

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

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

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.

C. Commitments

Tax Increment Reinvestment Zone ("TIRZ")

The City is a principal in the Tax Increment Reinvestment Zone Number One, pursuant to chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Converse and the County of Bexar are funding infrastructure improvements through tax increment financing to the Converse Moving Forward project.

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvements. The total projected cost is a combined amount of \$31.6 million. Project costs of the developer will be funded up to 100% (76.19% from maintenance and operations and 23.81% from Income and Sinking) of the tax increment generated by the City of Converse and Bexar County is funded 100% by the maintenance and operation property tax. The City of Converse has committed up to \$18.9 million of the total \$31.6 million. The Zone has a statutory termination date of September 30, 2047. The TIRZ has collected \$725,352 from the taxing entities (net of administrative reimbursements) as of September 30, 2024. The City paid \$414,577 to the Zone, representing its commitment for the fiscal year ended September 30, 2024. The City receives \$21,000 in oversight fees to administer the Zone.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

September 30, 2024

City Square Apartments

The Converse Public Facilities Corporation (the "PFC") is the sole member of City Square Living LLC, which owns a 0.01% equity interest in the City Square Apartments, Ltd partnership. The purpose of this partnership was to obtain funding to construct and manage a low-income apartment housing complex in Converse, Texas known as the City Square Apartments (the "Project"). As a part of the agreement, the City is entitled to a portion of the net cash flow of the project. As of September 30, 2023, the City received all development fees. Once deferred development fees are received the City is entitled to a portion of the annual net cash flow of the Project. The PFC's capital investment in the Project is minimal, thus no asset is recorded in the PFC's financial statements.

Financing for the Project was acquired through bonds issued by the Converse Housing Finance Corporation (the "HFC"): Multi-family Housing Revenue Bonds, Series 2007 for \$14,300,000. Through a subordination agreement with the purchaser of the bonds and Converse City Square Apartments, Ltd. the bonds issued do not constitute debt or a pledge of faith or credit of the HFC or the City of Converse. Accordingly, the bonds have not been reported in the accompanying financial statements. At September 30, 2024, the estimated outstanding amount of conduit debt was \$11,240,000. The HFC receives an annual payment of \$7,500 for issuer fees.

D. Pension Plans

Texas Municipal Retirement Systems

Plan Description

The City of Converse participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Benefits Provided

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

	<u>Plan Year 2022</u>	<u>Plan Year 2023</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	235
Active employees	190
Total	513

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Contributions

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

Employees for the City of Converse were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Converse were 14.27% and 13.84% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,753,302, and were \$30,234 more than the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 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 actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) 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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net	Total Net Pension Liability	Primary Government	Component Units
Balance at 12/31/22	\$ 41,321,013	\$ 33,540,726	\$ 7,780,287	\$ 7,605,943	\$ 174,344
Changes for the year:					
Service cost	1,854,768	-	1,854,768	1,822,576	32,192
Interest	2,793,774	-	2,793,774	2,733,887	59,887
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(73,607)	-	(73,607)	(72,029)	(1,578)
Changes of assumptions	(271,302)	-	(271,302)	271,302	(5,816)
Contributions – employer	-	1,573,049	(1,573,049)	(1,539,329)	(33,720)
Contributions – employee	-	771,643	(771,643)	(755,102)	(16,541)
Net investment income	-	3,885,828	(3,885,828)	(3,802,532)	(83,296)
Benefit payments, including refunds of emp. contributions	(1,718,311)	(1,718,311)	-	-	-
Administrative expense	-	(24,696)	24,696	24,167	529
Other changes	-	(172)	172	168	4
Net changes	2,585,322	4,487,341	(1,902,019)	(1,853,681)	(48,338)
Balance at 12/31/23	<u>\$ 43,906,335</u>	<u>\$ 38,028,067</u>	<u>\$ 5,878,268</u>	<u>\$ 5,752,262</u>	<u>\$ 126,006</u>

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

Primary Government

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 12,649,537	\$ 5,752,262	\$ 217,868

Component Unit

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 277,093	\$ 126,006	\$ 4,773

Total

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 12,926,630	\$ 5,878,268	\$ 222,641

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2024, the City recognized pension expense of \$1,459,404. Of the total pension expense, \$1,428,120 is related to the primary government and \$31,284 is attributable to the discretely presented component unit.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Primary Government:		
Difference between projected and actual investment earnings	\$ 846,987	\$ -
Differences between expected and actual economic experience	92,157	-
Contributions subsequent to the measurement date	1,237,876	-
Change in assumptions	-	(186,707)
Component Units:		
Difference between projected and actual investment earnings	18,554	-
Differences between expected and actual economic experience	2,018	-
Contributions subsequent to the measurement date	27,116	-
Change in assumptions	-	(4,090)
Total	\$ 2,224,708	\$ (190,797)

The City reported \$1,264,992 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Of the \$1,264,992 recognized contributions, \$1,237,876 related to the primary government and \$27,116 is attributable to the discretely presented component unit.

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

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

Year ended December 31:	Primary Government	Discretely Presented Component Units	Total
2024	\$ 254,543	\$ 5,566	\$ 260,109
2025	196,355	4,294	200,649
2026	618,997	13,536	632,533
2027	(317,457)	(6,915)	(324,372)
2028	-	-	-
Thereafter	-	-	-
	<u>\$ 752,437</u>	<u>\$ 16,482</u>	<u>\$ 768,919</u>

Other Postemployment Benefits

The City also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	37
Active employees	190
Total	286

The City's contributions to the TMRS SDBF for the years ended 2024 and 2023 were \$9,238 and \$6,651, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.07%	0.07%	100.0%
2023	0.06%	0.06%	100.0%
2024	0.08%	0.08%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85%, including inflation per year
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

September 30, 2024

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

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

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

Primary Government

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 466,252	\$ 385,460	\$ 323,044

Component Unit

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 10,213	\$ 8,444	\$ 7,076

Total

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 476,465	\$ 393,904	\$ 330,120

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Changes in the Total OPEB Liability:

	Total OPEB Liability	Primary Government	Component Units
Balance at 12/31/22	\$ 355,035	\$ 347,437	\$ 7,598
Changes for the year:			
Service Cost	23,047	22,540	507
Interest	14,712	14,397	315
Difference between expected actual experience	(12,533)	(12,265)	(268)
Changes of assumptions	20,227	19,794	433
Benefit payments	(6,584)	(6,443)	(141)
Net changes	38,869	38,023	846
Balance at 12/31/23	<u>\$ 393,904</u>	<u>\$ 385,460</u>	<u>\$ 8,444</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$21,834. Of this amount, \$21,367 is related to the primary government and \$467 is attributable to the component units.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Primary Government:		
Change in assumptions	\$ -	\$ (27,114)
Difference between projected and actual investment earnings	-	(67,708)
Contributions subsequent to measurement date	7,155	-
Component Units:	-	
Change in assumptions	\$ -	\$ (594)
Difference between projected and actual investment earnings	-	(1,483)
Contributions subsequent to measurement date	157	-
Total	<u>\$ 7,312</u>	<u>\$ (96,899)</u>

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

The City reported \$7,312 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Of the \$7,312 in contributions, \$7,155 is related to the primary government and \$157 is attributable to the component units.

Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Primary	Discretely Presented	Total
	Government	Component Units	
2024	\$ (14,809)	\$ (324)	\$ (15,133)
2025	(17,666)	(386)	(18,052)
2026	(28,210)	(617)	(28,827)
2027	(32,285)	(706)	(32,991)
2028	(1,852)	(44)	(1,896)
Thereafter	-	-	-
	<u>\$ (94,822)</u>	<u>\$ (2,077)</u>	<u>\$ (96,899)</u>

Other Postemployment Benefits Retiree Healthcare Plan

Plan Description

The City allows any employee retiring from the City with at least 15 years of service to participate in the group health insurance coverage provided by the City. Retirees would be responsible for 100% of the plan premiums; however, the City would contribute up to \$3,600 per year (\$5,000 per family per year) towards the retiree's deductible through a health savings account. All coverage ends when the retiree reaches age 65.

In order to be eligible for the Plan, the retiree must separate from service with at least 15 years of service with the City and be a current recipient of retirement benefits from TMRS if employed before April 1, 2016 or 20 years of service with the City and be a current recipient of retirement benefits from TMRS if employed on or after April 1, 2016. The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for spouse ends when Medicare coverage begins.

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

September 30, 2024

Employees covered by benefit terms

Membership in the plan at December 31, 2023, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	183
Total	187

Actuarial Assumptions and Methods:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	3.77% (increased from 1.84%)
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2023, as conducted by TMRS.
Mortality	Mortality for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Participate Rates	30% retirees age 50 or older at retirement

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Bond Buyer GO Bond 20 Year Index rate as of December 31, 2023.

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

Primary Government

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 649,549	\$ 576,895	\$ 513,229

Component Unit

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 14,229	\$ 12,637	\$ 11,243

Total

1% Decrease 2.77%	Current Single Rate Assumption 3.77%	1% Increase 4.77%
\$ 663,778	\$ 589,532	\$ 524,472

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

Healthcare Cost Trend

Primary Government

1% Decrease 2.77%	Current Healthcare Cost Trend 3.77%	1% Increase 4.77%
\$ 496,223	\$ 576,895	\$ 676,003

Component Unit

1% Decrease 2.77%	Current Healthcare Cost Trend 3.77%	1% Increase 4.77%
\$ 10,870	\$ 12,637	\$ 14,808

Total

1% Decrease 2.77%	Current Healthcare Cost Trend 3.77%	1% Increase 4.77%
\$ 507,093	\$ 589,532	\$ 690,811

Changes in the Total OPEB Liability

	Total OPEB Healthcare Liability	Primary Government	Component Units
Balance at 12/31/2022	\$ 518,399	\$ 510,178	\$ 8,221
Changes for the year:			
Service Cost	37,910	34,206	3,704
Interest	21,702	21,237	465
Change in benefit terms	-	-	-
Difference between expected and actual experience	(26,797)	(26,223)	(574)
Changes of assumptions	41,329	40,443	886
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments	(3,011)	(2,946)	(65)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	71,133	66,717	4,416
Balance at 12/31/2023	\$ 589,532	\$ 576,895	\$ 12,637

City of Converse, Texas

NOTES TO THE FINANCIAL STATEMENTS, Continued

September 30, 2024

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$34,283. Of this amount, \$33,548 is related to the primary government and \$735 is attributable to the component units.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Primary Government:		
Change in assumptions	\$ -	\$ (21,978)
Difference between projected and actual investment earnings	-	(153,810)
Contributions subsequent to measurement date	22,529	-
Component Units:	-	
Change in assumptions	\$ -	\$ (482)
Difference between projected and actual investment earnings	-	(3,369)
Contributions subsequent to measurement date	494	-
Total	<u>\$ 23,023</u>	<u>\$ (179,639)</u>

The City reported \$23,023 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Of the \$23,023 in contributions, \$22,529 is related to the primary government and \$494 is attributable to the component units.

Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Primary	Discretely Presented	
Year ended December 31:	Government	Component Units	Total
2025	\$ (24,787)	\$ (542)	\$ (25,329)
2026	(26,998)	(590)	(27,588)
2027	(26,039)	(569)	(26,608)
2028	(26,463)	(579)	(27,042)
2029	(31,054)	(679)	(31,733)
Thereafter	(40,447)	(892)	(41,339)
	<u>\$ (175,788)</u>	<u>\$ (3,851)</u>	<u>\$ (179,639)</u>

City of Converse, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
September 30, 2024

E. Restatements

The City restated beginning fund balance/net position for the general fund, 2020 Bond capital projects fund, and governmental activities to restate payables, grants receivable, capital assets, and long-term debt. The restatement of beginning fund balance/net position is as follows:

	General Fund	2020 Bond Capital Project	2014 Bond Capital Project	Total Governmental Activities
Prior year ending net position/fund balance, as reported	\$ 8,041,955	\$ 4,407,925	\$ (92,308)	\$ 44,920,999
Restate payables	(42,754)	-	-	(42,754)
Restate grants receivable	-	(1,459,142)	-	(1,459,142)
Restate capital assets	-	(443,906)	(79,591)	56,532
Restate bond premiums	-	-	-	(135,372)
Restate note payables	-	-	-	70,631
Accrued payroll	(427,869)	-	-	(427,869)
Restated beginning net position/fund balance	<u>\$ 7,571,332</u>	<u>\$ 2,504,877</u>	<u>\$ (171,899)</u>	<u>\$ 42,983,025</u>

	Utility	Stormwater	Business-type Activities
Prior year ending net position, as reported	\$ 34,547,447	\$ -	\$ 34,547,447
Correction of customer deposits	(195,438)	-	(195,438)
Correction of payables	510,692	-	510,692
Separation of fund	(1,195,263)	1,195,263	-
Accrued payroll	(39,116)	-	(39,116)
Restated beginning net position	<u>\$ 33,628,322</u>	<u>\$ 1,195,263</u>	<u>\$ 34,823,585</u>

	CEDC
Prior year ending net position, as reported	\$ 7,697,990
Accrued payroll	(9,500)
Restated beginning net position	<u>\$ 7,688,490</u>

F. Subsequent Events

There were no material subsequent events through April 10, 2025, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Converse, Texas

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

For the Year Ended September 30, 2024

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 8,380,005	\$ 8,475,964	\$ 95,959
Sales and use tax	4,012,000	4,223,640	211,640
Franchise and local taxes	1,470,000	1,635,959	165,959
License and permits	1,611,500	925,682	(685,818)
Grants and contributions	-	32,019	32,019
Charges for services	1,693,700	2,685,859	992,159
Fines and forfeitures	360,000	784,490	424,490
Investment income	200,000	795,170	595,170
Other revenue	342,300	325,906	(16,394)
Total Revenues	18,069,505	19,884,689	1,815,184
<u>Expenditures</u>			
Current:			
General government	2,928,878	3,207,750	(278,872)
Municipal court	307,045	341,544	(34,499)
Public safety	6,261,206	6,649,964	(388,758)
Fire and EMS	5,042,408	5,056,838	(14,430)
Public works	3,257,683	3,201,589	56,094
Parks and recreation	482,174	543,723	(61,549)
Library	437,749	400,106	37,643
Debt service			
Principal	-	236,345	(236,345)
Total Expenditures	18,717,143	19,637,859	(920,716) *
Revenues Over (Under) Expenditures	(647,638)	246,830	894,468
<u>Other Financing Sources (Uses)</u>			
Lease issuance	-	905,877	905,877
Transfers in	250,000	-	(250,000)
Transfers (out)	(25,000)	-	25,000
Total Other Financing Sources (Uses)	225,000	905,877	680,877
Net Change in Fund Balance	\$ (422,638)	1,152,707	\$ 1,575,345
Beginning fund balance		7,571,332	
Ending Fund Balance		\$ 8,724,039	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

* Expenditures exceeded appropriations at the legal level of control.

City of Converse, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total pension liability				
Service cost	\$ 1,854,768	\$ 1,828,623	\$ 1,780,556	\$ 1,486,194
Interest	2,793,774	2,594,531	2,361,440	2,248,093
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(73,607)	106,589	763,036	(603,730)
Changes of assumptions	(271,302)	-	-	-
Benefit payments, including refunds of participant contributions	(1,718,311)	(1,463,833)	(1,487,834)	(1,709,264)
Net change in total pension liability	2,585,322	3,065,910	3,417,198	1,421,293
Total pension liability - beginning	41,321,013	38,255,103	34,837,905	33,416,612
Total pension liability - ending (a)	43,906,335	41,321,013	38,255,103	34,837,905
Plan fiduciary net position				
Contributions - employer	\$ 1,573,049	\$ 1,451,155	\$ 1,461,370	\$ 1,218,803
Contributions - members	771,643	733,965	730,164	622,558
Net investment income	3,885,828	(2,584,363)	4,005,937	2,159,303
Benefit payments, including refunds of participant contributions	(1,718,311)	(1,463,833)	(1,487,834)	(1,709,264)
Administrative expenses	(24,696)	(22,361)	(18,523)	(13,964)
Other	(172)	26,683	127	(545)
Net change in plan fiduciary net position	4,487,341	(1,858,754)	4,691,241	2,276,891
Plan fiduciary net position - beginning	33,540,726	35,399,480	30,708,239	28,431,348
Plan fiduciary net position - ending (b)	\$ 38,028,067	\$ 33,540,726	\$ 35,399,480	\$ 30,708,239
Fund's net pension liability - ending (a) - (b)	\$ 5,878,268	\$ 7,780,287	\$ 2,855,623	\$ 4,129,666
Plan fiduciary net position as a percentage of the total pension liability	86.61%	81.17%	92.54%	88.15%
Covered payroll	\$ 10,974,960	\$ 10,485,221	\$ 10,430,911	\$ 8,883,404
Fund's pension liability as a percentage of covered payroll	53.56%	74.20%	27.38%	46.49%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
\$ 1,416,876	\$ 1,315,188	\$ 1,223,634	\$ 1,099,215	\$ 1,020,472
2,082,579	1,918,902	1,778,970	1,679,685	1,624,621
-	-	-	-	-
104,583	234,123	91,173	(249,788)	(92,280)
187,436	-	-	-	90,654
(1,038,906)	(1,149,512)	(983,466)	(1,257,382)	(757,593)
2,752,568	2,318,701	2,110,311	1,271,730	1,885,874
30,664,044	28,345,343	26,235,032	24,963,302	23,077,428
33,416,612	30,664,044	28,345,343	26,235,032	24,963,302
\$ 1,177,164	\$ 1,123,010	\$ 1,054,882	\$ 905,367	\$ 896,703
599,283	553,597	511,370	457,953	442,036
3,713,387	(725,835)	2,879,529	1,309,500	27,711
(1,038,906)	(1,149,512)	(983,466)	(1,257,382)	(757,593)
(20,964)	(14,019)	(14,918)	(14,783)	(16,877)
(630)	(732)	(756)	(796)	(834)
4,429,334	(213,491)	3,446,641	1,399,859	591,146
24,002,014	24,215,505	20,768,864	19,369,005	18,777,859
\$ 28,431,348	\$ 24,002,014	\$ 24,215,505	\$ 20,768,864	\$ 19,369,005
\$ 4,985,264	\$ 6,662,030	\$ 4,129,838	\$ 5,466,168	\$ 5,594,297
85.08%	78.27%	85.43%	79.16%	77.59%
\$ 8,561,186	\$ 7,908,524	\$ 7,305,279	\$ 6,531,284	\$ 6,314,801
58.23%	84.24%	56.53%	83.69%	88.59%

City of Converse, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 1,723,068	\$ 1,519,536	\$ 1,468,651
Contributions in relation to the actuarially determined contribution	\$ 1,723,068	\$ 1,515,416	\$ 1,468,651
Contribution deficiency (excess)	\$ -	\$ 4,120	\$ -
Annual covered payroll	\$ 12,350,181	\$ 10,592,266	\$ 10,458,144
Employer contributions as a percentage of covered payroll	13.95%	14.31%	14.04%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u> ¹
\$ 1,374,636	\$ 1,222,676	\$ 1,162,633	\$ 1,106,307	\$ 1,021,029	\$ 928,862
<u>\$ 1,374,636</u>	<u>\$ 1,222,676</u>	<u>\$ 1,162,633</u>	<u>\$ 1,106,307</u>	<u>\$ 1,021,029</u>	<u>\$ 928,862</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,754,769	\$ 8,810,952	\$ 8,393,002	\$ 7,761,104	\$ 7,138,244	\$ 6,668,257
14.09%	13.88%	13.85%	14.25%	14.30%	13.93%

City of Converse, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	¹ 12/31/2023	12/31/2022	12/31/2021	12/31/2020
Total OPEB liability				
Service cost	\$ 23,047	\$ 35,650	\$ 39,637	\$ 25,762
Interest	14,712	9,932	9,690	10,927
Differences between expected and actual experience	(12,533)	(8,280)	(3,350)	(21,039)
Changes of assumptions	20,227	(200,561)	18,638	69,088
Benefit payments	(6,584)	(7,340)	(7,302)	(1,777)
Net changes	38,869	(170,599)	57,313	82,961
Total OPEB liability - beginning	355,035	525,634	468,321	385,360
Total OPEB liability - ending	² \$ 393,904	\$ 355,035	\$ 525,634	\$ 468,321
 Covered payroll	 \$ 10,974,960	 \$ 10,485,221	 \$ 10,430,911	 \$ 8,883,404
Fund's net position as a percentage of covered payroll	 3.59%	 3.39%	 5.04%	 5.27%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
\$ 17,122	\$ 19,771	\$ 16,072
11,310	10,146	9,619
(9,773)	(4,269)	-
71,259	(24,332)	26,025
(1,712)	(1,582)	(1,461)
<u>88,206</u>	<u>(266)</u>	<u>50,255</u>
<u>297,154</u>	<u>297,420</u>	<u>247,165</u>
<u>\$ 385,360</u>	<u>\$ 297,154</u>	<u>\$ 297,420</u>
\$ 8,561,186	\$ 7,908,524	\$ 7,305,279
4.50%	3.76%	4.07%

City of Converse, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS RETIREE HEALTH CARE PLAN

Years Ended:

	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Total OPEB liability				
Service cost	\$ 37,910	\$ 58,009	\$ 54,139	\$ 40,660
Interest	21,702	11,930	15,226	18,842
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(26,797)	(8,928)	(168,171)	(21,109)
Changes of assumptions	41,329	(147,389)	10,973	53,921
Benefit payments, including refunds of participant contributions	(3,011)	(29,200)	(24,797)	(21,057)
Net change in total OPEB liability	<u>71,133</u>	<u>(115,578)</u>	<u>(112,630)</u>	<u>71,257</u>
Total OPEB liability - beginning	<u>\$ 518,399</u>	<u>\$ 633,977</u>	<u>\$ 746,607</u>	<u>\$ 675,350</u>
Total OPEB liability - ending	<u><u>\$ 589,532</u></u>	<u><u>\$ 518,399</u></u>	<u><u>\$ 633,977</u></u>	<u><u>\$ 746,607</u></u>
 Covered-employee payroll	 \$ 10,885,733	 \$ 10,485,221	 \$ 10,430,911	 \$ 8,883,404
City's total OPEB liability as a percentage of covered-employee payroll	5.42%	4.94%	6.08%	8.40%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> ¹
\$ 32,261	\$ 29,505	\$ 25,628
22,852	20,686	21,961
-	-	-
(9,063)	(2,638)	-
49,181	(23,543)	28,206
(39,435)	(29,294)	(29,113)
<u>55,796</u>	<u>(5,284)</u>	<u>46,682</u>
\$ 619,554	\$ 624,838	\$ 578,156
<u>\$ 675,350</u>	<u>\$ 619,554</u>	<u>\$ 624,838</u> ²
\$ 8,561,186	\$ 7,240,254	\$ 6,437,334
7.89%	8.56%	9.71%

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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)

Financial Advisory Services
Provided By:

