**NEW ISSUE - BOOK-ENTRY-ONLY**

**Rating: S&P: "AA" (BAM Insured)**
**"A" (Underlying)**
**(See: "OTHER PERTINENT INFORMATION-Ratings", "CERTIFICATE INSURANCE" and "CERTIFICATE INSURANCE GENERAL RISKS" herein)**

**OFFICIAL STATEMENT**
**August 11, 2026**

*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.)*

***The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.***

**$3,975,000**
**CITY OF COCKRELL HILL, TEXAS**
**(A political subdivision of the State of Texas located in Dallas County, Texas)**
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**Dated Date: August 1, 2026** **Due: February 1, as shown on inside cover**

The $3,975,000 City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (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, and an ordinance (the "Ordinance") adopted by the City Council of the City of Cockrell Hill, Texas (the "City" or the "Issuer") on August 11, 2026. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. The Certificates are additionally 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. 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 PROPERTY TAXATION – Debt Tax Rate Limitations" herein).

Interest on the Certificates will accrue from August 1, 2026 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, 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) (a) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (b) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (c) installation, rehabilitation, and replacement of water and sewer lines; and (d) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including expanding the City's Stevie Ray Vaughn Park to include a new parking lot and new facilities to serve the park; (2) 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 (3) the payment of professional services related 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 BUILD AMERICA MUTUAL ASSURANCE COMPANY (see "CERTIFICATE INSURANCE" herein).

SEE THE 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 September 9, 2026.*

**$3,975,000**
**CITY OF COCKRELL HILL, TEXAS**
**(A political subdivision of the State of Texas located in Dallas County, Texas)**
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**MATURITY SCHEDULE**
**(Due February 1)**

**$1,980,000 SERIAL CERTIFICATES**

**CUSIP Prefix No. 191630[1]**

| Stated Maturity February 1 | Principal Amount | Initial Rate (%) | Initial Yield (%) | CUSIP Suffix[1] |
|---|---|---|---|---|
| 2027 | $35,000 | 6.000 | 2.850 | DY5 |
| 2028 | 50,000 | 6.000 | 2.950 | DZ2 |
| 2029 | 80,000 | 6.000 | 3.000 | EA6 |
| 2030 | 145,000 | 6.000 | 3.100 | EB4 |
| 2031 | 150,000 | 6.000 | 3.150 | EC2 |
| 2032 | 160,000 | 6.000 | 3.200 | ED0 |
| 2033 | 170,000 | 6.000 | 3.300 | EE8 |
| 2034 | 180,000 | 6.000 | 3.400 | EF5 |
| 2035 | 195,000 | 6.000 | 3.500 | EG3 |
| 2036 | 205,000 | 6.000 | 3.600[2] | EH1 |
| *** | | | | |
| 2045 | 300,000 | 4.125 | 4.125 | ES7 |
| 2046 | 310,000 | 4.125 | 4.150 | ET5 |

**$1,995,000 TERM CERTIFICATES**

| | | | | |
|---|---|---|---|---|
| $440,000 | 4.250% | Term Certificates due February 1, 2038 and priced to yield 3.750%[2] | CUSIP Suffix[1] | EK4 |
| $480,000 | 4.000% | Term Certificates due February 1, 2040 and priced to yield 3.850%[2] | CUSIP Suffix[1] | EM0 |
| $520,000 | 4.000% | Term Certificates due February 1, 2042 and priced to yield 3.950%[2] | CUSIP Suffix[1] | EP3 |
| $555,000 | 4.000% | Term Certificates due February 1, 2044 and priced to yield 4.050% | CUSIP Suffix[1] | ER9 |

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on February 1, 2038, 2040, 2042 and 2044 (collectively, the "Term Certificates") are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "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 a sold at a premium will be redeemed on February 1, 2035, the earliest redemption date for the Certificates.

**CITY OF COCKRELL HILL, TEXAS**

**4125 W Clarendon**
**Cockrell Hill, Texas 75211**
**Telephone: (214) 330-6333**

**ELECTED OFFICIALS**

| Name | Years On Council | Term Expires (May) |
|---|---|---|
| Luis Carrera<br>Mayor | 26 | 2028 |
| Miriam Rodriguez<br>Mayor Pro-Tem | 16 | 2027 |
| Rene Hudson-Franklin<br>Councilmember, Place 2 | 7 | 2028 |
| Alejandra Arriaga<br>Councilmember, Place 3 | 5 | 2027 |
| Melinda Rios<br>Councilmember, Place 4 | 1 | 2027 |
| Anna Zayas Rodriguez<br>Councilmember, Place 5 | 5 | 2027 |

**ADMINISTRATION**

| Name | Position | Length of Service With the City (years) |
|---|---|---|
| Bret Haney | City Administrator | 20 years |
| Robert F. Brown | City Attorney | 23 years |

**CONSULTANTS AND ADVISORS**

**Bond Counsel** ........................................ Norton Rose Fulbright US LLP
Austin, Texas

**Certified Public Accountants** ........................................ Fox Byrd & Company, P.C.
Dallas, Texas

**Financial Advisor** ........................................ SAMCO Capital Markets, Inc.
San Antonio, Texas

***For Additional Information Please Contact:***

Mr. Bret Haney
City Administrator
**City of Cockrell Hill**
4125 W Clarendon
Cockrell Hill, Texas 75211
Telephone: (214) 330-6333
bhaney@cockrell-hill.tx.us

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 "CERTIFICATE INSURANCE" herein, as such information is provided by DTC and the bond insurer (if any) 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.

## TABLE OF CONTENTS



*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 Cockrell Hill, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas located off of Interstate 30 in southwest Dallas County. The City consists of the Mayor and five Council Members all elected at large for two-year terms. The City's 2026 estimated population is 3,804. (See "APPENDIX C - General Information Regarding the City of Cockrell Hill and Dallas 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, and an ordinance (the "Ordinance") adopted by the City Council of the City, on August 11, 2026. (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 City 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 additionally 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. 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 PROPERTY TAXATION – 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, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on February 1, 2038, 2040, 2042 and 2044 (collectively, the "Term Certificates") are also subject to mandatory sinking fund 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.) |
| **Qualified Tax-Exempt Obligations** | The Issuer **HAS** designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" 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) (a) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (b) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (c) installation, rehabilitation, and replacement of water and sewer lines; and (d) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including expanding the City's Stevie Ray Vaughn Park to include a new parking lot and new facilities to serve the park; (2) 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 (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.) |

| | |
|---|---|
| **Ratings** | The Certificates are rated of "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), by virtue of a municipal bond insurance policy to be issued by Build America Mutal Assurance Company ("BAM"). S&P has assigned an underlying, unenhanced rating of "A" to the Certificates without regard to credit enhancement. (See "OTHER PERTINENT INFORMATION - Ratings" herein.) |
| **Certificate 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 BAM (See "CERTIFICATE INSURANCE" and "CERTIFICATE 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 2026. However, the Issuer may have the potential to issue refunding bonds in 2026. |
| **Delivery** | When issued, anticipated on or about September 9, 2026. |
| **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**

**$3,975,000**
**CITY OF COCKRELL HILL, TEXAS**
**(A political subdivision of the State of Texas located in Dallas County, Texas)**
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Cockrell Hill, Texas (the "City" or the "Issuer") of its $3,975,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026 (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. 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, 2026 (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, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on August 11, 2026.

### 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 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. 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**

*Optional Redemption*. The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, 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.

*Mandatory Sinking Fund Redemption:* The Certificates maturing February 1, 2038, 2040, 2042 and 2044 (the "Term Certificates") are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on February 1, in the years and principal amounts shown below:

| Term Certificates to Mature on February 1, 2038 | | Term Certificates to Mature on February 1, 2040 | |
|---|---|---|---|
| Year | Principal Amount | Year | Principal Amount |
| 2037 | $215,000 | 2039 | $235,000 |
| 2038* | 225,000 | 2040* | 245,000 |

| Term Certificates to Mature on February 1, 2042 | | Term Certificates to Mature on February 1, 2044 | |
|---|---|---|---|
| Year | Principal Amount | Year | Principal Amount |
| 2041 | $255,000 | 2043 | $270,000 |
| 2042* | 265,000 | 2044* | 285,000 |

*Payable at Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund. Any Certificate not selected for prior redemption shall be paid on the date of their stated maturity. The principal amount of a Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

**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 or 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) (a) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; (b) providing for drainage improvements, including designing, engineering, and construction costs related thereto; (c) installation, rehabilitation, and replacement of water and sewer lines; and (d) designing, constructing, acquiring, purchasing, renovating, equipping, enlarging, and improving the City's parks or recreation facilities, including expanding the City's Stevie Ray Vaughn Park to include a new parking lot and new facilities to serve the park; (2) 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 (3) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Sources and Uses**

| | |
|---|---|
| Sources | |
| Par Amount of the Certificates | $3,975,000.00 |
| Accrued Interest on the Certificates | 19,872.15 |
| Net Reoffering Premium | 206,183.50 |
| Total Sources of Funds | $4,201,055.65 |
| | |
| Uses | |
| Project Fund Deposit | $4,000,000.00 |
| Purchaser's Discount (including bond insurance premium) | 67,589.19 |
| Certificate Fund Deposit (Accrued Interest) | 19,872.15 |
| Costs of Issuance | 113,594.31 |
| Total Uses | $4,201,055.65 |

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

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

### BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

*Capitalization of BAM*

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

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

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

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

*Additional Information Available from BAM*

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

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

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

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

## 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 1, 2026 the City held investments as follows:

| Investment Type | Amount | Percentage |
|---|---|---|
| Tex Pool (Water / Sewer) | $325,976 | 99.73% |
| Tex Pool (General Fund) | 866.59 | .27% |
| Total | $326,843 | 100.00% |

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.

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## CONVENING OF TEXAS LEGISLATURE

The regular session of the 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). 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 lasing 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 adjourned sine die on August 15, 2025 (the "First Special Session"). The Governor had identified eighteen (18) agenda items to be considered during the First Special Session. The Governor called for a second special session on August 12, 2025, which commenced on August 15, 2025 and adjourned sine die on September 4, 2025 (the "Second Special Session"), which covered the exact same eighteen (18) agenda items that were the subject of the First Special Session.

The City is still in the process of reviewing legislation passed during the 2025 Legislative Sessions. 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 any proposed legislation on the agenda for the first called special session or any additional legislation that may be considered during 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 Dallas 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.

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

Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027.

**Local Option Freeze for the Elderly and Disabled**

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

**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.  Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the State Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, regardless of where the property is located in the taxing unit).

**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.  Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the 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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the three tax years prior to the current tax year divided by the current total.

"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. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.
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 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 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 grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of $10,000.

The City has not granted an additional exemption of 20% of the appraised value of residence homesteads; minimum exemption of $5,000.

The City has not adopted the tax freeze for citizens who are disabled or 65 years of age or older.

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

The City does not tax nonbusiness personal property; and Dallas Central Appraisal District does collect taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy and does not have any existing tax abatement agreements.

The City does participate in a tax increment financing zone. Since its inception there have been no contracts.

## 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 (see "Qualified Tax-Exempt Obligations" below), 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 (see "Qualified Tax-Exempt Obligations" below), 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.

**Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

**The City has designated the Certificates as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.**

## CONTINUING DISCLOSURE OF INFORMATION

The City is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"), pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the City who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Certificates) in an aggregate principal amount exceeding $10,000,000. Pursuant to this exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further 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, which is customarily prepared by the City and is publicly available, with the MSRB annually. Such information to be provided consists of the quantitative and financial information and operating data with respect to the City of the general type included in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year of the City beginning in the year 2026. The Issuer 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 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**

Except as disclosed below, during the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

Due to an administrative oversight, the City did not file its financial audit for the fiscal year ended 2017. The City filed this audit and a notice of failure to timely file with EMMA on March 18, 2022. The City has since put procedures in place to ensure that it meets its continuing disclosure obligations moving forward.

## 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, Austin, 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 Ratings ("S&P") assigned a rating of "AA" (stable outlook) to the Certificates based solely upon the municipal certificate insurance policy to be issued by the Certificate Insurer on the date of initial delivery of the Certificates and an underlying rating of "A" to the Certificates without regard to credit enhancement. An explanation of the significance of such rating may be obtain 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 BOK Financial Securities, Inc. (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 $206,183.50, 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 has been approved as to form and content and the use thereof in the offering of the Certificates has been 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 has been approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

**CITY OF COCKRELL HILL, TEXAS**

/s/ Luis Carrera
Mayor
City of Cockrell Hill, Texas

ATTEST:

/s/ Bret Haney
City Secretary
City of Cockrell Hill, Texas

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## APPENDIX A

## FINANCIAL INFORMATION RELATING TO
## THE CITY OF COCKRELL HILL, TEXAS

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## FINANCIAL INFORMATION OF THE ISSUER

### ASSESSED VALUATION — TABLE 1

| | | |
|---|---|---|
| 2025 Certified Market Value of Taxable Property (100% of Market Value) | $ | 299,624,910 |
| Less Exemptions: | | |
| Optional Over 65 or Disabled | $ | 1,860,100 |
| Veterans' Exemptions | | 412,989 |
| Pollution Control | | 45,512 |
| Totally Exempt | | 14,693,762 |
| Loss to 10% HO Cap | | 41,992,999 |
| **TOTAL EXEMPTIONS** | $ | 59,005,362 |
| 2025 Certified Assessed Value of Taxable Property | $ | 240,619,548 |
| 2026 Certified Assessed Value of Taxable Property | $ | 257,071,850 |

*Source: Dallas Central Appraisal District.*
*Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.*

### GENERAL OBLIGATION BONDED DEBT

*(as of August 1, 2026)*

**General Obligation Debt Principal Outstanding**

| | | |
|---|---|---|
| General Obligation Bonds, Series 2015 | $ | 2,080,000 |
| General Obligation Refunding Bonds, Series 2019 | | 615,000 |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 | | 1,820,000 |
| The Certificates | | 3,975,000 |
| Total Gross General Obligation Debt | $ | 8,490,000 |
| Less: Self Supporting Debt | | |
| General Obligation Bonds, Series 2015 (100% W&S) | $ | 2,080,000 |
| Total Self-Supporting Debt | $ | 2,080,000 |
| Total Net General Obligation Debt Outstanding | $ | 6,410,000 |
| 2026 Net Assessed Valuation | $ | 257,071,850 |
| Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation | | 3.30% |
| Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation | | 2.49% |

Population: 1990 - 3,746; 2000 - 4,443; 2010 - 4,193; est. 2026 - 3,804
Per Capita Certified Net Taxable Assessed Valuation - $67,579.35
Per Capita Gross General Obligation Debt Principal - $2,231.86
Per Capita Net General Obligation Debt Principal - $1,685.07

### CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE — TABLE 2

*(As of September 30, 2025)*

The City is purchasing various pieces of equipment as detailed under capital lease purchase agreements. The interest rates range from 2.61% to 5.10%.

The capital assets acquired through capital leases are as follows:

| | | |
|---|---|---|
| Machinery under capital lease obligations | $ | 460,887 |
| Less: Accumulated Depreciation | | (100,779) |
| Net | $ | 360,108 |

*Source: The City's Fisal Year Ending 2025 Financial Statements.*

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year Ending Sept. 30 | Current Total Outstanding Debt[(a)] | The Certificates Principal | The Certificates Interest | The Certificates Total | Combined Debt Service[(a)] | Less: Self-Supporting Debt | Total Net Debt Service |
|---|---|---|---|---|---|---|---|
| 2026 | $ 626,909 | | | | $ 626,909 | $ 135,367 | $ 491,542 |
| 2027 | 561,159 | $ 35,000 | $ 187,213 | $ 222,213 | 783,371 | 132,159 | 651,212 |
| 2028 | 560,444 | 50,000 | 184,663 | 234,663 | 795,106 | 133,950 | 661,156 |
| 2029 | 558,902 | 80,000 | 180,763 | 260,763 | 819,665 | 135,602 | 684,063 |
| 2030 | 556,652 | 145,000 | 174,013 | 319,013 | 875,665 | 132,115 | 743,550 |
| 2031 | 558,727 | 150,000 | 165,163 | 315,163 | 873,890 | 133,627 | 740,263 |
| 2032 | 425,906 | 160,000 | 155,863 | 315,863 | 741,769 | - | 741,769 |
| 2033 | 427,000 | 170,000 | 145,963 | 315,963 | 742,963 | - | 742,963 |
| 2034 | 422,588 | 180,000 | 135,463 | 315,463 | 738,050 | - | 738,050 |
| 2035 | 422,669 | 195,000 | 124,213 | 319,213 | 741,881 | - | 741,881 |
| 2036 | 148,113 | 205,000 | 112,213 | 317,213 | 465,325 | - | 465,325 |
| 2037 | 149,131 | 215,000 | 101,494 | 316,494 | 465,625 | - | 465,625 |
| 2038 | 149,988 | 225,000 | 92,144 | 317,144 | 467,131 | - | 467,131 |
| 2039 | 145,763 | 235,000 | 82,663 | 317,663 | 463,425 | - | 463,425 |
| 2040 | 146,456 | 245,000 | 73,063 | 318,063 | 464,519 | - | 464,519 |
| 2041 | 146,988 | 255,000 | 63,063 | 318,063 | 465,050 | - | 465,050 |
| 2042 | 147,356 | 265,000 | 52,663 | 317,663 | 465,019 | - | 465,019 |
| 2043 | - | 270,000 | 41,963 | 311,963 | 311,963 | - | 311,963 |
| 2044 | - | 285,000 | 30,862 | 315,862 | 315,862 | - | 315,862 |
| 2045 | - | 300,000 | 18,975 | 318,975 | 318,975 | - | 318,975 |
| 2046 | - | 310,000 | 6,394 | 316,394 | 316,394 | - | 316,394 |
| Total | $ 6,154,749 | $ 3,975,000 | $ 2,128,806 | $ 6,103,806 | $ 12,258,554 | $ 802,820 | $ 11,455,734 |

[(a)] *Includes self-supporting debt.*

**TAX ADEQUACY (Includes Self-Supporting Debt) ***

| | |
|---|---|
| 2026 Certified Net Taxable Assessed Valuation | $ 257,071,850 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-30) | 875,665 |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | $ 0.3476 |

* *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) ***

| | |
|---|---|
| 2026 Certified Net Taxable Assessed Valuation | $ 257,071,850 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-30) | 743,550 |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | $ 0.29514 |

**Includes the Certificates.*

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

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

| Fiscal Year Ending 9-30 | Principal Repayment Schedule Currently Outstanding[(a)] | The Certificates | Total | Principal Unpaid at End of Year | Percent of Principal Retired (%) |
|---|---|---|---|---|---|
| 2027 | $ 395,000 | $ 35,000 | $ 430,000 | $ 8,060,000 | 5% |
| 2028 | 410,000 | 50,000 | 460,000 | 7,600,000 | 10% |
| 2029 | 425,000 | 80,000 | 505,000 | 7,095,000 | 16% |
| 2030 | 440,000 | 145,000 | 585,000 | 6,510,000 | 23% |
| 2031 | 460,000 | 150,000 | 610,000 | 5,900,000 | 31% |
| 2032 | 345,000 | 160,000 | 505,000 | 5,395,000 | 36% |
| 2033 | 360,000 | 170,000 | 530,000 | 4,865,000 | 43% |
| 2034 | 370,000 | 180,000 | 550,000 | 4,315,000 | 49% |
| 2035 | 385,000 | 195,000 | 580,000 | 3,735,000 | 56% |
| 2036 | 120,000 | 205,000 | 325,000 | 3,410,000 | 60% |
| 2037 | 125,000 | 215,000 | 340,000 | 3,070,000 | 64% |
| 2038 | 130,000 | 225,000 | 355,000 | 2,715,000 | 68% |
| 2039 | 130,000 | 235,000 | 365,000 | 2,350,000 | 72% |
| 2040 | 135,000 | 245,000 | 380,000 | 1,970,000 | 77% |
| 2041 | 140,000 | 255,000 | 395,000 | 1,575,000 | 81% |
| 2042 | 145,000 | 265,000 | 410,000 | 1,165,000 | 86% |
| 2043 | - | 270,000 | 270,000 | 895,000 | 89% |
| 2044 | - | 285,000 | 285,000 | 610,000 | 93% |
| 2045 | - | 300,000 | 300,000 | 310,000 | 96% |
| 2046 | - | 310,000 | 310,000 | - | 100% |
| Total | $ 4,515,000 | $ 3,975,000 | $ 8,490,000 | | |

[(a)] *Includes self-supporting debt.*

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2017-2026** **TABLE 3**

| Tax Year | Net Taxable Assessed Valuation | Change From Preceding Year Amount ($) | Percent |
|---|---|---|---|
| 2017 | $ 106,054,362 | - | - |
| 2018 | 120,138,789 | 14,084,427 | 13.28% |
| 2019 | 124,415,658 | 4,276,869 | 3.56% |
| 2020 | 134,824,939 | 10,409,281 | 8.37% |
| 2021 | 148,675,638 | 13,850,699 | 10.27% |
| 2022 | 179,014,088 | 30,338,450 | 20.41% |
| 2023 | 204,966,977 | 25,952,889 | 14.50% |
| 2024 | 227,480,641 | 22,513,664 | 10.98% |
| 2025 | 240,619,548 | 13,138,907 | 5.78% |
| 2026 | 257,071,850 | 16,452,302 | 6.84% |

*Source: Dallas Central Appraisal District.*

**PRINCIPAL TAXPAYERS 2025*** **TABLE 4**

| Name | Type of Business/Property | 2025 Net Taxable Assessed Valuation | % of Total 2025 Assessed Valuation |
|---|---|---|---|
| LSG1 PLAZA DE ORO LLC | Shopping Center | $ 13,950,000 | 5.80% |
| METRO 404 168 LLC | Apartments | 12,491,410 | 8.40% |
| HILL DEVELOPMENT COMPANY INC | CVS Pharmacy | 4,289,410 | 2.89% |
| JAYSHRI HANUMAN INC | Liquor, laundromat & resturant | 1,900,000 | 1.28% |
| DURANGO FOODS LLC | Grocery Store | 1,730,490 | 1.16% |
| ATMOS ENERGY | Natural Gas Distribution | 1,711,870 | 1.15% |
| KHALAF MAJED & MANAL | Multi Family Apartments | 1,410,000 | 0.95% |
| CODE FD PORTFOLIO IV LLC | Dollar General retail store | 1,404,130 | 0.94% |
| COCKRELL HILL TX 2017 LLC | Planet Dental Dentistry | 1,327,950 | 0.89% |
| CENTURY 9711 LLC | Auto Zone retail stores | 1,320,000 | 0.89% |
| | | $ 41,535,260 | 24.35% |

*Source: Dallas Central Appraisal District.*

* As shown in the table above, the top ten taxpayers in the City account for in excess of 24% of the City's tax base. Adverse developments in economic conditions, expecially in a particular industry in which any one of these large taxpayers participates, could adversely impact these businesses and, consequently, the tax values in the City, resulting inless local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the City to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually. See "THE BONDS - Default and Remedies" and "AD VALOREM TAX PROCEDURES - Issuer's Rights in the Event of Tax Delinquencies" in this Official Statement.

**The 2026 Principal Taxpayers were not available at the time of posting the official statement.*

**CLASSIFICATION OF ASSESSED VALUATION*** **TABLE 5**

| | 2025 | % of Total | 2024 | % of Total | 2023 | % of Total |
|---|---|---|---|---|---|---|
| Real, Residential, Single-Family | $ 195,689,160 | 65.31% | $ 190,904,310 | 65.57% | $ 171,577,540 | 65.39% |
| Real, Residential, Multi-Family | 30,009,740 | 10.02% | 28,905,090 | 9.93% | 23,978,730 | 9.14% |
| Real, Vacant Lots/Tracts | 9,181,490 | 3.06% | 8,622,660 | 2.96% | 7,765,810 | 2.96% |
| Real, Commercial and Industrial | 51,062,510 | 17.04% | 50,110,610 | 17.21% | 48,515,000 | 18.49% |
| Real & Tangible, Personal Utilities | 2,730,620 | 0.91% | 2,195,960 | 0.75% | 1,774,640 | 0.68% |
| Tangible Personal, Commercial & Industrial | 10,760,010 | 3.59% | 10,197,590 | 3.50% | 8,583,450 | 3.27% |
| Special Inventory | 191,380 | 0.06% | 206,290 | 0.07% | 209,580 | 0.08% |
| **Total Appraised Value** | $ 299,624,910 | 100.00% | $ 291,142,510 | 100.00% | $ 262,404,750 | 100.00% |
| **Less:** | | | | | | |
| Optional Over 65 or Disabled | $ 1,860,100 | | $ 1,896,800 | | $ 1,696,800 | |
| Veterans' Exemptions | 412,989 | | 373,355 | | 337,324 | |
| Pollution Control | 45,512 | | 57,331 | | 59,880 | |
| Totally Exempt | 14,693,762 | | 14,245,900 | | 15,187,580 | |
| Loss to 10% HO Cap | 41,992,999 | | 47,088,483 | | 40,156,189 | |
| **Net Taxable Assessed Valuation** | $ 240,619,548 | | $ 227,480,641 | | $ 204,966,977 | |

*Source: Dallas Central Appraisal District.*

**The 2026 Classification of Assessed Valuation unavailable at the time of posting the official Statement*

**TAX DATA** **TABLE 6**

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy | % of Collections Total | Year Ended | |
|---|---|---|---|---|---|---|
| 2017 | 106,054,362 | 1.058833 | 1,122,939 | 101.74% | 9/30/2018 | |
| 2018 | 120,138,789 | 0.988947 | 1,188,109 | 99.80% | 9/30/2019 | |
| 2019 | 124,415,658 | 0.947126 | 1,178,373 | 100.69% | 9/30/2020 | |
| 2020 | 134,824,939 | 0.850573 | 1,146,785 | 99.57% | 9/30/2021 | |
| 2021 | 148,675,638 | 0.823016 | 1,223,624 | 99.94% | 9/30/2022 | |
| 2022 | 179,014,088 | 0.757780 | 1,356,533 | 96.24% | 9/30/2023 | |
| 2023 | 204,966,977 | 0.772596 | 1,583,567 | 101.29% | 9/30/2024 | |
| 2024 | 227,480,641 | 0.695086 | 1,581,186 | 99.02% | 9/30/2025 | |
| 2025 | 240,619,548 | 0.675743 | 1,625,970 | 97.84% | 9/30/2026 | * |
| 2026 | 257,071,850 | *[to be adopted]* | | | 9/30/2027 | |

*Source: The Municipal Advisory Council of Texas.*
**As of May, 2026.*

**TAX RATE DISTRIBUTION** **TABLE 7**

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| General Fund | $ 0.434353 | $ 0.441062 | $ 0.492408 | $ 0.520170 | $ 0.648945 |
| I & S Fund | 0.241390 | 0.254024 | 0.280188 | 0.237610 | 0.174071 |
| Total Tax Rate | $ 0.675743 | $ 0.695086 | $ 0.772596 | $ 0.757780 | $ 0.823016 |

*Source: The Municipal Advisory Council of Texas, the Dallas Central Appraisal District.*

**MUNICIPAL SALES TAX COLLECTIONS** **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, authorizing the City to levy a 1% sales tax. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The Issuer approved a ½¢ sales tax for economic development in 1987 and a ½¢ sales tax for property tax relief in 1990. The City's total sales tax rate is 1%. Net collections on calendar year basis are as follows:

| Calendar Year | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate |
|---|---|---|---|
| 2017 | 375,676 | 33.45% | 0.354 |
| 2018 | 467,546 | 39.35% | 0.389 |
| 2019 | 418,601 | 35.52% | 0.336 |
| 2020 | 477,281 | 41.62% | 0.354 |
| 2021 | 537,634 | 43.94% | 0.362 |
| 2022 | 588,000 | 43.35% | 0.328 |
| 2023 | 610,457 | 38.55% | 0.298 |
| 2024 | 627,745 | 39.70% | 0.276 |
| 2025 | 651,934 | 40.10% | 0.271 |
| 2026 | 353,706 | *(as of July, 2026)* | |

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

**OVERLAPPING DEBT INFORMATION**

*(As of August 1, 2026)*

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 8/1/2026) | % Overlapping | Amount Overlapping |
|---|---|---|---|
| Dallas County | $ 502,665,000 | 0.06% | $ 301,599 |
| Dallas County CCD | 177,300,000 | 0.06% | 106,380 |
| Dallas County Hospital District | 511,285,000 | 0.06% | 306,771 |
| Dallas County Schools | | 0.00% | - |
| Dallas Independent School District | 5,420,660,000 | 0.11% | 5,962,726 |
| Total Gross Overlapping Debt | | | $ 6,677,476 |
| City of Cockrell Hill | | | $ 8,490,000 * |
| Total Gross Direct and Overlapping Debt | | | $ 15,167,476 * |
| Ratio of Gross Direct and Overlapping Debt to 2026 Net Assessed Valuation | | | 5.90% * |
| Per Capita Gross Direct and Overlapping Debt | | | $ 3,987 * |

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is $6,410,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

| | |
|---|---|
| Total Direct and Overlapping Debt | $ 13,087,476 * |
| Ratio of Direct and Overlapping Debt to 2026 Net Assessed Valuation | 5.09% * |
| Per Capita Net Direct and Overlapping Debt | $3,440.45 * |

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

* *Includes the Certificates.*

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

| Governmental Subdivision | 2025 Assessed Valuation | % of Actual | 2025 Tax Rate |
|---|---|---|---|
| Dallas County | $ 431,262,097,321 | 100% | $ 0.216000 |
| Dallas County CCD | 442,387,293,421 | 100% | 0.107000 |
| Dallas County Hospital District | 432,204,862,499 | 100% | 0.212000 |
| Dallas County Schools | 381,614,871,575 | 100% | - |
| Dallas Independent School District | 198,514,827,514 | 100% | 0.994000 |

*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 |
|---|---|---|---|---|---|
| Dallas County | None | | | - | - |
| Dallas County CCD | 5/14/2019 | Faclity | 1,102,000,000 | 350,000,000 | 752,000,000 |
| Dallas County Hospital District | None | | | - | - |
| Dallas County Schools | None | | | - | - |
| Dallas Independent School District | 5/2/2026 | School Bldg & Buses | 5,928,820,000 | - | 5,928,820,000 |
| | | Technology | 144,700,000 | | 144,700,000 |
| | | Refunding | 143,340,000 | | 143,340,000 |
| | | Athletic Improvements | 26,250,000 | | 26,250,000 |
| Cockrell Hill, City of | None | | | - | - |

*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.

| | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|
| | 9/30/2025* | 9/30/2024 | 9/30/2023 | 9/30/2022 | 9/30/2021 |
| Fund Balance - Beginning of Year | $ 1,821,889 | $ 1,901,896 | $ 1,118,354 | $ 1,145,094 | $ 804,883 |
| Revenues | $ 4,133,530 | $ 4,124,526 | $ 3,853,775 | $ 3,228,870 | $ 3,077,273 |
| Expenditures | 4,592,068 | 3,424,207 | 3,070,233 | 2,976,472 | 2,458,649 |
| Excess (Deficit) of Revenues Over Expenditures | $ (458,538) | $ 700,319 | $ 783,542 | $ 252,398 | $ 618,624 |
| Other Financing Sources (Uses): | | | | | |
| Sale of Capital Assets | $ - | $ - | $ - | $ - | $ - |
| Lease Proceeds | 98,723 | - | - | - | - |
| Operating Transfers In | (399,624) | (780,326) | - | (279,138) | (278,413) |
| Operating Transfers Out | - | - | - | - | - |
| Total Other Financing Sources (Uses): | $ (300,901) | $ (780,326) | $ - | $ (279,138) | $ (278,413) |
| Fund Balance - End of Year | $ 1,062,450 | $ 1,821,889 | $ 1,901,896 | $ 1,118,354 | $ 1,145,094 |

**The decrease in City's General Fund balance for its fiscal year ending September 30, 2025 is due to a one time capital expenditure of apporximately $800,000 for the remodel of the City Hall and Annex.*

*Note: The City estimates the General Fund balance will be $1,000,000 for the fiscal year ending September 30, 2026.*

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

## EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS — TABLE 10

Information regarding the City's Pension Plan can be found in the 2025 Audit* under Note L. Employee Retirement Pension Plan.

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## APPENDIX B

## GENERAL INFORMATION REGARDING THE CITY OF COCKRELL HILL AND DALLAS COUNTY, TEXAS

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## GENERAL INFORMATION

### City of Cockrell Hill

The City of Cockrell Hill (the "City") is located in southwest Dallas County a mile south of Interstate Highway 30. The City has a total area of 0.6 square miles. In 1937 the City became incorporated with a population of 459. The City is located in Dallas, County. Most residents who reside in Cockrell Hill work in surrounding areas of City of Dallas. In 2020 the City's population was 3,815 and the 2026 estimated population is 3,804.

### Education

Dallas Independent School District serves the students that reside in Cockrell Hill.

### Higher Education

The Dallas County Community College District operates Mountain View College which is located near Cockrell Hill near Dallas.

### The County

Dallas County, Texas is 900 square miles and is in the center of four interstate highways. It is home to thirty cities, and has a population of almost 2.5 million. The county seat is the City of Dallas. The County is located in north central Texas, and is strategically central to economic region of Texas, Louisiana, Arkansas, Oklahoma, and New Mexico.

**Labor Force Statistics (1)**

| | 2026 (2) | 2025 (3) | 2024 (3) | 2023 (3) | 2022 (3) | 2021 (3) |
|---|---|---|---|---|---|---|
| Civilian Labor Force | 1,439,209 | 1,438,197 | 1,414,942 | 1,405,116 | 1,384,809 | 1,421,015 |
| Total Employed | 1,370,484 | 1,379,205 | 1,356,046 | 1,348,681 | 1,331,778 | 1,364,493 |
| Total Unemployed | 68,725 | 58,992 | 58,896 | 56,435 | 53,031 | 56,522 |
| % Unemployment | 4.8% | 4.1% | 4.2% | 4.0% | 3.8% | 4.0% |
| Texas Unemployment | 4.4% | 4.2% | 4.1% | 4.0% | 3.9% | 4.3% |

(1) Source: Texas Workforce Commission.
(2) As of June 2026.
(3) Average Annual Statistics.

**2025 Top 10 Principal Employers in Dallas County**

| Company | Type of Business | Number of Employees |
|---|---|---|
| UT Southwestern Medical Center | Health Care Provider | 22,721 |
| JP Morgan Chase | Financial Services | 18,500 |
| Medical City Healthcare | Health Care Provider | 17,000 |
| Kroger | Retailer | 13,000 |
| Dallas County | Government | 6,690 |
| Deloitte LLP | Consultant | 4,895 |
| University of Texas at Dallas | Education | 3,891 |
| American Heart Association | Non-Profit | 3,698 |
| Ernst & Young | Accounting | 3,502 |
| Coldwell Banker/Richard Ellis (CBRE) | Commercial Real Estate | 3,046 |

## APPENDIX C

## FORM OF LEGAL OPINION OF BOND COUNSEL

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September 9, 2026

**FINAL**

IN REGARD to the authorization and issuance of the "City of Cockrell Hill, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2026" (the *Certificates*), dated August 1, 2026 in the aggregate principal amount of $3,975,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Cockrell Hill, 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 2027 through 2036, February 1, 2038, February 1, 2040, February 1, 2042, February 1, 2044 and February 1 in each of the years 2045 through 2046, unless optionally or mandatorily 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 concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF COCKRELL HILL, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026"**

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

**Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "CITY OF COCKRELL HILL, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026"**

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, 2025**

(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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# CITY OF COCKRELL HILL, TEXAS

# FINANCIAL STATEMENTS
**(Together with Independent Auditor's Reports)**

# FISCAL YEAR ENDED SEPTEMBER 30, 2025

# City of Cockrell Hill

4125 W. Clarendon Drive
Cockrell Hill, Texas 75211
Telephone: (214) 330-6333     Fax: (214) 330-5483

## TABLE OF CONTENTS

## FISCAL YEAR ENDED SEPTEMBER 30, 2025

FOX BYRD & COMPANY, P.C.
ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
The City of Cockrell Hill, Texas

### Report on the Audit of the Financial Statements

### Opinions

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

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

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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**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.

**Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-11), the Texas Municipal Retirement System pension and OPEB schedules found on pages 65-68, and the schedule of General Fund revenues, expenditures and changes in net position – budget vs. actual, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and discretely presented component units, and the budgetary comparison schedule – enterprise fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Fox, Byrd + Company, P.C.

February 10, 2026
Dallas, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS – 2024 vs. 2025

Management of the City of Cockrell Hill offers readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

### FINANCIAL HIGHLIGHTS

- At year end, the resources (assets) of the City total $23,303,901, of which $19,484,621 (84%) were capital assets and $2,888,780, (12%) was cash in financial institutions. Our resources increased by $569,233 compared to the prior year primarily due to increase in capital assets.
- The City has obligations (liabilities) totaling $6,063,691 which represents a decrease of $823,773 from fiscal year 2024, which primarily reflects principal payments during the fiscal year.
- As of the close of the current fiscal year, the City's Net Position (resources less obligations) was $17,252,111, which represents an increase of $1,160,437 compared to the prior fiscal year, which is primarily the result of operations of governmental activities.
- Total revenues were $6,484,569 which was represents an increase of $187,451 compared to the prior year. This increase is primarily attributable to capital grants and contributions in the year ended September 30, 2025. Total expenses were $5,324,132 which represents a decrease of $9,850, essentially in line with prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall net position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and recreational, municipal court, and capital projects funds. Our proprietary fund represents the water & sewer utility which operates as a business-type activity. The City has created the Cockrell Hill Revitalization Association (CHRVA) as a separate 501c3 corporation entity that allows corporations who, as a matter of corporate donation policy, only give to 501c3 entities. The CHRVA will consult with the City Council to develop and implement programs that aim to revitalize, beautify, repair, and restore the City. The CHRVA will act on behalf of the City to carry out these activities traditionally performed by the City to revitalize, beautify, and restore the City. By doing so, the Association will help reduce the government's workload. CHRVA is a discretely presented component unit, that, although legally separate, the City  is financially accountable for this component unit. The City Council appoints the CHRVA’s Board of Directors, sets the budget and approves debt issuance (if any).The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund-Level 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 financial and related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

  The focus of fund-level financial statements is narrower than that of the government-wide financial statements when compared with similar information presented for governmental activities in the government-wide financial statements. By comparing the two presentations, you better understand the long-term effect 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 the fund-level financial statements and the government-wide reports.

  The City maintains three major governmental funds – the General Fund which captures all activities operated by the City; the Capital Projects Fund which tracks the activities associated with various capital expenditures to enhance the City, such as streets, curbs & gutters renovation and the special revenue fund which tracks activities associated with Federal awards and other restricted resources.

  The City adopts appropriated budgets for its general fund and proprietary fund.  Budget-to-actual comparative income statements are presented for the General Fund on page 65 while the proprietary fund budget-to-actual comparison is presented as other supplementary information on page 70.  The basic fund-level financial statements can be found on pages 14 and 16 of this report.

- **Proprietary Funds –** The City maintains one proprietary / business-type activity fund which presents the results of operations and financial resources of the City’s water / sewer utility operations. Proprietary funds 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 Water & Sewer fund since it is deemed to be a major fund of the City. The proprietary fund financial statements can be found on pages 18-20 of this report.

**Notes to the Financial Statements** – The Notes to Financial Statements provide additional information essential to obtain a more complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21– 64 of this report.

**Other Information** – In addition to Financial Statements and Footnotes, this report also presents Required Supplementary Information, which is comprised of the [1] Schedule of Revenues, Expenditures & Changes in Fund Balance Budget vs. Actual – General Fund; [2] Schedule of Changes in Net Pension Asset and Related Ratios; [3] Schedule of Contributions to the Pension Plan; [4] Schedule of Changes in OPEB Liability, and [5] Schedule of OPEB Contributions. Required Supplementary Information can be found beginning on page 64 of this report. This reporting package also includes the Schedule of Revenues, Expenses and Changes in Net Position – Budget vs. Actual for the Water & Sewer Fund which presents a comparison of actual results of operations to the budgeted amount adopted by the City Council, which can be found on page 69 below.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $17,240,210 as of September 2025. A significant portion of the City's net position (81%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, capital projects, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service 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 capital assets themselves cannot be used to liquidate these liabilities. Table 1 summarizes the City's government-wide position (assets plus deferred outflows less liabilities and deferred inflows).

## TABLE 1 NET POSITION

| | Governmental Activities | | Business-type Activities | | Government Wide Totals | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Current and other assets | $ 2,718,835 | $ 4,269,353 | $ 647,904 | $ 666,932 | $ 3,366,739 | $ 4,936,285 |
| Net capital assets | 16,712,428 | 15,126,895 | 2,772,193 | 2,479,883 | 19,484,621 | 17,606,778 |
| Net pension asset | 408,054 | 168,742 | 44,487 | 22,862 | 452,541 | 191,604 |
| **Total assets** | 19,839,317 | 19,564,990 | 3,464,584 | 3,169,677 | 23,303,901 | 22,734,667 |
| Deferred outflows of resources | 473,260 | 643,460 | 37,140 | 52,601 | 510,400 | 696,061 |
| Current liabilities | 861,224 | 1,378,341 | 407,292 | 363,199 | 1,268,516 | 1,741,540 |
| Long-term liabilities | 4,113,102 | 4,396,743 | 682,073 | 749,181 | 4,795,175 | 5,145,924 |
| **Total liabilities** | 4,974,326 | 5,775,084 | 1,089,365 | 1,112,380 | 6,063,691 | 6,887,464 |
| Deferred inflows of resources | 456,084 | 411,590 | 42,415 | 40,000 | 498,499 | 451,590 |
| **Net position** | | | | | | |
| Net investment in capital assets | 12,187,212 | 10,348,557 | 1,798,346 | 1,798,346 | 13,985,558 | 12,146,903 |
| Restricted | 1,493,571 | 1,879,622 | 98,914 | 81,595 | 1,592,485 | 1,961,217 |
| Unrestricted | 1,201,384 | 1,793,597 | 472,684 | 189,957 | 1,674,068 | 1,983,554 |
| **Total net position** | $ 14,882,167 | $ 14,021,776 | $ 2,369,944 | $ 2,069,898 | $ 17,252,111 | $ 16,091,674 |

- **Analysis of the City's Financial Position**

The City's current assets reflect a decrease of $1,569,546 in cash resulting primarily from expenditures for operations. The City's capital assets reflect an increase of $1,877,842 which is due to infrastructure and machinery and equipment additions of $2,688,890 less current year deprecation. Depreciation was $744,212. The current liabilities reflect a decrease, primarily from lower deferred revenue. Long term liabilities reflect repayments of $499,950 and minimal new debt. Net position increased primarily because of the net operations.

Table 2 provides a comparative summary of the changes in net position for the fiscal years ended September 30, 2025.

**TABLE 2**

| | Governmental Activities | | Business-type Activities | | Government Wide Totals | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| **Revenues** | | | | | | |
| **Program revenues** | | | | | | |
| Charges for services | $ 1,605,503 | $ 1,555,697 | $ 1,318,358 | $ 1,225,315 | $ 2,923,861 | $ 2,781,012 |
| Capital grants & contributions | 518,294 | 700,578 | 387,331 | - | 905,625 | 700,578 |
| **General revenues** | | | | | | |
| Property tax | 1,646,140 | 1,697,132 | - | - | 1,646,140 | 1,697,132 |
| Sales tax | 656,872 | 637,645 | - | - | 656,872 | 637,645 |
| Franchise fees revenue | 139,164 | 133,038 | - | - | 139,164 | 133,038 |
| Investment earnings | 62,611 | 64,521 | 13,764 | 15,792 | 76,375 | 80,313 |
| Miscellaneous | 136,532 | 267,400 | - | - | 136,532 | 267,400 |
| **Total revenues** | 4,765,116 | 5,056,011 | 1,719,453 | 1,241,107 | 6,484,569 | 6,297,118 |
| **Expenses** | | | | | | |
| General government | 1,214,917 | 1,184,577 | - | - | 1,214,917 | 1,184,577 |
| Public safety | 1,894,184 | 1,742,217 | - | - | 1,894,184 | 1,742,217 |
| Public works | 770,921 | 930,802 | - | - | 770,921 | 930,802 |
| Cultural & recreational | 24,702 | 26,599 | - | - | 24,702 | 26,599 |
| Water & sewer | - | - | 1,419,407 | 1,449,787 | 1,419,407 | 1,449,787 |
| **Total expenses** | 3,904,725 | 3,884,195 | 1,419,407 | 1,449,787 | 5,324,132 | 5,333,982 |
| **Increase (decrease) in net position before transfers** | 860,391 | 1,171,816 | 300,046 | (208,680) | 1,160,437 | 963,136 |
| Transfers, net | - | - | - | - | - | - |
| **Change in net position** | 860,391 | 1,171,816 | 300,046 | (208,680) | 1,160,437 | 963,136 |
| **Net position, beginning of year** | 14,021,776 | 12,849,960 | 2,069,898 | 2,301,156 | 16,091,674 | 15,151,116 |
| Prior period adjustment | - | - | - | (22,578) | - | (22,578) |
| **Net position, beginning of year, as restated** | 14,021,776 | 12,849,960 | 2,069,898 | 2,278,578 | 16,091,674 | 15,128,538 |
| **Net position, end of year** | $ 14,882,167 | $ 14,021,776 | $ 2,369,944 | $ 2,069,898 | $ 17,252,111 | $ 16,091,674 |

- **Analysis of the City's Operations**

Revenues increased by $187,451 which is attributable to the increase in capital grants and contributions and property taxes. Expenses were down $9,850 reflecting an increase in general government and public safety and a decrease of expenditures for public works and water & sewer expenses.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental Funds –** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. For instance, unrestricted fund balances (unassigned, assigned, and committed) may serve as a useful measure of a government's net resources available for spending during the next fiscal year.

As of the end of fiscal 2025, the City's governmental funds reported combined ending net position of $17,252,111 which reflects an increase of $1,160,437 over fiscal 2024 which is the result of increases in revenues and reductions in expenses. Of that balance, $1,288,471 is committed to complete the streets, curbs, and gutters projects.

**Proprietary Funds –** The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer fund at the end of fiscal year 2025 amounted to $472,684 which represents an increase of $282,727 compared to fiscal 2024 and is due primarily to the results of operations.

**General Fund Budgetary Highlights –** Actual General Fund revenues on a budget basis were $4,133,530 and were less than budgeted revenues by $21,987. This was due to increases in most types of revenues except for miscellaneous. Actual General Fund expenditures on a budget basis amounted to $4,592,068 and were higher than budgeted expenditures by ($156,062) which is primarily due to higher public works expenditures.

**Proprietary Fund Budgetary Highlights –** Actual Water & Sewer Fund revenues of $1,318,358 were more than budgeted revenues by $274,358 which is the result of consumption slightly exceeding expectations. Actual expenditures were $1,415,139 in the Water & Sewer Fund and were more than budgeted expenditures by $251,628 which arose because the City purchased more water and wastewater from the City of Dallas.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $19,484,621 (net of accumulated depreciation). Investment in capital assets includes land, construction in progress, buildings, improvements, machinery, equipment, and infrastructure (streets). Currently the City is in the process of two major capital projects – [1] Streets and Gutters which is being financed by the proceeds of General Obligation bonds and a tax note; and [2] water main replacement on Cockrell Hill Road, Dempster and Burns streets, financed primarily by Community Block Development grants from Dallas County in the amount of $4.0 million, of which $3.3 million has been expended through September 30, 2025.

## TABLE 3 – CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

| | Governmental | | Business Activites | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | $ 867,680 | $ 867,686 | $ - | $ - | $ 867,680 | $ 867,686 |
| Captial projects in progress | - | 67,000 | - | - | - | 67,000 |
| Buildings and improvements | 854,468 | 168,778 | 4,698 | 4,698 | 859,166 | 173,476 |
| Water & Sewer Systems | | | 2,615,285 | 2,401,190 | 2,615,285 | 2,401,190 |
| Machinery & equipment | 579,550 | 477,847 | 8,683 | 15,810 | 588,233 | 493,657 |
| Right of use assets | 216,582 | 145,648 | 143,527 | 58,185 | 360,109 | 203,833 |
| Infrastructure | 14,194,148 | 13,399,937 | | | 14,194,148 | 13,399,937 |
| Total | $ 16,712,428 | $ 15,126,895 | $ 2,772,193 | $ 2,479,883 | $ 19,484,621 | $ 17,606,778 |

Major capital outlay additions for government capital projects amounted to $2,688,890, mostly for curb and cutter improvements and there were no major capital outlays for business activities. Depreciation of Water and Sewer fund assets was approximately $257,818. Depreciation of Governmental Capital assets was approximately $486,394.

## DEBT

Table 4 displays the activity related to our long-term indebtedness. Approximately $499,950 of principal payments were made during the year ended September 30, 2025.

### Table 4 – Outstanding Indebtedness at Year End

| | Governmental | | Business Activites | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| General Obligation Bonds | $ 4,150,000 | $ 4,380,000 | $ - | $ - | $ 4,150,000 | $ 4,380,000 |
| Tax Note/Certificate | 80,000 | 160,000 | 730,000 | 840,000 | 810,000 | 1,000,000 |
| Capital Lease Obligation | 155,699 | 92,690 | 77,065 | 22,578 | 232,764 | 115,268 |
| Compensated Absences | 139,650 | 119,415 | - | - | 139,650 | 119,415 |
| Total | $ 4,525,349 | $ 4,752,105 | $ 807,065 | $ 862,578 | $ 5,332,414 | $ 5,614,683 |

## ECONOMIC FACTORS AND THE NEXT FISCALYEAR'S BUDGET AND TAX RATES

The City Council and City Administrator addressed a variety of factors, departmental requests, and public input when setting budget and tax rates for the fiscal year 2025. Within our strategic goal to deliver outstanding operational analysis and effectiveness, the City is committed to providing exceptional services at the greatest possible value. The fiscal year 2025 combined budget was developed with a focus on sustaining The City's excellence and includes enhancements to current services in response to the expectations of our residents and corporate members, which in turn places higher demands on performance levels. No new programs were adopted for fiscal 2025. The projected revenues to be available in fiscal year 2025 will enable the City to maintain fiscal stability, satisfy the debt obligations.

For the fiscal 2025-2026 budget year, the Certified Appraised Values provided by Dallas County Appraisal District for taxable properties within our City limits rose by 10.98%. The additional revenue will be used to make the annual principal and interest payments on the $4 million dollar bond project and to fund normal operations of the City.

The economic indicators for the City of Cockrell Hill reflect very modest growth in real estate values and sales tax revenue for fiscal 2025.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Bret Haney, City Administrator, City of Cockrell Hill, 4125 W. Clarendon Dr., Cockrell Hill, Texas 75211.

CITY OF COCKRELL HILL, TEXAS
STATEMENT OF NET POSITION
September 30, 2025

Exhibit A-1

| | Governmental Activities | Business Type Activities | Total Primary Government | Component Unit |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and cash equivalents | $ 2,411,283 | $ 59,800 | $ 2,471,083 | $ 17,831 |
| Restricted deposits and investments | 498 | 417,199 | 417,697 | - |
| Investments | - | 8,469 | 8,469 | - |
| Receivables, net of allowance for uncollectibles | 307,054 | 162,436 | 469,490 | - |
| Capital assets, net | 16,712,428 | 2,772,193 | 19,484,621 | - |
| Net pension asset | 408,054 | 44,487 | 452,541 | - |
| **Total assets** | 19,839,317 | 3,464,584 | 23,303,901 | 17,831 |
| **Deferred outflows of resources:** | | | | |
| Deferred outflows related to pensions | 460,761 | 35,332 | 496,093 | - |
| Deferred outflows related to OPEB | 12,499 | 1,808 | 14,307 | - |
| **Total deferred outflows of resources** | 473,260 | 37,140 | 510,400 | - |
| **Liabilities:** | | | | |
| Accounts payable and accrued liabilities | 358,871 | 109,339 | 468,210 | - |
| Payable from restricted assets: | | | | |
| Deposits | - | 165,033 | 165,033 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 502,353 | 132,920 | 635,273 | - |
| Due in more than one year | 4,022,996 | 674,145 | 4,697,141 | - |
| OPEB liability | 90,106 | 7,928 | 98,034 | - |
| **Total liabilities** | 4,974,326 | 1,089,365 | 6,063,691 | - |
| **Deferred inflows of resources:** | | | | |
| Deferred inflows related to pensions | 434,178 | 40,578 | 474,756 | - |
| Deferred inflows related to OPEB | 21,906 | 1,837 | 23,743 | - |
| **Total deferred inflows of resources** | 456,084 | 42,415 | 498,499 | - |
| **Net position:** | | | | |
| Net investment in capital assets | 12,187,212 | 1,798,346 | 13,985,558 | - |
| Restricted for | | | | |
| Debt service | - | 98,914 | 98,914 | - |
| Court security and technology | 196,057 | - | 196,057 | - |
| Restricted - public saftey | 9,043 | - | 9,043 | - |
| Restricted - capital projects | 1,288,471 | - | 1,288,471 | - |
| Unrestricted | 1,201,384 | 472,684 | 1,674,068 | 17,831 |
| **Total net position** | $ 14,882,167 | $ 2,369,944 | $ 17,252,111 | $ 17,831 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS**
**STATEMENT OF ACTIVITIES**
**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

**Exhibit A-2**

| | | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| **Program activities** | Expenses | Fees, fines and charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total | Component Unit |
| **Primary government:** | | | | | | | | |
| **Governmental activities:** | | | | | | | | |
| General government | $ 1,214,917 | $ 97,454 | $ - | $ 518,294 | $ (599,169) | $ - | $ (599,169) $ | $ - |
| Public safety | 1,894,184 | 1,068,944 | - | - | (825,240) | - | (825,240) | - |
| Public works | 770,921 | 437,981 | - | - | (332,940) | - | (332,940) | - |
| Parks, recreation and culture | 24,702 | 1,124 | - | - | (23,578) | - | (23,578) | - |
| **Total governmental activities** | 3,904,725 | 1,605,503 | - | 518,294 | (1,780,928) | - | (1,780,928) | - |
| **Business-type activities:** | | | | | | | | |
| Water and sewer | 1,419,407 | 1,318,358 | - | 387,331 | - | 286,282 | 286,282 | - |
| **Total business-type activities** | 1,419,407 | 1,318,358 | - | 387,331 | - | 286,282 | 286,282 | - |
| **Total primary government** | $ 5,324,132 | $ 2,923,861 | $ - | $ 905,625 | $ (1,780,928) | $ 286,282 | $ (1,494,646) | $ - |
| **Component Unit:** | | | | | | | | |
| Cockrell Hill Revitalization Associatic | $ - | $ 3,571 | $ - | - | $ 3,571 | $ - | $ - | $ 3,571 |
| **Total Comonent Unit** | $ - | $ 3,571 | $ - | $ - | $ 3,571 | $ - | $ - | $ 3,571 |
| **General revenues and transfers:** | | | | | | | | |
| Taxes: | | | | | | | | |
| Property tax | | | | | 1,646,140 | - | 1,646,140 | - |
| Sales and mixed beverage tax | | | | | 656,872 | - | 656,872 | - |
| Franchise taxes on gross receipts | | | | | 139,164 | - | 139,164 | - |
| Interest income | | | | | 62,611 | 13,764 | 76,375 | - |
| Miscellaneous | | | | | 136,532 | - | 136,532 | 90 |
| **Total general revenues** | | | | | 2,641,319 | 13,764 | 2,655,083 | 90 |
| **Change in net position** | | | | | 860,391 | 300,046 | 1,160,437 | 3,661 |
| **Net position, beginning of year** | | | | | 14,021,776 | 2,069,898 | 16,091,674 | 14,170 |
| **Net position, end of year** | | | | | $ 14,882,167 | $ 2,369,944 | $ 17,252,111 $ | $ 17,831 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS**
**BALANCE SHEET - GOVERNMENT FUNDS**
**September 30, 2025**

| | | General Fund | | Capital Projects Fund | | Special Revenue Fund | | Non-Major Governmental Funds | | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | | |
| Cash and cash equivalents | $ | 1,084,589 | $ | 1,318,149 | $ | 498 | $ | 8,545 | $ | 2,411,781 |
| Receivables | | | | | | | | | | |
| Property taxes, net of allowance for doubtful accounts of $4,689 | | 148,204 | | - | | - | | - | | 148,204 |
| Accounts receivable | | 158,850 | | - | | - | | - | | 158,850 |
| **Total assets** | $ | 1,391,643 | $ | 1,318,149 | $ | 498 | $ | 8,545 | $ | 2,718,835 |
| **Liabilities:** | | | | | | | | | | |
| Accounts payable | | 96,325 | | 29,678 | | - | | - | | 126,003 |
| Accrued expenses | | 119,709 | | - | | - | | - | | 119,709 |
| Deferred revenue | | 113,159 | | - | | - | | - | | 113,159 |
| **Total liabilities** | | 329,193 | | 29,678 | | - | | - | | 358,871 |
| **Fund balances:** | | | | | | | | | | |
| Restricted - court security and technology | | 196,057 | | - | | - | | - | | 196,057 |
| Restricted - public saftey | | - | | - | | 498 | | 8,545 | | 9,043 |
| Restricted - capital projects | | - | | 1,288,471 | | - | | - | | 1,288,471 |
| Unassigned | | 866,393 | | | | - | | - | | 866,393 |
| **Total fund balances** | | 1,062,450 | | 1,288,471 | | 498 | | 8,545 | | 2,359,964 |
| **Total liabilities and fund balances** | $ | 1,391,643 | $ | 1,318,149 | $ | 498 | $ | 8,545 | $ | 2,718,835 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS** **Exhibit A-4**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

| | |
|---|---|
| **Total fund balance - Governmental funds** | $ 2,359,964 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | 16,712,428 |
| Net pension liability (asset) on the statement of net position does not provide current financial resources and therefore is not reported in the governmental funds balance sheet. | 408,054 |
| Net OPEB liability on the statement of net position does not provide current financial liabilities and therefore is not reported in the governmental funds balance sheet. | (90,106) |
| Deferred inflow/outflow of resources for pensions and OPEB are not reported in the fund financial statements | 17,176 |
| Long-term liabilities, including bonds payable and related items and compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial statements. | (4,525,349) |
| **Net position - Governmental activities** | $ 14,882,167 |

The accompanying notes are an integral part of this statement.

**CITY OFCOCKRELL HILL, TEXAS** **Exhibit A - 5**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENT FUNDS**
**September 30, 2025**

| | General Funds | Capital Projects Fund | Special Revenue Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Property tax | $ 1,646,140 | $ - | $ - | $ - | $ 1,646,140 |
| Sales and mixed beverage taxes | 656,872 | - | - | - | 656,872 |
| Franchise tax | 139,164 | - | - | - | 139,164 |
| Licenses and permits | 107,064 | - | - | - | 107,064 |
| Fines and forfeitures | 685,627 | - | - | - | 685,627 |
| Charges for services | 764,734 | 48,078 | - | - | 812,812 |
| Capital and operating grants | - | - | 515,152 | 3,142 | 518,294 |
| Miscellaneous | 133,929 | - | - | 2,603 | 136,532 |
| Interest income | - | 62,610 | - | 1 | 62,611 |
| **Total revenues** | 4,133,530 | 110,688 | 515,152 | 5,746 | 4,765,116 |
| **Expenditures:** | | | | | |
| Administration and non-departmental | 2,049,811 | - | - | - | 2,049,811 |
| Public safety | | | | | |
| Police | 1,508,167 | - | - | 4,086 | 1,512,253 |
| Fire | 25,190 | - | - | - | 25,190 |
| Municipal court | 212,066 | - | - | - | 212,066 |
| Code enforcement | 94,970 | - | - | - | 94,970 |
| Public works | 115,722 | - | - | - | 115,722 |
| Cultural and recreational | 24,702 | - | - | - | 24,702 |
| Capital outlay | 437,592 | 427,952 | 413,827 | - | 1,279,371 |
| Debt service | 123,847 | 400,425 | - | - | 524,272 |
| **Total expenditures** | 4,592,068 | 828,377 | 413,827 | 4,086 | 5,838,358 |
| **Excess (deficiency) of revenues over (under) expenditures** | (458,538) | (717,689) | 101,325 | 1,660 | (1,073,242) |
| **Other financing sources (uses):** | | | | | |
| Proceeds from lease | 98,723 | - | - | - | 98,723 |
| Transfers in/out | (399,624) | 399,624 | - | - | - |
| **Total other financing sources (uses)** | (300,901) | 399,624 | - | - | 98,723 |
| **Net change in fund balances** | (759,439) | (318,065) | 101,325 | 1,660 | (974,519) |
| **Fund balances, beginning of year** | 1,821,889 | 1,424,718 | 80,991 | 6,885 | 3,334,483 |
| Prior period adjustment | - | 181,818 | (181,818) | - | - |
| **Fund balances, end of year** | $ 1,062,450 | $ 1,288,471 | $ 498 | $ 8,545 | $ 2,359,964 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS** **EXHIBIT A-6**

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

**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

| | | |
|---|---|---|
| **Net change in fund balances - governmental funds** | | $ (974,519) |
| Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. | | 2,117,169 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. | | (486,394) |
| 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the 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. | | |
| Proceeds from issuance of long-term debt | $ (98,723) | |
| Repayment of principal on long-term debt | 345,714 | 246,991 |
| Payments for compensated absences and pension expenses are reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets compensated absences are expensed as they are accrued. | | (20,235) |
| Current year changes in net pension position, OPEB liability, deferred inflows and deferred outflows of resources do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | (22,621) |
| **Change in net position of governmental activities** | | $ 860,391 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS** **Exhibit A-7**
**STATEMENT OF NET POSITION**
**WATER & SEWER FUND**
**September 30, 2025**

| | | Water and Sewer Proprietary Fund |
|---|---|---|
| **Assets:** | | |
| **Current assets:** | | |
| Cash | $ | 59,800 |
| Restricted cash in Texas local government investment pool | | 318,285 |
| Investments | | 8,469 |
| Accounts receivable, net of allowance for doubtful account of $6,690 | | 162,436 |
| **Total current assets** | | 548,990 |
| **Non-current assets:** | | |
| Restricted cash - interest and sinking fund | | 98,914 |
| Capital assets, net | | 2,772,193 |
| Net pension asset | | 44,487 |
| **Total non-current assets** | | 2,915,594 |
| **Total assets** | | 3,464,584 |
| **Deferred outflows of resources:** | | |
| Deferred outflows related to pensions | | 35,332 |
| Deferred outflows related to OPEB | | 1,808 |
| **Total deferred outflows of resources** | | 37,140 |
| **Liabilities:** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | | 109,339 |
| Customer deposits | | 165,033 |
| Current portion of long-term obligations | | 132,920 |
| **Total current liabilities** | | 407,292 |
| **Non-current liabilities:** | | |
| Long-term obligations | | 674,145 |
| OPEB liability | | 7,928 |
| **Total liabilities** | | 1,089,365 |
| **Deferred inflows of resources:** | | |
| Deferred inflows related to pensions | | 40,578 |
| Deferred inflows related to OPEB | | 1,837 |
| **Total deferred inflows of resources** | | 42,415 |
| **Net position:** | | |
| Net investment in capital assets | | 1,798,346 |
| Restricted for debt service | | 98,914 |
| Unrestricted | | 472,684 |
| **Total net position** | $ | 2,369,944 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS** **Exhibit A-8**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**WATER & SEWER FUND**
**September 30, 2025**

| | | Water and Sewer Proprietary Fund |
|---|---|---|
| **Operating revenues:** | | |
| Water and sewer fees | $ | 1,318,358 |
| **Operating expenses:** | | |
| Water purchases and wastewater fees | | 807,962 |
| Salaries and benefits | | 189,404 |
| Office supplies | | 53,718 |
| Printing | | 670 |
| Operating supplies for water and sewer system | | 68,311 |
| Uniforms | | 654 |
| Maintenance | | 36,602 |
| Depreciation | | 257,818 |
| **Total operating expenses** | | 1,415,139 |
| **Income (loss) from operations** | | (96,781) |
| **Non-operating revenues (expenses):** | | |
| Capital Grant | | 387,331 |
| Investment income | | 13,764 |
| Interest expense | | (4,268) |
| **Total non-operating revenues (expenses)** | | 396,827 |
| **Income/(Loss) before contributions and transfers** | | 300,046 |
| **Change in net position** | | 300,046 |
| **Net position, beginning of year** | | 2,069,898 |
| **Net position, end of year** | $ | 2,369,944 |

The accompanying notes are an integral part of this statement.

**CITY OF COCKRELL HILL, TEXAS** **Exhibit A-9**
**STATEMENT OF CASH FLOWS**
**WATER & SEWER FUND**
**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

| | | Water & Sewer Proprietary Fund |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from customers | $ | 1,316,675 |
| Cash payments to suppliers for goods and services | | (939,746) |
| Cash payments to employees for services | | (192,973) |
| **Net cash used in operating activities** | | 183,956 |
| **Cash flows from investing activities:** | | |
| Capital Grant | | 387,331 |
| Investment income | | 13,764 |
| **Net cash provided by investing activities** | | 401,095 |
| **Cash flows from noncapital financing activities:** | | |
| Net debt service for principal proceeds, interest payments and issuance costs | | (59,784) |
| **Net cash used by noncapital financing activities** | | (59,784) |
| **Net decrease in cash and cash equivalents** | | (24,861) |
| **Cash, beginning of year** | | 501,860 |
| **Cash, end of year** | $ | 476,999 |
| **Reconciliation of operating income to net cash provided by operating activities** | | |
| Operating income (Loss) | $ | (96,781) |
| Adjustments to reconcile operating income to cash provided by operating activities | | |
| Depreciation | | 257,818 |
| Change in assets and liabilities | | |
| Receivables | | (5,830) |
| Accounts payable and accrued expenses | | 28,171 |
| Net changes in pension and OPEB balances | | (3,569) |
| Customer deposits | | 4,147 |
| **Net cash used in operating activities** | $ | 183,956 |
| **Reconciliation to statement of financial position** | | |
| Cash | $ | 59,800 |
| Restricted deposits and investments | | 318,285 |
| Restricted cash - interest and sinking fund | | 98,914 |
| **Total cash, end of year** | $ | 476,999 |

The accompanying notes are an integral part of this statement.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *A. REPORTING ENTITY*

The City of Cockrell Hill, Texas (the "City") was organized as a "General Law A" municipality in 1937 and operates with a Council / Mayor form of government. The City Council is the policy-making body and is made up of six (6) elected members, five at-large Council members and an at-large Mayor. The Mayor is elected for a two-year term and is the head of the executive and administrative branches of City government. Basic city services are provided by the following departments – Administration, Municipal Court, Police, Fire, Public Works (streets), Culture (Library) and Recreation (Parks), Code Enforcement and Building Inspection. The City also owns and operates a business-type activity – a water and sewer utility system. Water is purchased from the City of Dallas. Wastewater is processed by the City of Dallas.

The accounting and financial reporting policies described below are included in the accompanying financial statements to conform to the accounting principles generally accepted in the United States of America that are applicable to state and local governments. Generally accepted accounting and financial reporting principles for state and local governments are prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements of the City include the primary governmental organizations for which the primary government is financially accountable, and other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of a reporting entity is based principally on the concept of financial accountability. A primary government, such as the City, is deemed to be financially accountable for entities which make up its legal entity. The City is also financially accountable for separate entities if [1] its officials appoint a voting majority of the organization's governing body, or [2] it is able to impose its will on that organization, or [3] if there is a potential for the separate entity to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for other governmental entities which are financially dependent on it. A primary government has the ability to impose its will on another entity if it can significantly influence programs, projects, or activities of, or the level of services performed or provided by the separate entity. A financial benefit or burden relation exists if the primary government [a] is entitled to the organization's resources; [b] is legally obligated or has otherwise assumed the obligation to finance the deficits of or to provide financial support to the organization; or [c] is obligated in some manner (i.e., guarantor) for the debt of the organization. The City has no such relationships with another governmental entity.

The City reports related organizations under the guidance of GASB Statement No. 61, as amended, which defines a primary government, and establishes criteria for which potential component units are to be included in the financial statements of a reporting entity. GASB Statement No. 61 defines financial accountability of a primary government as being determined on [a] the basis of fiscal dependency, [b] appointment of a voting majority of a governing board, [c] ability to impose its will, or [d] the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on these criteria, the City has determined that it does not have any component units, nor is the City a component unit of another governmental entity.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *B. GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government and any component units, as discussed above. The effect of inter-fund activity, transfers, and balances has been removed from these statements. Government activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

In the government-wide Statement of Net Assets, government funds are presented on a combined basis and reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. The City's net assets are reported in three categories [1] invested in capital assets, net of related debt; [2] restricted net assets; and [3] unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Government-wide Statement of Activities demonstrates the degree to which the direct expenditures of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and [2] grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not classified with program revenues are reported as general revenues.

The Government-wide Statement of Activity reports both the gross and net costs of each of the City's Functions (general government, public safety, and public works). The functions are also supported by general government revenues (property, sales, and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, inspection). Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants. Developer contributions for public works infrastructure are included in capital grants. The City does not allocate indirect costs. The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

### *C. FUND-LEVEL FINANCIAL STATEMENTS*

Separate financial statements are displayed for government type funds and proprietary funds (defined below). The City does not have any fiduciary funds.

- The General Fund is the main operating fund of the City and is used to account for governmental services (police, fire, public works, culture & recreation, streets, capital projects) rendered to its citizenry.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *C. FUND-LEVEL FINANCIAL STATEMENTS - continued*

- The Capital Projects Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial street, and drainage improvements within City limits. In addition, this fund is utilized also to account for the construction, renovation, expansion, or major improvements of various City facilities, the acquisition of land, and any other large nonrecurring capital projects.

- The Water and Sewer Fund (business-type activity) is used to account for the provision of water and sewer services to the residents and commercial businesses within the City limits. Activities of this fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. This fund also accounts for the accumulation of resources for and the payment of principal and interest on long-term debt instruments issued to finance the development and expansion of the water and sewer delivery system. All costs are financed through charges to utility customers with rates that are reviewed regularly and adjusted as warranted to ensure integrity and sustainability of the fund. Being a propriety fund, the water and sewer fund distinguishes operating revenues and expenses from non-operating items.

- Operating revenues and expenses are the result of delivering water / sewer services in connection with a proprietary funds' principal ongoing operations. Operating expenses include personnel costs, contractual services, supplies, and depreciation of the water / sewer system assets. All revenues and expenses not meeting this criterion are reported as non-operating items.

Both the General Fund and the Water / Sewer Fund have a legally adopted annual budget measured on the cash-basis. See Required Supplementary Information for the General Fund budget, and Other Supplementary Information for the Water / Sewer Fund budget.

### *D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION*

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized, recorded in the City's books of account, and presented in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and the fund-level financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means that all assets and liabilities (whether current – meaning due within 12 months) or non-current are included on the statement of net position, while the operating statements present increases (revenues) and decreases (expenses) along with other items which have an effect on net position. Under 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 resource providers have been satisfied.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

*D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued*

Governmental fund-level financial statements are presented using the current financial resources measurement focus and are reported using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within 60 days after year end thus being available to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, which is similar to the accrual basis of accounting. The exception to this general rule is that principal and interest on long-term debt obligations, compensated absences, claims, and judgments, if any, are recognized only when payment is due. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses.

The City's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City applies all Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions applicable to its business-type activities that were issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements.

*E. NEWLY IMPLEMENTED AND FUTURE ACCOUNTING & FINANCIAL REPORTING PRONOUNCEMENTS*

During fiscal year 2025, The City adopted:

- GASB Statement No. 101, Compensated Absences, will amend the methodology for the recognition and measurement for compensated absences.
- GASB Statement No. 102, Certain Risk Disclosures, will provide information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

The GASB has issued the following pronouncements which will become effective in future fiscal years as described below:

- Statement No. 103, Financial Reporting Model Improvements. This statement will become effective for fiscal years beginning after June, 15, 2025. This statement will improve key components of the financial reporting model.
- Statement No. 104, Disclosure of Certain Assets. This statement will become effective for the fiscal year beginning after June 15, 2025. This statement will require detailed information about certain types of assets including lease, right-to-use and subscription assets, and assets held for sale.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *F. USE OF ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles applicable to local governments in the United States requires management and those charged with governance to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ significantly from those estimates.

### *G. REAL PROPERTY AND SALES TAXES*

The City operates under the general laws of the State of Texas as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to $2.50 per $100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas permits allocation of $1.00 of the $1.50 maximum tax rate for all general obligation indebtedness, based on a 90% collection factor. Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1 (the levy date), attach as an enforceable lien on property as of January 1, and become delinquent if not paid by March 1. At the fund level, uncollected property taxes are recorded as receivables and revenues at the time the taxes are assessed. Appraised values are established by the Dallas Central Appraisal District and the certified tax rolls are delivered to the City on July 26 of each year. The Dallas County Tax Assessor/Collector bills and collects the ad valorem taxes for the City. Collections are remitted electronically to the City's bank every month. Revenues are then recognized as the taxes are collected. For the tax year ended December 31, 2024, the City's total tax rate was $0.695086 per $100 Assessed Valuation. The City's average collection factor over the last five (5) years is 96.16%. Property tax levies attach to the property and any delinquent amounts are collected whenever the underlying property is sold or transferred. Therefore, no allowance for unpaid delinquent taxes has been established by the City.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

*G. REAL PROPERTY AND SALES TAXES*

The ten largest property tax remitters are, as reported by the Dallas County Appraisal District –

| Taxpayer | Nature of Operations | Assessed Valuation | % of Total Taxable Valuation |
|---|---|---|---|
| LSG1 Plaza De Oro LLC | Shopping Center | $ 13,950,000 | 6.13% |
| Metro 404 168 LLC | Multi Family Apartments | 12,491,410 | 5.49% |
| Hill Development Company, Inc | CVS Pharmacy | 4,289,410 | 1.89% |
| Jayshri Hanuman Inc | Liquor, laundromat & restaurant | 1,900,000 | 0.84% |
| Durango Foods, LLC | Grocery Store | 1,730,490 | 0.76% |
| Atmos Energy | Natural Gas Distribution | 1,711,870 | 0.75% |
| Khalaf Majed & Manal | Multi Family Apartments | 1,410,000 | 0.62% |
| Cole Fd Portfolio IV LLC | Dollar General retail store | 1,404,130 | 0.62% |
| Cockrell Hil Texas 2017 LLC | Planet Dental Dentistry | 1,327,950 | 0.58% |
| Century 9711 LLC | Auto Zone retail stores | 1,320,000 | 0.58% |
| **Total Top Ten Taxpayers** | | $ 41,535,260 | 18.26% |

Retail merchants within the City limits of Cockrell Hill collect and remit sales and beverage tax to the State Comptroller of Texas. The current rate is 8.25%. The State of Texas electronically remits amounts collected to the City each month.

*H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE*

- Cash Deposits and Cash Equivalents

The Texas Local Government Code (Sections 105.071 and 105.072) governs the City's deposit and investment policies. The City is authorized to deposit funds in banks or trust companies located and authorized to do business in the State of Texas. City Council ordinance authorizes the specific banks or trust companies that may be used as depositories. Funds can generally be invested in demand deposits, certificates of deposit, or TEXPOOL, discussed below. Cash and cash equivalents for eight (8) of the City's funds are pooled to maximize investment return and for ease of processing the payment of vendor invoices. The City has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an original maturity of 90 days or less. Restricted cash accounts are included in cash equivalents.

- Restricted Deposits and Investments

Certain cash balances have been classified as restricted in the accompanying Statement of Net Position and the governmental fund-level balance sheet because their use is limited. The proceeds of bonds sales are used for the purpose of financing capital projects, e.g., construction / renovation of the water/ sewer distribution system. A portion of revenues collected by the water & sewer fund are legally restricted to retire the refunding certificates of obligation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

- Receivables and Allowances for Uncollectible Amounts

The City has five types of receivables – unpaid property taxes; unpaid fees for garbage disposal services; unpaid charges for providing water / sewer utilities, sales tax, and franchise fees from the phone company, gas company, and electric company. Allowances for uncollectible accounts are based upon historical experience of collection efforts. State statutes prohibit writing off unpaid real property taxes without specific authority from the Texas legislature since they attach and become liens on the real estate and are paid when the property changes hands. Over the past 23 years, the cumulative amount of unremitted property taxes is $148,204. The allowance for unpaid fees for garbage disposal services is $4,689. The allowance for unpaid water/sewer bills is $6,690. Unpaid amounts are periodically reviewed and written off when deemed uncollectible. No reserve for sales and franchise taxes are necessary as amounts are remitted monthly from the Texas Comptroller's office.

- Transactions Between Funds and Interfund Balances

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both fund-level governmental and proprietary funds. Interfund transactions are eliminated upon consolidation in the government-wide financial statements unless the transaction is deemed to be at market or near market value and is reported as revenue, expenditure, or expense. Inter-fund activity may also result from loans, services provided, or reimbursements. Loans are reported as inter-fund receivables due from and payables due to as appropriate. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. Any residual due to/from balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Activity between funds which reflect lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (the current portions of inter-fund transfers) or "advances to/from other funds" (the non-current portion of inter-fund transfers).

Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund-level financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

*H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE – continued*

- Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) and are reported in the government-wide Statement of Net Assets, net of accumulated depreciation. Infrastructure assets acquired or constructed prior to 1980 have not been reported. The City defines a capital asset as outlays for items purchased, acquired, or constructed with an original cost of more than $5,000 and an estimated useful life of more than two years. Donated assets are reported at estimated fair value as of the date received. Additions, renewals, betterments, or improvements and other major capital outlays which significantly extend the useful lives of an asset are capitalized. The cost for normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are charged to expense as incurred. Major outlays for capital assets projects are recorded as "construction in progress" until they are placed into service. Interest incurred during the construction phase of capital expenditure projects applicable to business-type activities is added to the capitalized historical costs of the assets constructed, net of any interest earned on the invested proceeds of any funds raised to pay for the construction, if any. Depreciation is provided on the straight-line basis over the following estimated useful lives –

| | |
|---|---|
| Buildings | 10 - 60 years |
| Improvements | 25 years |
| Equipment | 3 - 15 years |
| Water & Sewer Distribution System | 25 years |
| Infrastructure (streets, curbs, and gutters) | 25 - 50 years |

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Indicators of impairment include — evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner or duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment write-offs during fiscal 2025.

- Deferred Outflows / Deferred Inflows

The government-wide and proprietary fund statements of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the government-wide and proprietary fund statements of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

Difference in expected and actual experience for the employee benefit plans provided by TMRS – this difference is deferred and recognized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Changes in actuarial assumptions used to determine the net pension asset for the TMRS retirement plan, and a net pension liability for the TMRS Supplemental Death Benefit plan – this difference is deferred and amortized over the estimated average service lives of all plan participants determined as of the measurement date.

Retirement pension and OPEB plans' employer contributions after the measurement date – these contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/or balance sheet may sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in that category.

Difference in expected and actual experience for the retirement pension and OPEB plans – this difference is deferred and recognized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Changes in the actuarial assumptions used to determine liabilities for the TMRS retirement pension and OPEB plans – this difference is deferred and amortized over the estimated average remaining service lives of all plan participants determined as of the measurement date.

Difference in projected and actual investment earnings on the assets held by the retirement pension and OPEB plans. This difference is deferred and amortized over a closed five-year period as required by GASB pronouncements No. 68 and 75, as amended.

Unavailable revenues – these deferred inflows are reported on the governmental fund level balance sheet as such funds are not received soon enough after year end to pay liabilities of the current period. These deferred inflows are shown as revenues on the government-wide statement of activities.

- Compensated Absences

City employees earn vacation time and sick leave. Employees are required to utilize a minimum of 40 hours of vacation per year. Upon termination, an employee is paid for any unused accumulated vacation. Vacation leave is capped at 360 hours. All full-time City employees are not reimbursed for unused sick leave upon termination. Accumulated vacation and sick leave have been accrued in the government-wide and business-type financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

- Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. The federal grant for safe drinking water renovations to the wastewater system are being accounted for in the business-type fund, while the CARES Act funding and Community Block Development grant have been accounted for in the general fund. Expenditures of federal grant funds during fiscal 2025 were $ -0- and did not exceed the $1,000,000 for the provisions of Uniform Guidance to apply.

- Employee Benefit Plans

The City has a retirement plan for its full-time employees administered by the Texas Municipal Retirement System (TMRS). In addition, the City offers a Supplemental Death Benefits Plan (an OPEB plan) also administered by TMRS. It is the City's policy to record pension and OPEB cost on the accrual basis. (See Notes 5 and 6 below).

- Long-Term Obligations

General Obligation bonds issued for general government capital projects which are being repaid from property tax revenues of the City are recorded in the government-wide statement of net position. A Tax anticipation note was issued in fiscal 2019 to finance improvements surrounding the Jefferson St. / Cockrell Hill Road roundabout. This note will be repaid from property tax revenues of the City and is recorded in the government-wide statement of net position. Refunding bonds associated with renovations to the water / sewer system distribution system were issued in fiscal 2019 and will be retired by a portion of the fees charged to residential and commercial customers. Bond issuance costs are recorded as an asset and amortized to expense on a straight-line basis over the life of the bond either in the General or Proprietary Funds. In the fund-level financial statements, the face amount of debt issued is reported as "other financing resources" while repayments are shown as "expenditures" of current resources.

- Net Position and Fund Balance

In the government-wide financial statements, equity is classified as "Net Position" and displayed in three components:

*Invested in capital assets, net of related debt* — Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.

*Restricted net assets* — Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or by (2) law through constitutional provisions or enabling legislation.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

*H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

*Unrestricted net assets* — All other net assets that do not meet the criteria of "restricted" or "invested in capital assets, net of related debt."

In fund-level financial statements, the difference between assets and liabilities is known as "Fund Balance" and is reported based on a hierarchy which shows, from highest to lowest, the level or form of constraints on net position and, accordingly, the extent to which the City is bound to honor them. The classifications are as follows—

- *Non-spendable Fund Balance* — represents permanently non-spendable balances and, in general, other resources that are not expected to be convertible into cash or cannot be expended either because [1] they are not in spendable form or [2] of the existence of legal or contractual requirements.

- *Restricted Fund Balance* — represents amounts where constraints have been established by parties outside the City or through enabling legislation and therefore, can only be expended for the specific purposes imposed by law, creditors, grantors, donors, or the laws and regulations of other governmental entities. The City has three (3) restricted fund balances, as follows—

  - The aggregate fund balance of debt service is legally restricted for payment of bonded indebtedness and is not available for other purposes until all bonded indebtedness is liquidated.

  - The fund balance attributed to the Capital Projects Fund reflects amounts restricted for construction and major renovation projects. It usually consists of unexpended proceed from the issuance of bonds which are restricted to fund a capital project.

  - The proceeds of specific revenue sources which are restricted to expenditures for specified purposes as designed by grantors, donors, by vote of citizens, or governmental entities which exercise control over state and local program grants.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

*H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

- *Committed* — represents balances where constraints have been established by the highest level of the government's decision-making authority, namely the City Council. They include amounts that can be used only for the specific purposes as determined by the governing body (City Council) by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. Examples include, but are not specifically limited to, council action items, retirement of loans/notes payable, and capital expenditures. The City Council must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. During the current fiscal year, the City Council took action to commit governmental funds for capital projects and purchases in the capital improvement fund and capital asset purchase fund.

- *Assigned* — represents balances where constraints have been established by the intent expressed by the governing body or designated by the governing body. Includes amounts intended to be used by the City for specific purposes. This intent can be expressed by an official or body to which the governing body delegates that authority. The City has delegated to the City Administrator the ability to determine and define the amounts of those components of fund balance that are classified as assigned. Examples take on the similar appearance as those enumerated for committed fund balance, including the appropriation of existing fund balance to eliminate a deficit in next year's budget.

- *Unassigned* — represents amounts without any constraint, thus the residual balance in general fund.

- Encumbrances and Commitments

The City does not use encumbrance accounting to account for purchase commitments..

- Operating Revenues & Expenses

The Proprietary Fund distinguishes between operating and non-operating transactions. Operating revenues and expenses of the water and sewer fund consist of charges for services, connection fees and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

- Capitalized Interest

The City does not capitalize construction period interest costs.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

### *H. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE - continued*

- Pension Plan and OPEB

The measurement of our net pension asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the retirement pension and supplemental death benefit (OPEB) plans, and pension expense, information about Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position has 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.

Information regarding the City's Total Pension Asset and the Total OPEB Liability was obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

- Intergovernmental Revenues

In prior years, the City and Dallas County agreed to split the costs of constructing a roundabout at the intersection of Jefferson and Cockrell Hill Road to alleviate traffic congestion and flow issues. In fiscal 2021, that project was completed at an estimated cost of $8,962,000. Dallas County transferred the rights to the completed intersection to the City in fiscal 2021. In addition, Dallas County funded community development block grants (CDBG) in the amounts of $403,017 for water improvements Burns/Dempster and $311,353 for Water/Sewer Main Replacement. Expenditures under these grants were $- 0 - in fiscal year ended September 30, 2025.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### *A. BUDGETARY CONTROL AND PROCEDURES*

The City Council adopts annual operating budgets on the cash basis, which provides for a high-level of management control. Budget allocations among the various departments are reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the General and Proprietary Funds. The City's annual operating budget includes estimated revenues and expenditures for the General Fund, including the eight (8) departments which provide services to City residents, and for the Water & Sewer Department of the Proprietary Fund. In accordance with provisions of Texas municipality statutes, budget compliance and monitoring is on a departmental basis rather than at the fund level. In compliance with GASB Statement No. 41, *Budgetary Comparison Schedules –Perspective Differences,* budget-to-actual schedules are presented as Required Supplementary Information (General Fund) and as Other Supplementary Information (Water & Sewer Fund) in the section following the Notes to Financial Statements. Appropriations for all budgets lapse at year-end. The combined General, Special Revenue, and Proprietary Fund budgets are adopted on a departmental basis where expenditures may not legally exceed expenditures on a departmental level. Only current year encumbrances are included with expenditures. The City Council follows these procedures in establishing the budgetary data reflected in the Required Supplemental Information –

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

*A. BUDGETARY CONTROL AND PROCEDURES - continued*

- Prior to the beginning of each fiscal year, the City Administrator submits proposed operating budgets to the Mayor and City Council for the fiscal year commencing October 1. These operating budgets include estimated expenditures for the general, special revenue, and proprietary funds, including 8 departments, and the means for financing them.
- Required public hearings are conducted in August to review the budget with the Mayor and City Council.
- The budgets, both for the General Fund and the Water/Sewer Department, are legally enacted in September through the passage of a City ordinance.
- The Mayor and City Administrator have the authority to transfer budgeted amounts between accounts within any department; however, any increases to departmental totals must be approved by the City Council.

During the fiscal year ended September 30, 2025, the City Council did not adopt any amendments to the original budgets.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS

*A. DEPOSITS AND INVESTMENTS*

The Mayor and City Administrator have been delegated authority to establish uniform cash management policies and procedures which apply to the City and its component units. The following discussion of risk assessment applies to cash, cash equivalents, and certificates of deposit, and funds held by the Texas Local Government Investment Pool (TEXPOOL).

- Interest rate risk – As a means of limiting its exposure to market value losses arising from rising interest rates, it is the City's policy generally to limit investments to maturities of one year or less. Therefore, certain cash accounts and certificates of deposit are classified as cash equivalents. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of short- term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no formal policy related to interest rate risk.

- Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below (see Deposits) is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. In accordance with Texas State law, investments are limited to obligations of the Federal government where the payment of principal and interest are guaranteed, obligations of the State of Texas, certificates of deposit, and the CFR Fund managed by TEXPOOL.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*A. DEPOSITS AND INVESTMENTS – continued*

- Concentration of Credit Risk – To promote competition in rates and services, and to limit the risk of institutional failure, the City's deposits are placed with multiple institutions. Therefore, the City Council designates certain financial institutions as depositories and establishes maximum deposit levels for each. Investments are restricted to TEXPOOL, as described below. The City did not have 5% or more of its investments with one issuer.

- Custodial Credit Risk – Custodial credit risk 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. In compliance with Texas state law, City deposits in excess of FDIC limits (see Deposits) are protected by secure and highly liquid government securities. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal or exceed bank balances less FDIC insurance. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

Cash and cash equivalents for the water and sewer fund statement of cash flows are presented below:

| | |
|---|---|
| Operating Cash | $ 59,800 |
| Funds in TEXPOOL | 318,285 |
| Interest and Sinking bank account | 98,914 |
| Total per Statement of Cash Flows | $ 476,999 |

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*A. DEPOSITS AND INVESTMENTS – continued*

- Deposits

On September 30, 2025, the "funds on deposit" at Bank of America amounted to $1,284,426. $250,000 of such funds held at Bank of America are insured by the FDIC with the balance being covered by collateral pledged in the City's name under the terms of a tri-party collateral management agreement between the City, Bank of America, and the Bank of New York. The collateral, consisting of gold participation certificates, Federal Home Loan adjustable-rate mortgages, and Fannie Mae mortgage-backed securities had a fair value of $1,094,208. These financial instruments in the tri-party collateral management agreement are highly liquid as well as essentially risk-free.

On September 30, 2025, the "funds on deposit" at Wells Fargo amounted to $19,319. $250,000 of such funds held at Wells Fargo are insured by the FDIC. Funds on deposit in excess of the FDIC limit are swept into a SEC 2a-7 money fund under the Investment Company Act of 1940. This financial investment fund is made up of the same types of securities that are used as collateral for the City's account, except, these securities are a much shorter term than those that Wells Fargo uses as collateral, but they are still investments in government agencies. The investments in such funds are no more than 13 months to maturity, with a weighted average maturity of 60 days or less. In this manner, the unit value of the fund remains stable, and provides a secure investment which meets all Public Fund requirements.

- Funds on deposit with the Texas Local Government Investment Pool (TEXPOOL)

The City is a voluntary participant in TEXPOOL. The State Comptroller of Public Accounts exercises 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. TEXPOOL operates in a manner consistent with the SEC's Rule2a-7 of the Investment Company Act of 1940.

TEXPOOL uses amortized cost rather than the fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TEXPOOL is the same as the value of TEXPOOL shares. State statutes authorize the City to invest in the following investment securities: [1] obligations of or guaranteed by governmental entities, [2] certificates of deposit, [3] repurchase agreements, [4] banker's acceptances, [5] commercial paper, [6] mutual funds, [7] guaranteed investment contracts, and [8] investment pools, meeting the criteria established by the Public Funds Investment Act, as amended. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the table below is the minimum rating required by the Public Funds Investment Act and the actual rating as of the end of the year.

| | Fair Value | Legal Rating | Rating 09/30/25 |
|---|---|---|---|
| TEXPOOL (Water / Sewer Fund) | $ 318,285 | N/A | AAAm |
| TEXPOOL (General Fund) | $ 1,008 | N/A | AAAm |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued

### *A. DEPOSITS AND INVESTMENTS – continued*

TEXPOOL is deemed to be a cash equivalent on the government-wide Statement of Net Position and the Balance Sheet of the fund-level financial statements. The State Comptroller of Public Accounts oversees TEXPOOL. Federated Investors is the full-service provider/advisor to the pools managing the assets, providing participant services, and arranging for all custodian and other functions in support of pool operations under a contract with the Comptroller. TEXPOOL is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas municipal governments. The pools seek to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TEXPOOL investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TEXPOOL is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TEXPOOL, like its participants, is governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

### *B. RECEIVABLES*

Receivables are summarized in the table below –

| | General Fund | Water & Sewer Fund |
|---|---|---|
| Property Taxes | $ 148,204 | $ - |
| Franchise Taxes | 28,351 | - |
| Garbage/Refuse Collection Fees Billed | 54,313 | - |
| Garbage/Refuse Collection Fees Unbilled | 23,453 | - |
| Sales taxes | 57,422 | - |
| Returned checks | - | - |
| Other receivables | - | |
| Water & Sewer Fees Billed | - | 120,176 |
| Water & Sewer Fees Unbilled | - | 48,950 |
| Allowance for uncollectible garbage/refuse collection fees | (4,689) | (6,690) |
| | $ 307,054 | $ 162,436 |

Interfund receivables and payables are the result of activity between funds, if any, which are representative of lending or borrowing not recorded as transfers between funds. Balances were eliminated in the accompanying financial statements.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

C. CAPITAL ASSETS

Capital asset activity during the fiscal year ended September 30, 2025, is shown below. During the 2025 fiscal year the City capitalized $-0- of interest arising from the bonds issued to fund the curbs and gutters improvements project. Property, plant, and equipment purchased or acquired are carried at historical cost, estimated historical cost, or at fair value in the case of donated capital assets which are recorded at the time received. Public domain (infrastructure) capital assets consisting of streets, roads, curbs, gutters, bridges, sidewalks, drainage culverts, and lighting systems have been recorded at estimated historical cost except for those assets constructed in the last 5 years. These are recorded at the cost of construction. Capital assets are defined to be expenditures with an initial, individual cost of more than $5,000 and an estimated useful life of more than 2 years. Major outlays for capital assets and improvements are capitalized as projected are constructed and completed.

| | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|---|---|---|---|---|
| **Government Activities:** | | | | |
| Land | $ 867,686 | $ - | $ 6 | $ 867,680 |
| Buildings and improvements | 322,300 | 655,633 | 67,000 | 1,044,933 |
| Machinery and equipment | 1,798,553 | 133,014 | (71,673) | 1,859,894 |
| Construction in progress | 67,000 | | (67,000) | - |
| Right of use assets | 193,269 | 98,723 | - | 291,992 |
| Infrastructure | 14,705,098 | 1,251,392 | - | 15,956,490 |
| **Total at historical cost** | 17,953,906 | 2,138,762 | (71,667) | 20,020,989 |
| **Less accumulated depreciation:** | | | | |
| Buildings and improvements | 153,522 | 9,753 | 27,190 | 190,465 |
| Machinery and equipment | 1,320,706 | 122,474 | (162,836) | 1,280,344 |
| Right of use assets | 47,621 | 27,789 | - | 75,410 |
| Infrastructure | 1,305,161 | 326,378 | 130,803 | 1,762,342 |
| **Total accumulated depreciation** | 2,827,011 | 486,394 | (4,843) | 3,308,561 |
| **Net governmental capital assets** | $ 15,126,895 | $ 1,652,368 | $ (66,824) | $ 16,712,428 |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued

### C. CAPITAL ASSETS

| | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|---|---|---|---|---|
| **Business Activities:** | | | | |
| Machinery and equipment | $ 159,812 | $ - | $ - | $ 159,812 |
| Buildings and improvements | 454,752 | - | - | 454,752 |
| Right of use assets | 70,173 | 98,723 | - | 168,896 |
| Water and sewer system | 5,402,515 | 451,405 | - | 5,853,920 |
| **Total at historical cost** | 6,087,252 | 550,128 | - | 6,637,380 |
| **Less accumulated depreciation:** | | | | |
| Machinery and equipment | 144,002 | 7,127 | - | 151,129 |
| Buildings and improvements | 450,054 | - | - | 450,054 |
| Right of use assets | 11,988 | 13,381 | - | 25,369 |
| Water and sewer system | 3,001,325 | 237,310 | - | 3,238,635 |
| **Total accumulated depreciation** | 3,607,369 | 257,818 | - | 3,865,187 |
| **Net business-type capital assets** | $ 2,479,883 | $ 292,310 | $ - | $ 2,772,193 |

**Depreciation expense was charged as direct expense to program of the primary government as follows:**

| | |
|---|---|
| **Governmental activities** | |
| Administration | $ 2,904 |
| Public safety | 6,849 |
| Public works | 150,263 |
| Infrastructure (Non departmental) | 326,378 |
| **Total depreciation expense - governmental activities** | $ 486,394 |
| **Business type activities** | |
| Water & Sewer | $ 257,818 |
| **Total depreciation expense - business-type activities** | $ 257,818 |

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*D. LONG-TERM DEBT OBLIGATIONS*

The following presents activity related to the City's long-term debt obligations for the current fiscal year.

| | Beginning Balance | Additions | Repayments | Ending Balance | Due within one year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| **Capital lease obligations:** | | | | | |
| Community First National Bank | $ 47,596 | $ - | $ (6,158) | $ 41,438 | $ 6,361 |
| Community First National Bank | 45,094 | - | (7,898) | 37,196 | 8,422 |
| Tymco, Inc. | - | 98,723 | (21,658) | 77,065 | 17,920 |
| **Total capital lease obligations** | 92,690 | 98,723 | (35,714) | 155,699 | 32,703 |
| **Other long-term obligations:** | | | | | |
| Certificates of obligation - Series 2022 | 1,935,000 | - | (50,000) | 1,885,000 | 65,000 |
| General obligation bonds | 2,445,000 | - | (180,000) | 2,265,000 | 185,000 |
| Tax anticipation notes | 160,000 | - | (80,000) | 80,000 | 80,000 |
| Net pension liability (asset) | (168,742) | | (239,312) | (408,054) | - |
| Compensated absences | 119,415 | 20,235 | | 139,650 | 139,650 |
| **Total governmental activities** | $ 4,583,363 | $ 118,958 | $ (585,026) | $ 4,117,295 | $ 502,353 |
| **Business-type activities:** | | | | | |
| Refunding bonds | $ 840,000 | $ - | $ (110,000) | $ 730,000 | $ 115,000 |
| Oklahoma State Bank | 22,578 | - | (22,578) | - | - |
| Tymco, Inc. | - | 98,723 | (21,658) | 77,065 | 17,920 |
| Net pension liability (asset) | (22,862) | - | (21,625) | (44,487) | - |
| **Total business-type indebtedness** | $ 839,716 | $ 98,723 | $ (175,861) | $ 762,578 | $ 132,920 |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued

*D. LONG-TERM DEBT OBLIGATIONS*

Future debt maturities are as follows —

| Fiscal Year | Certifcates of Obligation Series 2022 Principal | Certifcates of Obligation Series 2022 Interest | General Obligation Bond Principal | General Obligation Bond Interest | Refunding Bond Principal | Refunding Bond Interest | Direct borrowings and placements: 2019 Tax note Principal | 2019 Tax note Interest | Capital Leases Principal | Capital Leases Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 2026 | $ 65,000 | $ 68,738 | $ 185,000 | $ 91,613 | $ 115,000 | $ 18,763 | $ 80,000 | $ 1,192 | $ 50,623 | $ 11,306 |
| 2027 | 85,000 | 64,988 | 195,000 | 84,013 | 115,000 | 15,554 | - | - | 53,129 | 8,800 |
| 2028 | 85,000 | 60,734 | 205,000 | 75,756 | 120,000 | 12,276 | - | - | 55,764 | 6,165 |
| 2029 | 90,000 | 56,363 | 210,000 | 66,938 | 125,000 | 8,858 | - | - | 58,534 | 3,401 |
| 2030 | 95,000 | 51,738 | 220,000 | 57,800 | 125,000 | 5,371 | - | - | 7,238 | 483 |
| 2031 - 2035 | 540,000 | 196,200 | 1,250,000 | 137,063 | 130,000 | 1,814 | - | - | 7,476 | 246 |
| 2036 - 2040 | 640,000 | 99,450 | - | - | - | - | - | - | - | - |
| 2041 - 2042 | 285,000 | 9,344 | - | - | - | - | - | - | - | - |
| **Total** | $ 1,885,000 | $ 607,555 | $ 2,265,000 | $ 513,183 | $ 730,000 | $ 62,636 | $ 80,000 | $ 1,192 | $ 232,763 | $ 30,400 |

The City is purchasing various pieces of equipment as shown above under capital lease purchase agreements. Interest rates range from 2.61% to 5.10%. Capital assets acquired through capital leases are as follows:

| | | |
|---|---|---|
| Equipment under capital lease obligations | $ | 460,887 |
| Less: accumulated depreciation | | 100,779 |
| Net | $ | 360,109 |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued

### *D. LONG-TERM DEBT OBLIGATIONS*

- Debt Capacity

| | | |
|---|---|---|
| 2025 Taxable Assessed Valuation | $ | 240,619,548 |
| Maximum Levy Rate for General Obligation Debt | | $1.50 per $100 assessed valuation |
| Total General Obligation Debt Capacity | $ | 13,498,757 |
| Funded Debt Payable from Ad Valorem Taxes | $ | 5,115,699 |
| Less - Self Supporting Debt - Water & Sewer Revenue Bonds | $ | 730,000 |
| Net General Purpose Funded Debt Payable From Ad Valorem Taxes | $ | 4,385,699 |
| Ratio of Total Funded Debt to Taxable Assessed Valuation | | 2.13% |
| Ratio of Net General Purpose Funded Debt to Taxable Assessed Valuation | | 1.82% |
| Per Capita (est. population 3,858) Total Funded Debt | $ | 1,326.00 |
| Per Capita (est. population 3,858) Net Funded Debt | $ | 1,136.78 |
| Per Capita (est. population 3,858) Debt Service for fiscal 2023 | $ | 135.89 |

- Estimated Overlapping Debt

Expenditures of various taxing authorities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in *Texas Municipal Reports* published by the Municipal Advisory Council of Texas.

Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table (unaudited) reflects the estimated share of overlapping general obligation debt that is serviced by ad valorem taxes.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*D. LONG-TERM DEBT OBLIGATIONS*

| Taxing Jurisdiction | 2025 Taxable Value | 2025 Tax Rate | Total Funded Debt | Estimated % Applicable | City of Cockrell Hill Overlapping Funded Debt | Authorized but Unissued Debt |
|---|---|---|---|---|---|---|
| City of Cockrell Hill | $ 227,480,641 | $ 0.6757 | $ 5,192,764 | 100.00% | $ 5,192,764 | n/a |
| Dallas County | 412,792,494,091 | 0.2155 | 292,958,950 | 0.06% | 161,443 | n/a |
| Dallas ISD | 194,055,575,689 | 0.9938 | 4,638,075,000 | 0.12% | 5,436,959 | n/a |
| Total Overlapping Debt | | | | | $ 10,791,166 | n/a |
| Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation | | | | | 4.744% | n/a |
| Per Capita Overlapping Funded Debt (Population estimate = 3,858) | | | | | $ 2,797 | n/a |

- *Proprietary Fund Debt Obligations*

The City issued bonds to fund the construction of improvements to its water & sewer distribution system. On November 25, 2008, the City Council approved the issuance of $1,875,000 of Combination Tax and Revenue Bonds Series 2008, dated November 1, 2008. Certificates bore interest at variable rates ranging from 2.55% to 4.95% per annum. During 2019, the City refinanced the Combination Tax and Revenue Bonds Series 2008 by paying them off and issuing General Obligation Refunding Bonds which mature in April 2031 with interest at 2.79%. The following table summarizes activity with respect to the Certificates of Obligation issued by the Water & Sewer Fund.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*D. LONG-TERM DEBT OBLIGATIONS*

| | Borrow | Repay | Balance |
|---|---|---|---|
| Activity prior to fiscal year 2012 | $ 230,000 | $ - | $ 230,000 |
| Activity during fiscal 2012 | 725,000 | 60,000 | 895,000 |
| Activity during fiscal 2013 | 55,000 | 65,000 | 885,000 |
| Activity during fiscal 2014 | 120,000 | 65,000 | 940,000 |
| Activity during fiscal 2015 | 10,000 | 70,000 | 880,000 |
| Activity during fiscal 2016 | 535,000 | 70,000 | 1,345,000 |
| Activity during fiscal 2017 | 145,000 | 75,000 | 1,415,000 |
| Activity during fiscal 2018 | - | 80,000 | 1,335,000 |
| Activity during fiscal 2019 | 1,365,000 | 1,335,000 | 1,365,000 |
| Activity during fiscal 2020 | - | 105,000 | 1,260,000 |
| Activity during fiscal 2021 | - | 100,000 | 1,160,000 |
| Activity during fiscal 2022 | - | 105,000 | 1,055,000 |
| Activity during fiscal 2023 | - | 105,000 | 950,000 |
| Activity during fiscal 2024 | - | 110,000 | 840,000 |
| Activity during fiscal 2025 | - | 110,000 | 730,000 |

- *The following table summarizes the City's debt issuances.*

| Year of Issuance | Amount of Original Issuance | Maturity Date | Interest Rate | Weighted Avg. Rate | Interest Expense | Interest Capitalized |
|---|---|---|---|---|---|---|
| 2015 | 3,855,000 | 2035 | 2.00 - 4.25% | 3.97% | 102,900 | - |
| 2019 | 525,000 | 2026 | 2.98% | 2.98% | 5,761 | - |
| 2019 | 1,365,000 | 2031 | 2.79% | 2.79% | 24,932 | - |
| 2022 | 1,980,000 | 2042 | 3.25 - 5.00% | 3.82% | 73,800 | - |

*E. INTER-FUND ACTIVITY, BALANCES, AND TRANSFERS*

There were no inter-fund transfers or due to/from other funds at September 30, 2025.

*F. COMPENSATED ABSENCES*

As of September 30, 2024, the City had a liability for paid time off (which consists of untaken vacation & comp time) in the amount of $119,415. During the fiscal year 2025, $20,236 more paid time off was earned than was taken, leaving a liability of $139,651as of September 30, 2025. Employees are paid for sick time, but there is no carryover accumulation. A maximum of 320 PTO hours is permitted to be accumulated and carried over from year to year.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued

### *G. RESTRICTED ASSETS (all cash)*

| | |
|---|---|
| **General Fund** | |
| CARES Act Funds | $ 498 |
| Total GENRAL FUND | $ 498 |
| **Proprietary Fund** | |
| Construction projcets - infrastructure | $ 318,285 |
| P & I on Refunding Bonds | 98,914 |
| Total PROPRIETARY FUND | $ 417,199 |

### *H. TAX ABATEMENT*

At times, the City may enter into economic agreements designed to promote development and re-development within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance / increase the property tax base and economic vitality of the City. Such programs could involve abatement or rebates of sales and ad valorem taxes. Any agreements would be authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic agreements are intended to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Parties to the agreements may be eligible to receive economic incentives in the form of tax abatements or reductions. On September 30, 2025, there are no such agreements in force.

### *I. RISK MANAGEMENT*

- Property, Liability, and Workers' Compensation Insurance

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") which is a public entity insurance risk pool. TMLIRP provides property, liability and workers' compensation coverage for municipalities, housing authorities, councils of governments, hospital districts, fire districts, water districts, tax appraisal districts, and other special districts and authorities.

As of September 30, 2025 (the most recent audited financial statement available) the pool consisted of almost 2,800 member entities. Annual contributions to TML are reported in the general fund and proprietary funds. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years. Annual and quarterly financial statements for the Inter-Governmental Risk Pool are available at their offices or may be downloaded from TMLIRP's website.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

Texas Municipal League Intergovernmental Risk Pool
1821 Rutherford Lane, Suite 100, Austin, Texas 78714-9194
(512) 491-2300 or (800) 537-6655 or @ www.tmlirp.org

- Texas Work Force Unemployment Compensation Insurance

The City has elected to fund its Texas Work Force Unemployment Compensation Insurance under the "Contributory Method." Under this method, the City is required to remit premiums quarterly to the State of Texas based on the first $9,000 of wages paid to each employee. Any claims would be paid by the State of Texas.

*J. COMMITMENTS, CONCENTRATIONS AND CONSTRAINTS*

In 2014, the City executed a contract with the City of Dallas, Texas, to purchase treated water for a term of thirty (30) years which expires February 22, 2044. Among other provisions, the City pays for water based on the volume processed and pumped into the City's water distribution system. If, within the terms of the contract, the City ceases to take water from the City of Dallas because other sources of water supplies have been developed or acquired, the City would be obligated for five years or the remaining term of the contract (whichever is less) for charges at the billing level in effect at such cessation.

In 2014, the City contracted with the City of Dallas, Texas, to receive wastewater treatment services for a term of thirty (30) years which expires February 22, 2044. Among other provisions, the City pays for treatment based on the average "winter month" water consumption for those connections discharging into the Dallas wastewater system. The billing months are December, January, February, and March which constitute the "winter months." If, within the terms of the contract, the City decides to either partially or totally discontinue using the wastewater treatment facilities/services, the City would be obligated for five years or the remaining term of the contract (whichever is less) for charges at the billing level in effect at such cessation. Expenditures for water/wastewater for the 2025 fiscal year totaled $807,962.

*K. CONTINGENCIES*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims or reimbursements including amounts already collected may constitute a liability of the applicable program funds. The amount of any expenditure which may be disallowed by the grantor agency cannot be determined at the balance sheet date. Such amounts, if any, are deemed to be immaterial. The City is the recipient of Federal funds from the Department of Housing and Urban Development (HUD) passed through Dallas County in the form of a Community Development Block Grant. During fiscal year 2025, the City expended $451,405. The City operates in a regulated environment.

Operations of the City are subject to administrative directives, rules, and regulations of federal and state regulatory bodies. Such administrative directives, rules and regulations are subject to change by act of Congress, the Texas State Legislature or an administrative order issued by the EPA, HUD or TWDB. Such changes may occur with little notice or inadequate funding to pay for the related costs of compliance.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS - continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN*

- *Plan Description*

The City provides pension benefits for all eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. Plan provisions adopted by the City are within the options available in the governing state statutes of TMRS. The TMRS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information (RSI) for TMRS; this report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used in and by the system. The annual report may be obtained by writing to TRMS, P.O. Box 149153, Austin, Texas 78714-9153, or by calling 800-924-8677. That report is available at www.tmrs.com.

The City participates as one of 900 plans in a non-traditional, 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. All eligible employees of the City are required to participate in TMRS.

- Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. The plan provisions selected by the City are summarized below.

| Plan Provisions | 2024 |
|---|---|
| Employee Deposit Rate | 7% |
| Matching ratio (City to employee) | 2 : 1 |
| Years Required for Vesting | 5 years |
| Retirement Eligbility (age service) | 60/5 Any Age/20 |
| Updated Service Credit | 100% repeating transfers |
| Annuity Increase (to Retirees) | 70% of CPI Retroactive Repeating |
| Supplemental Death Benefit to Active Members | Yes |
| Supplemental Death Benefit to Retirees | Yes |

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. On December 31, 2024, the most recent valuation and measurement date, the following employees were covered by the benefit terms:

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN - continued*

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 29 |
| Inactive employees entitled to but not yet receiving benefits | 46 |
| Active employees | 33 |
| Total | 108 |

- Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentage are either 100%, 150%, or 200%, both as adopted by the City Council. Under state law governing TRMS, the contribution rate for each municipality 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, together with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.35% and 9.34%, respectively for 2023 and 2024. The City's contributions to TMRS for the fiscal year ended September 30, 2025, totaled $150,697, and were equal to the required contributions.

- Net Pension Asset or Net Pension Liability

The City's Net Pension Asset [NPA] was measured by TMRS as of December 31, 2024, and the Total Pension Liability [TPL] used to calculate the Net Pension Asset was determined by the actuarial valuation as of that date.

- Actuarial Assumptions

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

| | |
|---|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 3.60% to 11.85% per year including inflation. |
| Investment rate of return | 6.75% per year (real rate of return, net of all investing and administrative costs) |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*L. EMPLOYEE RETIREMENT PENSION PLAN - continued*

Salary increases are based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are based on the gender distinct 2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis scale UMP to account for future mortality estimates. For disabled annuitants, the gender distinct 2019 Municipal Retirees of Texas Mortality Tables are used, with slight adjustments. Actuarial assumptions used in the December 31, 2023 valuation assessment was based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2014 through December 31, 2018, which was first used in the December 31, 2019 valuation. Health post-retirement mortality rates and Annuity Purchase Rates (APR's) were based on the Mortality Experience Investigation Study covering 2013 through 2017 and are dated December 31, 2018. In conjunction with these changes first used in the December 31, 2018 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

*Investment Return and Asset Allocation*

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, nets 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, Gabriel Roeder Smith & Company, Consultant & Actuaries, 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 arithmetic real rates of return for each major asset class are summarized below.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN - continued*

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 35.0% | 7.10% |
| Core Fixed Income | 6.0% | 5.00% |
| Non-Core Fixed Income | 6.0% | 6.80% |
| Other Private Markets | 4.0% | 7.30% |
| Infrastructure | 6.0% | 6.00% |
| Private Debt | 13.0% | 8.20% |
| Real Estate | 12.0% | 6.70% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 13.0% | 8.50% |
| **Total** | 100.0% | |

- Discount Rate

The discount rate used to measure the TPA 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 the statute. Based on that assumption, the pension plan's Fiduciary Net Position [FNP] 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 net TPA.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*L. EMPLOYEE RETIREMENT PENSION PLAN – continued*

*Changes in the Net Pension Asset – Increase (Decrease)*

| | Total Pension Liability [a] | Plan Fiduciary Net Position [b] | Net Pension Asset (Liability) [b] - [a] |
|---|---|---|---|
| **Balance at December 31, 2023** | $ 6,646,429 | $ 6,838,033 | $ 191,604 |
| **Activity during 2024** | | | |
| Service cost | 282,578 | - | (282,578) |
| Interest on the total pension liability | 449,484 | - | (449,484) |
| Difference between expected and actual experience | (18,142) | - | 18,142 |
| Change in assmuptions | - | - | - |
| Contributions – employer | - | 150,697 | 150,697 |
| Contributions – employees | - | 118,659 | 118,659 |
| Net investment loss | - | 710,164 | 710,164 |
| Benefit payments, including refunds of employee contributions | (257,399) | (257,399) | - |
| Administrative expense | - | (4,557) | (4,557) |
| Other changes | - | (107) | (107) |
| **Balance at December 31, 2024** | $ 7,102,950 | $ 7,555,490 | $ 452,540 |

*Sensitivity of the Net Pension Asset (NPA) to Changes in the Discount Rate*

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

| | 1% Decrease in the Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in the Discount Rate (7.75%) |
|---|---|---|---|
| City's net pension (asset) liability | $702,698 | ($452,541) | ($1,369,698) |

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.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*L. EMPLOYEE RETIREMENT PENSION PLAN – continued*

- Pension Expense & Deferred Outflows and Inflows of Resources Related to TMRS Pension Plan

For the fiscal year ended September 30, 2025, the City recognized pension expense of $135,166 which is comprised of –

**SCHEDULE OF PENSION EXPENSE**

**SCHEDULE OF PENSION EXPENSE**

| | |
|---|---|
| Total Service Cost | $ 282,578 |
| Interest on the Total Pension Liability | 449,484 |
| Current Period Benefit Changes | - |
| Employee Contributions (reduction of expense) | (118,659) |
| Projected Earnings on Plan Investments (reduction of expense | (461,567) |
| Administrative Expense | 4,557 |
| Other Changes in Fiduciary Net Position | 107 |
| Recognition of Current Year Outflows (Inflows) of Resources - Liabilities | (7,820) |
| Recognition of Current Year Outflows (Inflows) of Resources - Assets | (49,720) |
| Amortization of Prior Year Outflows (Inflows) of Resources - Liabillities | (8,288) |
| Amortization of Prior Year Outflows (Inflows) of Resources - Assets | 44,494 |
| Total Pension Expense | $ 135,166 |

On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB plans which arise from the following sources –

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ - | $ 13,843 |
| Changes in actuarial assumptions used | - | 8,810 |
| Difference between projected and actual investment earnings | 375,241 | 452,103 |
| Contributions subsequent to the measurement date | 120,852 | - |
| Total | $ 496,093 | $ 474,756 |

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN – continued*

$120,852 reported as deferred outflows of resources are the result of employer contributions made subsequent to the measurement date (Dec 31, 2024), have been recognized as an increase of the Net Pension Asset for the year ending September 30, 2025. The net amount of ($99,515) ($375,241-$474,756) reported as deferred outflows of resources & deferred inflows of resources to pensions will be recognized annually in pension expense as shown:

| Year Ended September 30: | Pension Expense Amount |
|---|---|
| 2025 | $ (16,135) |
| 2026 | 75,727 |
| 2027 | (109,390) |
| 2028 | (49,717) |
| 2029 | - |
| Thereafter | - |
| **Total** | $ (99,515) |

**SCHEDULE OF DEFERRED OUTFLOWS AND INFLOW – CURRENT AND FUTURE EXPENSE**

| | Recognition Period Amortization Years | Total (Inflow) or Outflow of Resources | Recognized in Current Year Pension Expenses | Deferred (Inflows) / Outflows in Future Expenses |
|---|---|---|---|---|
| Due to Assets (Liabilities) | | | | |
| Difference in expected and actual experience | 2.32 | $ (18,142) | $ (7,820) | $ (10,322) |
| Changes in actuarial assumptions | 2.32 | - | - | - |
| Differences in projected and actual earnings on plan investments | 5.00 | (248,597) | (49,720) | (198,877) |
| Total | | $ (266,739) | $ (57,540) | $ (209,199) |

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN – continued*

- **Executive Summary of Key Data**

| | |
|---|---|
| Net Pension Asset | |
| Plan Fiduciary Position | $7,555,490 |
| Total Pension Liability | $7,102,950 |
| Net Pension Asset | $452,540 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 106.37% |
| Covered Payroll | $1,695,130 |
| Net Pension Asset as a Percentage of Covered Payroll | 26.70% |
| Development of the Single Discount Rate | |
| Single Discount Rate | 6.75% |
| Long-Term Expected Rate of Return | 6.75% |
| Long-Term Municipal Bond Rate** | 4.08% |

**Based on the Fidelity20-Year Municipal GO AA Index daily rate closest to but not later than the Measurement Date.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects [1] a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and [2] the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits.

Based on stated assumptions and projected cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance any unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals, (i.e., the employer normal cost).

- Ad Hoc Benefit Increases

Paragraph 62 of GASB Statement No. 68 requires that the projected benefit payments used in the calculation of the Total Pension Liability [TPL] should include future ad hoc benefit changes if they are deemed to be substantially automatic. For purposes of determining the TPL for the City, the default method for determining whether or not ad hoc benefit enhancements are substantively automatic is if they have been granted in [a] 1 of the last 2 years AND [b] 2 of the last 5 years. The default criteria was applied January 1, 2015.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*L. EMPLOYEE RETIREMENT PENSION PLAN – continued*

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS – CURRENT YEAR**

| | 2024 |
|---|---|
| **Plan fiduciary net position:** | |
| Contributions - employer | $ 150,697 |
| Contributions - employees | 118,659 |
| Net investment loss | 710,164 |
| Benefit payments | (257,399) |
| Administrative expenses | (4,557) |
| Other | (107) |
| Net change in plan fiduciary net position | 717,457 |
| Plan fiduciary net position - beginning of year | 6,838,033 |
| Plan fiduciary net position - end of year | $ 7,555,490 |
| **Total pension liability:** | |
| Service cost | $ 282,578 |
| Interest on total pension liability | 449,484 |
| Changes in benefit terms | - |
| Difference between expected and actual experience | (18,142) |
| Changes in assumptions | - |
| Benefit payments, including refunds to employees | (257,399) |
| Net change in total pension liability | 456,521 |
| Total pension liability - beninning of year | 6,646,429 |
| Total pension liability - end of year | $ 7,102,950 |
| **Net pension asset (liability)** | $ 452,540 |
| **Plan fiduciary net position as a % of the total pension liability** | 106.37% |
| **Covered employee payroll** | 1,695,130 |
| **Net pension asset as a % of covered employee payroll** | 26.70% |

***M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB)***

The City also participates in the TMRS Supplemental Death Benefit Fund (an OPEB) which provides coverage for retirees. The City elected, by ordinance, to provide group-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 compensation for the 12-month period prior to the month of death). Retired employees are insured for $7,500.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

The Supplemental Death Benefit Fund (SBDF) covers both active and retiree benefits with no segregation of assets; therefore, this plan does not meet the definition of a trust under GASB Statement No. 75 (i.e., no assets are accumulated for SPDF) and as such this plan is deemed to be an unfunded OPEB plan. For purposes of reporting under GASB Statement No. 75, the retiree portion of the SBDF is also not considered a cost sharing plan, but instead is considered a single-employer plan, defined benefit OPEB plan. Actuarial calculations were prepared by TMRS for the purpose of complying with the requirements of Statement No. 75. Such calculations were made on a basis which is consistent with the actuary's understanding of the accounting and financial reporting principles. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

In accordance with paragraph 155 of the pronouncement, the applicable discount rate for an unfunded OPEB was based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2024 (the measurement date), the discount rate used in the development of the total OPEB liability was 2.75%.

| The City offers supplemental death benefits to | **Plan Year 2023** | **Plan Year 2024** |
|---|---|---|
| Active employees | YES | YES |
| Retirees | YES | YES |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

- ***Statistical Information -- OPEB***

Membership (a)

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 18 |
| Inactive employees entitled to but not yet receiving benefits | 7 |
| Active employees | 33 |
| Total | 58 |

Covered Payroll $1,695,130

| Changes in the Total OPEB Liability | | 2024 |
|---|---|---|
| **Total OPEB Liability, December 31,** | $ | 95,857 |
| **Changes during the year** | | |
| Service cost | | 4,238 |
| Interest on the total OPEB liability | | 3,636 |
| Difference between expected and actual experience | | 2,432 |
| Changes of assumptions | | (5,078) |
| Benefit payments | | (3,051) |
| **Net change in total pension liability** | | 2,177 |
| **Balance, end of year** | $ | 98,034 |
| Total OPEB Liability as a Percentage of Covered Payroll | | 5.78% |

*(a) Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB Statement No. 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.*

*(b) Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.*

## *III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued*

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

- ***Summary of Actuarial Assumptions – OPEB***

| | | |
|---|---|---|
| Inflation | | 2.5% |
| Salary Increases | | 3.60% to 11.85%, including inflation |
| Discount rate (a) | | 4.08% |
| Retirees' share of benefit-related costs | | $ -0- |
| Administrative expenses | | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No.68. |
| Mortality rates – service retirees | | 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |
| Mortality rates – disabled retirees | | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor |

(a) The discount rate was based the bond buyer Index "20-year Bond GO Index" rate as of December 31, 2024.

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

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

| | 1% Decrease in the Discount Rate (3.08%) | Current Discount Rate (4.08%) | 1% Increase in the Discount Rate (5.08%) |
|---|---|---|---|
| City's OPEB Liability | $116,136 | $98,034 | $84,063 |

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

***OPEB Expense***

| | | |
|---|---|---|
| Total Service Cost | $ | 4,238 |
| Interest on the Total OPEB Liability | | 3,636 |
| Current Period Benefit Changes | | - |
| Administrative Expense | | - |
| Recognition of Current Year Outflows (Inflows) of Resources – Liabilities | | 1,666 |
| Changes in assumptions or other inputs | | (4,530) |
| Total OPEB Expense | $ | 5,010 |

(1) Generally, this will only be the annual change in the municipal bond index rate.

***Deferred (Inflows) / Outflows of Resources – OPEB***

| | Deferred (Inflows) of Resources | Deferred Outflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ (869) | $ 6,514 |
| Changes in assumptions and other inputs | (22,874) | 6,725 |
| **Total** | $ (23,743) | $ 13,239 |

***Schedule of Contributions – (Retiree-only portions of the rate, for OPEB)***

| Plan Year | Total SDB Contribution Rate | Retireee Portion of SDB Contribution Rate |
|---|---|---|
| 2021 | 0.22% | 0.12% |
| 2022 | 0.26% | 0.16% |
| 2023 | 0.38% | 0.22% |
| 2024 | 0.34% | 0.18% |
| 2025 | 0.38% | 0.23% |

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.
Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the computation is to multiply the total covered payroll by the retiree portion of SDB contribution rate.

***Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date:***

| Year ended September 30: | Pension Expense Amount |
|---|---|
| 2025 | $ (3,932) |
| 2026 | (5,526) |
| 2027 | (784) |
| 2028 | (262) |
| 2029 | - |
| Thereafter | - |
| **Total** | $ (10,504) |

***Benefit Plan Description – OPEB***

Texas Municipal Retirement System (TMRS) administers an optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members with optional coverage for their retirees. The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the member's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).
The participating city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

***Actuarial Assumptions – OPEB***

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

- Economic assumptions
  - General Inflation – Assumed to be 2.50% per year.
  - Discount Rates – Because the Supplemental Death Benefit Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability was based on the Fidelity's Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
  - Individual Salary Increases – Salary increases were assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by graduated service-based scale ranging from 1 year of service (11.85% increase) to 25+ years of service (3.60% increase).
- Demographic Assumptions
  - Termination Rates
    - The base table rates vary by service and length until retirement eligibility. For City of Cockrell Hill the base table is then multiplied by a factor of 115.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 82%, or 3) Other – 116%.
    - The probabilities for the member's first three years of service are 22.5%, 17.5%, and 14.5%. After 3 years of service, base termination rates vary by number of years remaining until first retirement eligibility.
  - Forfeiture Rates
    - Withdrawal of member deposits from TRMS for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates discussed above. The withdrawal rates for cities with a 2-to-1 match range from 37.9% for employees at age 25 to 21.1% for employees at age 55. 6% is added to these rates for 1.5-to-1 cities, while 12% is added for 1-to-1 cities. Forfeiture rates end at the first eligibility for retirement.
  - Service Retirees and Beneficiary Mortality Rates
    - For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

- Disabled Annuitant Mortality Rates
  - For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

- Pre-Retirement Mortality
  - For calculating the OPEB liability and the contribution rates, the PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements.

- Disability Rates
  - Rates vary by age and range from 0.000002 at age 20 to 0.001672 at age 65.

- Service Retirement Rates, applied to both Active and Inactive Members
  - The base table rates vary by age. For members under 62, these base rates are then multiplied by 2 factors based on (1) employee contribution rate and employer match, and (2) if the City has a recurring COLA. Factors vary from 0.07 for employees less than 50 years old to 1.00 for employees age 75 and over. For cities without a 20-year / any age retirement provision, the rates for are loaded by 50% for ages 60 and below with 25 or more years of service.

.

  - The City TMRS Plan is 2 to 1 matching on a total of 7% being taken out of employees' paycheck, and the city submits 14%.

**III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued**

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

***Methods and Assumptions – OPEB***

- Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is deemed to be unfunded, and therefore, no assets are accumulated for OPEB.

- Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the City, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

- Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and it is calculated separately for actives and retirees. The 2026 SDB rate for retiree coverage is equal to 110% of the expected term cost. The SDB rate for active coverage is equal to 150% of the expected term cost.

- There are no recoveries once a participant becomes disabled.

- Decrement timing – Decrements of all types are assumed to occur mid-year.

- Inactive Population – All non-vested participants are assumed to take an immediate refund if they are not contributing employees in another city or agency. Vesting members not contributing through another city are assumed to have taken a deferred retirement benefit, except those who terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of the City who are contributing participants in another city are equal to the probability of termination multiplied by the forfeiture rates discussed above. These rates are applied each year until retirement eligibility. Once an employee becomes retirement eligible, they are assumed to commence benefits based on service retirement rates described above.

- Eligibility Testing – Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

- Decrement Relativity – Decrement rates are used directly from the experience study, without adjustment for multiple table decrement table effects.

## III. DETAILED NOTES PERTAINING TO ALL FUNDS – continued

*M. OTHER POSTEMPLOYEMENT EMLOYEE BENEFIT PLAN (OPEB) - continued*

- Incidence of Contributions – Contributions are assumed to be paid continuously throughout the year based on the computed percent of covered payroll reported, and actual payroll payable at the time the contributions are made.

- Benefit Service – All participants are assumed to accrue 1 year of eligibility service each year.

- The decrement rates for service-related decrements are based on total TRMS eligibility service.

***Participant Data – OPEB***

Participant data is supplied via electronic text files. There are separate files for (1) active employees, (2) inactive participants, and (3) retirees and beneficiaries receiving benefits. The data for active members includes birthday, gender, service with the City, total vesting service, and salary. For retired members, the data includes date of birth, gender, and date of retirement. To the extent possible, efforts are made to utilize all available data fields in the calculation of liabilities stated in the actuarial valuation report. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility, and one that has not adopted it to calculate the earliest possible retirement date. Salary supplied for the current year is based on annualized earnings for the year preceding the valuation date. Assumptions are made to correct for missing, bad, or inconsistent data. Such assumptions have no material impact on the results calculated.

*N. SUBSEQUENT EVENTS*

Management has reviewed all material subsequent events and transactions which occurred after the balance sheet date through February 10, 2026 (the date that financial statements became available for release).

*O. LEGAL DEBT MARGIN*

As a Type A municipality in the State of Texas, the City of Cockrell Hill is not limited by the law as to the amount of debt it may issue. The City's charter states:

The City Council shall have power under the provisions of state law to levy, assess and collect an annual tax upon real and personal property within the City to the maximum provided in the Constitution and general laws of the State of Texas. The City Council has the power to levy occupation taxes on such occupations as consistent with the general laws of the State of Texas.

Article II, Section 5 of the State of Texas Constitution states in part:

…but no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such City.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COCKRELL HILL, TEXAS** **EXHIBIT B-1**

**SCHEDULE OF REVENUES, EXPENDITURES & CHANGE IN FUND BALANCE - BUDGET VS. ACTUAL**

**GENERAL FUND**

**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

| | Original and Final Budget | Actual Amounts | Favorable (Unfavorable) Variance |
|---|---|---|---|
| **Revenues** | | | |
| Property tax | 1,657,017 | $ 1,646,140 | $ (10,877) |
| Sales and mixed beverage taxes | 600,700 | 656,872 | 56,172 |
| Franchise tax | 136,000 | 139,164 | 3,164 |
| Licenses and permits | 82,500 | 107,064 | 24,564 |
| Fines and forfeitures | 693,000 | 685,627 | (7,373) |
| Charges for services | 730,300 | 764,734 | 34,434 |
| Miscellaneous | 256,000 | 133,929 | (122,071) |
| **Total revenues** | 4,155,517 | 4,133,530 | (21,987) |
| **Expenditures** | | | |
| Administration and non-departmental | 1,999,441 | 2,049,811 | (50,370) |
| Public safety | | | |
| Police | 1,500,055 | 1,508,167 | (8,112) |
| Fire | 53,133 | 25,190 | 27,943 |
| Municipal court | 211,356 | 212,066 | (710) |
| Code enforcement | 114,736 | 94,970 | 19,766 |
| Public works | 248,332 | 115,722 | 132,610 |
| Cultural and recreational | 115,558 | 24,702 | 90,856 |
| Capital expenditures | 193,395 | 437,592 | (244,197) |
| Debt service | - | 123,847 | (123,847) |
| **Total expenditures** | 4,436,006 | 4,592,068 | (156,062) |
| **Excess (deficiency) of revenues over (under) expenditures** | (280,489) | (458,538) | (178,049) |
| **Other financing sources** | | | |
| Capital outlay - leases | - | 98,723 | 98,723 |
| Transfer in | (400,000) | (399,624) | 376 |
| **Total other financing sources** | (400,000) | (300,901) | 99,099 |
| **Net change in fund balance** | $ (680,489) | $ (759,439) | $ (78,950) |

CITY OF COCKRELL HILL, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
FOR THE TEN YEARS ENDED DECEMBER 31, 2024

EXHIBIT B-2

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Plan fiduciary net position:** | | | | | | | | | | |
| Contributions - employer | $ 150,697 | $ 141,487 | $ 140,851 | $ 128,809 | $ 110,788 | $ 124,975 | $ 115,248 | $ 109,712 | $ 107,600 | $ 102,033 |
| Contributions - employees | 118,659 | 107,303 | 112,552 | 98,866 | 95,979 | 106,946 | 98,024 | 93,767 | 94,623 | 85,434 |
| Net investment loss | 710,164 | 715,340 | (487,494) | 769,140 | 416,043 | 720,604 | (140,346) | 558,258 | 251,615 | 5,366 |
| Benefit payments | (257,399) | (299,082) | (264,866) | (214,798) | (201,830) | (129,652) | (95,830) | (101,163) | (146,485) | (101,075) |
| Administrative expenses | (4,557) | (4,549) | (4,217) | (3,557) | (2,691) | (4,071) | (2,713) | (2,894) | (2,843) | (3,268) |
| Other | (107) | (32) | 5,032 | 25 | (105) | (123) | (141) | (686) | (153) | (161) |
| Net change in plan fiduciary net position | 717,457 | 660,467 | (498,142) | 778,485 | 418,184 | 818,679 | (25,758) | 656,994 | 304,357 | 88,329 |
| Plan fiduciary net position - beginning of year | 6,838,033 | 6,177,566 | 6,675,708 | 5,897,223 | 5,479,039 | 4,660,360 | 4,686,118 | 4,029,124 | 3,724,767 | 3,636,438 |
| Plan fiduciary net position - end of year | $ 7,555,490 | $ 6,838,033 | $ 6,177,566 | $ 6,675,708 | $ 5,897,223 | $ 5,479,039 | $ 4,660,360 | $ 4,686,118 | $ 4,029,124 | $ 3,724,767 |
| **Total pension liability:** | | | | | | | | | | |
| Service cost | $ 282,578 | $ 251,089 | $ 271,893 | $ 233,889 | $ 228,979 | $ 253,615 | $ 228,116 | $ 216,200 | $ 215,606 | $ 192,960 |
| Interest on total pension liability | 449,484 | 424,222 | 398,636 | 366,138 | 345,600 | 310,785 | 290,785 | 266,749 | 247,662 | 234,907 |
| Changes in benefit terms | - | - | - | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (18,142) | (11,013) | 911 | 102,242 | (64,447) | 107,834 | (122,608) | (34,327) | (56,957) | (9,769) |
| Changes in assumptions | - | (27,560) | - | - | - | 21,597 | - | - | - | 7,608 |
| Benefit payments, including refunds to employees | (257,399) | (299,082) | (264,866) | (214,798) | (201,830) | (129,652) | (95,830) | (101,163) | (146,485) | (101,075) |
| Net change in total pension liability | 456,521 | 337,656 | 406,574 | 487,471 | 308,302 | 564,179 | 300,463 | 347,459 | 259,826 | 324,631 |
| Total pension liability - beninning of year | 6,646,429 | 6,308,773 | 5,902,199 | 5,414,728 | 5,106,426 | 4,542,247 | 4,241,784 | 3,894,325 | 3,634,499 | 3,309,868 |
| Total pension liability - end of year | $ 7,102,950 | $ 6,646,429 | $ 6,308,773 | $ 5,902,199 | $ 5,414,728 | $ 5,106,426 | $ 4,542,247 | $ 4,241,784 | $ 3,894,325 | $ 3,634,499 |
| **Net pension asset (liability)** | $ 452,540 | $ 191,604 | $ (131,207) | $ 773,509 | $ 482,495 | $ 372,613 | $ 118,113 | $ 444,334 | $ 134,799 | $ 90,268 |
| **Plan fiduciary net position as a % of the total pension liability** | 106.37% | 102.88% | 97.92% | 92.75% | 108.91% | 107.30% | 102.60% | 110.48% | 103.46% | 102.48% |
| **Covered employee payroll** | 1,695,130 | 1,532,902 | 1,607,886 | 1,412,375 | 1,371,134 | 1,527,803 | 1,400,345 | 1,339,529 | 1,351,761 | 1,220,493 |
| **Net pension asset as a % of covered employee payroll** | 26.70% | 12.50% | -8.16% | -29.89% | 35.19% | 24.39% | 8.43% | 33.17% | 9.97% | 7.40% |

EXHIBIT B-3

**CITY OF COCKRELL HILL, TEXAS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN**
**FOR THE TEN YEARS ENDED DECEMBER 31, 2024**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 150,697 | $ 141,487 | $ 140,851 | $ 142,529 | $ 123,865 | $ 125,075 | $ 114,548 | $ 115,988 | $ 110,312 | 85,434 |
| Contributions in relation to actuarially determined contributions | 150,697 | 141,487 | 140,851 | 142,529 | 123,865 | 125,075 | 114,548 | 115,988 | 110,312 | 85,434 |
| **Contribution deficiency (excess)** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | - |
| City covered payroll | 1,695,130 | 1,532,902 | 1,607,886 | 1,412,375 | 1,371,134 | 1,527,803 | 1,400,345 | 1,339,529 | 1,351,761 | 1,220,493 |
| Ratio of actual contributions to covered payroll amount | 8.89% | 9.23% | 8.76% | 10.09% | 9.03% | 8.19% | 8.18% | 8.66% | 8.16% | 7.00% |

EXHIBIT B-4

**CITY OF COCKRELL HILL, TEXAS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN OPEB LIABILITY**
**FOR THE EIGHT YEARS ENDED DECEMBER 31, 2024**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017* |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | | |
| Service cost | $ 4,238 | $ 2,759 | $ 6,753 | $ 7,062 | $ 5,210 | $ 5,042 | $ 5,041 | $ 4,286 |
| Interest on total OPEB liability | 3,636 | 3,522 | 2,265 | 2,115 | 2,449 | 2,654 | 2,413 | 2,992 |
| Difference in expected and actual experience | 2,432 | 910 | 4,909 | 6,706 | (4,319) | (3,789) | (3,324) | - |
| Change in assumptions | (5,078) | 4,766 | (45,108) | 3,778 | 13,531 | 14,031 | (5,044) | 5,715 |
| Benefit payments, including refunds of employee contributions | (3,051) | (3,372) | (2,573) | (1,695) | (548) | (458) | (420) | (1,102) |
| **Net change in total OPEB liability** | 2,177 | 8,585 | (33,754) | 17,966 | 16,323 | 17,480 | (1,334) | 11,891 |
| **Total OPEB liability, beginning** | 95,857 | 87,272 | 121,026 | 103,060 | 86,737 | 69,257 | 70,591 | 58,700 |
| **Total OPEB liability, ending** | $ 98,034 | $ 95,857 | $ 87,272 | $ 121,026 | $ 103,060 | $ 86,737 | $ 69,257 | $ 70,591 |
| Covered payroll | $ 1,695,130 | $ 1,532,902 | $ 1,607,886 | $ 1,412,375 | $ 1,371,134 | $ 1,527,803 | $ 1,400,345 | $ 1,339,529 |
| Total OPEB liability as a % of covered employee payroll | 5.78% | 6.25% | 5.43% | 8.57% | 7.52% | 5.68% | 4.95% | 5.27% |

* The schedule is intended to show infomration for 10 years. Additional years will be displayed as they become available. 2017 was the first year this schedule was reported.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB Plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

**EXHIBIT B-5**

**CITY OF COCKRELL HILL, TEXAS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF OPEB CONTRIBUTIONS**
**FOR THE EIGHT YEARS ENDED DECEMBER 31, 2024**

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017* |
|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 3,051 | $ 3,372 | $ 3,143 | $ 2,338 | $ 2,597 | $ 3,055 | $ 2,597 | $ 2,241 |
| Contributions in relation to actuarially determined contributions | 3,051 | 3,372 | 3,143 | 2,338 | 2,597 | 3,055 | 2,597 | 2,241 |
| **Contribution deficiency (excess)** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| City covered payroll | 1,695,130 | 1,532,902 | 1,607,886 | 1,412,375 | 1,412,375 | 1,371,134 | 1,527,803 | 1,400,345 |
| Ratio of actual contributions to covered payroll amount | 0.18% | 0.22% | 0.20% | 0.17% | 0.18% | 0.22% | 0.17% | 0.16% |

* GASB 75, paragraph 57 requires that the data in the schedule by presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: The schedule is intended to show information for 10 years. Additional years will be displayed as they become available. 2017 was the first year this schedule was reported. Additional years information will be displayed as it become available.

## OTHER SUPLEMENTARY INFORMATION

**CITY OF COCKRELL HILL, TEXAS**
**SCHEDULE OF REVENUE AND EXPENSE - BUDGET VS. ACTUAL**
**WATER & SEWER FUND**
**FISCAL YEAR ENDED SEPTEMBER 30, 2025**

| | Original and Final Budget | Actual Amounts | Favorable (Unfavorable) Variance |
|---|---|---|---|
| Operating revenue | $ 1,044,000 | $ 1,318,358 | $ 274,358 |
| Operating expense | 1,163,511 | 1,415,139 | (251,628) |
| **Operating income** | (119,511) | (96,781) | 22,730 |
| **Nonoperating revenue (expense)** | | | |
| Capital Grant | - | 387,331 | 387,331 |
| Interest on investments | - | 13,764 | 13,764 |
| Interest expenses | - | (4,268) | (4,268) |
| **Total nonoperating revenue (expense)** | - | 396,827 | 396,827 |
| **Change in net position** | $ (119,511) | $ 300,046 | $ 419,557 |

CITY OF COCKRELL HILL, TEXAS

OTHER SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED SEPTEMBER 30, 2025

These supplementary schedules are included to provide additional information and analysis but that is not required to be presented in an audit under generally accepted auditing standards.

CITY OF COCKRELL HILL, TEXAS
SCHEDULE OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2025

| FEDERAL GRANTOR/PASS-THROUGH ENTITY PROGRAM TITLE/ CLUSTER TITLE | FEDERAL CFDA No. | GRANT OR STATE PROJECT NUM.BER | AMOUNT AWARDED | FUNDING EXPENDED | FUNDING STILL AVAILABLE | BALANCE OUTSTANDING | OBLIGATIONS ISSUED | AMOUNTS REPAID | BALANCE OUTSTANDING | EXPENDED IN FISCAL YEAR 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **DALLAS COUNTY** | | | | | | | | | | |
| **COMMUNITY BLOCK DEVELOPMENT GRANT** | | **40208 &** | | Expended | Expended | | | | | |
| **ROAD WASTE WATER MAIN IMPROVEMENTS** | **14.218** | **42301** | Awarded | In Prior Year | In Current Year | Remaining | | | | |
| Fiscal Year 2015 | | | $ 122,657 | $ 104,131 | $ 18,526 | $ - | | | | 18,526 |
| Fiscal Year 2016 | | | 359,046 | 308,267 | 50,779 | - | | | | 50,779 |
| Fiscal Year 2018 | | | 134,962 | 125,530 | 9,432 | - | | | | 9,432 |
| Fiscal Year 2020 | | B-19-UC-48-0003 | 373,887 | 232,059 | 141,828 | - | | | | 141,828 |
| Fiscal Year 2022 | | B-20-UW-48-0003 | 311,353 | - | 230,840 | 80,513 | | | | 230,840 |
| Fiscal Year 2024 | | B-23-UW-48-0003 | 403,017 | - | | 403,017 | | | | |
| Fiscal Year 2025 | | B-23-UW-48-0003 | 387,331 | | | 387,331 | | | | |
| | | | $ 2,092,253 | $ 769,987 | $ 451,405 | $ 870,861 | | | | |
| **DEPARTMENT OF HEALTH AND HUMAN SAFETY** | | | | | | | | | | |
| **CARES ACT FUNDING** | **21.019** | **N/A** | | | | | | | | |
| Fiscal Year 2020 | | | $ 230,450 | $ 230,450 | $ | $ - | | | | |
| Fiscal Year 2021 | | | 515,151 | 515,151 | - | - | | | | |
| Fiscal Year 2022 | | | 515,669 | 126,705 | 388,964 | - | | | | 388,964 |
| | | | $ 1,261,270 | $ 872,306 | $ 388,964 | $ - | | | | |
| | | | | | | | **TOTAL FEDERAL AWARDS EXPENDED** | | | $ 840,369 |

## CITY OF COCKRELL HILL, TEXAS
## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FISCAL YEAR ENDED SEPTEMBER 30, 2025

### NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule_ included the Federal grant activity of the City of Cockrell Hill, Texas, under programs of the Federal government for the fiscal year ended September 30, 2025. The information in this Schedule is presented in accordance with applicable financial accounting and reporting requirements of Government Accountability Standards, as of July 2018. Because the Schedule presents only a selected portion of the City's financial resources and expenditures, it is not intended to and does not purport to present the financial position, changes in net position or fund balances, or cash flows of the City of Cockrell Hill, Texas

### NOTE B – SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business for amounts reported as expenditures in prior years. The City of Cockrell Hill has elected not to use the 10-percent de-Minimis indirect cost rate as allowed under Uniform Guidance.

### NOTE C – SUBRECIPIENT MONITORING

The City of Cockrell Hill, Texas does not provide any Federal or pass-through awards to sub-recipients.

### NOTE D – MAJOR PROGRAM THRESHOLD

The threshold for determination of major program status was $1,000,000.

### NOTE E – DEMINIMUS COST RATE

The City does not have any Federal awards where the "de-Minimis cost rate" is applicable.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ________________________________________
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

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

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Financial Advisory Services
Provided By:

SAMCO Capital