# OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM

**and**

# PRELIMINARY OFFICIAL STATEMENT

## CITY OF DAYTON, TEXAS

**(A Political Subdivision of the State of Texas Located in Liberty County, Texas)**

## $6,000,000*

## TAX NOTES, SERIES 2026

## (THE "NOTES")

| Will be Designated by the City as<br>"QUALIFIED TAX-EXEMPT OBLIGATIONS" |
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**Bids due**
**Monday, August 17, 2026**
**at**
**11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See "THE NOTES - MATURITY SCHEDULE" and "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale relating to the Notes.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

**OFFICIAL NOTICE OF SALE**
**Dated: August 10, 2026**

**$6,000,000***
**CITY OF DAYTON, TEXAS**
**(A political subdivision of the State of Texas located in Liberty County, Texas)**
**TAX NOTES, SERIES 2026**

**NOTES OFFERED FOR SALE AT COMPETITIVE BID**: The City Council (the "City Council") of the City of Dayton, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its $6,000,000* Tax Notes, Series 2026 (the "Notes").

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Monday, August 17, 2026. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Monday, August 17, 2026 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

**OPENING OF BIDS:** Bids will be opened and publicly read at 11:00 A.M., Central Time, on Monday, August 17, 2026, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the "Financial Advisor") and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Notes as described in the section entitled "AWARD AND SALE OF THE NOTES" below.

**AWARD AND SALE OF THE NOTES:** By 12:00 P.M. (noon) Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall award the Notes to the **low qualified bidder (the "Winning Bidder"), as described in the section entitled "CONDITIONS OF SALE – Basis of Award" herein subject to final approval of the City Council which will take action to adopt an ordinance (the "Ordinance")** authorizing the issuance and awarding sale of the Notes or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Monday, August 17, 2026. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

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*Preliminary, subject to change based on bid structures. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" herein.

## THE NOTES

**DESCRIPTION OF CERTAIN TERMS OF THE NOTES**: The Notes will be dated August 15, 2026 (the "Dated Date") with interest to accrue from the Dated Date and be payable initially on February 1, 2027, and semiannually on each August 1 and February 1 thereafter until stated maturity. The Notes 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 (the "Securities Depository"). Book-entry interests in the Notes will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes 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 Notes. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.) The Notes will be stated to mature on February 1 in each of the following years in the following amounts:

**MATURITY SCHEDULE**
(Due February 1)

| Stated Maturity | Principal Amount* |
|---|---|
| 2027 | $ 915,000 |
| 2028 | 1,090,000 |
| 2029 | 1,275,000 |
| 2030 | 1,330,000 |
| 2031 | 1,390,000 |

**ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES:** The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed $6,000,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**NO REDEMPTION**: The Notes are not subject to redemption prior to stated maturity.

**SECURITY FOR PAYMENT**: The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1431, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on August 17, 2026. The Notes are payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance.

**OTHER TERMS AND COVENANTS**: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR**: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the City shall be a national or state banking institution or an association or a corporation organized and doing business under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, 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 City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Notes, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

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*Preliminary, subject to change. See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES".

**CONDITIONS OF SALE**

**TYPES OF BIDS AND INTEREST RATES:** The Notes will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Notes from the Dated Date of the Notes to the date of Initial Delivery (defined herein) of the Notes. **No bid producing a cash premium on the Notes that results in a dollar price of less than 102% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 200 basis points (or 2% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD**: The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Notes, relating to the excludability of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (on or before the date of initial delivery of the Notes) a certification as to their initial offering prices of the Notes (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale (See "ESTABLISHMENT OF ISSUE PRICE" herein).

**ESTABLISHMENT OF ISSUE PRICE:**

(a) The Winning Bidder shall assist the City in establishing the issue price of the Notes and shall execute and deliver to the City by the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the City, and Norton Rose Fulbright US LLP, the City's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the City under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the City by the City's Financial Advisor and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

(1) the City shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the Winning Bidder. In such event, the City intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the Winning Bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. **Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies**. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-offering price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth ($5^{th}$) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

(e) The City acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Notes to the public),

(3) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Notes are awarded by the City to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT**: A bank cashier's check payable to the order of "City of Dayton, Texas" in the amount of $120,000, which is 2% of the par value of the Notes (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Notes are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Notes; however, should the Purchaser fail or refuse to take up and pay for the Notes, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages, except as provided under the caption "ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants". See "ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter". The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Notes has been made.

**ADDITIONAL CONDITIONS OF AWARD**

Disclosure of Interested Party Form. It is the obligation of the City to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Notes to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Notes is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Dayton, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Dayton TN2026 – Bid Form) and description of the goods or services (Purchase of the City of Dayton, Texas Tax Notes, Series 2026). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at https://www.ethics.state.tx.us/File, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City. The executed Disclosure Form must be sent by email to the City's financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701, along with a PDF executed version sent to stephanie.leibe@nortonrosefulbright.com.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Notes until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder's obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Notes should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

**STATUTORY REPRESENTATIONS AND COVENANTS:** By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Notes created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

*Not a Sanctioned Company.* Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

*No Boycott of Israel*. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

*No Discrimination Against Firearm Entities.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

*No Boycott of Energy Companies.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the

Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

*__Texas Attorney General Standing Letter__*. The winning bidder represents that it has, as of the date bids are due on the Notes and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2024) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (a "Request Letter"), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Notes.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

## OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE**: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Notes.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

**FINAL OFFICIAL STATEMENT**: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Notes, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the City and the Notes to subsequent purchasers of the Notes, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Notes to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Notes have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Notes have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT**: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a “designated electronic format”; provided, however, that the obligation of the City to do so will terminate when the City delivers the Notes to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Notes have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Notes) until all of the Notes have been sold to ultimate customers.

**MUNICIPAL BOND INSURANCE**: In the event the Notes are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. The City shall pay the rating agency fee for S&P (hereinafter defined). Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Notes. Any downgrade by rating agencies of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading “BOND INSURANCE”. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” in the Preliminary Official Statement.

**CERTIFICATION OF THE OFFICIAL STATEMENT**: At the time of payment for and delivery of the hereinafter defined Initial Note (the “Delivery Date”), 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 Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the initial 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. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Notes will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the City.

**CONTINUING DISCLOSURE AGREEMENT**: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

**COMPLIANCE WITH PRIOR UNDERTAKINGS**: 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.

## DELIVERY AND ACCOMPANYING DOCUMENTS

**INITIAL DELIVERY OF INITIAL NOTES**: The initial delivery of the Notes to the Purchaser on the “Delivery Date”, will be accomplished by the issuance of either (i) a single fully registered Note in the total principal amount of $6,000,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Note for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Note"), signed by manual or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Notes will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Note, it shall be immediately canceled and one Note for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC’s Book-Entry-Only System. Payment for the Initial Note must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Notes. It is anticipated that Initial Delivery of the Initial Note can be made on or about September 16, 2026, but if for any reason the City is unable to make delivery by September 16, 2026, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Notes. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the City's reasonable control.

**EXCHANGE OF INITIAL NOTES FOR DEFINITIVE NOTES**: Upon payment for the Initial Note at the time of such delivery, the Initial Note is to be canceled by the Paying Agent/Registrar and registered definitive Notes delivered in lieu thereof, in multiples of $5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Notes shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Note, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Note and delivery of registered definitive Notes may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

**CUSIP NUMBERS**: It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

**CONDITIONS TO DELIVERY**: The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Note, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Notes by delivering written notice to the City within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Notes, and of the City to deliver the Initial Note, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Note, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS**: The Notes are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS**: At any time before the Notes are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

**QUALIFIED TAX-EXEMPT OBLIGATIONS:** The City will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions (see discussion under “TAX MATTERS – Qualified Tax-Exempt Obligations” in the Preliminary Official Statement).

## GENERAL CONSIDERATIONS

**FUTURE REGISTRATION**: The Notes 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 Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes 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. To the extent possible, new Notes issued in an exchange or transfer of Notes 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 Notes 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 its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes 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 interest rate as the Notes surrendered for exchange or transfer.

**RECORD DATE**: The record date ("Record Date") for determining the party to whom the semiannual interest on the Notes is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATINGS**: A municipal bond rating application has been made to S&P Global Ratings (“S&P”). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the City 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 such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

**SALE OF ADDITIONAL OBLIGATIONS:** The Issuer does not anticipate the issuance of any additional ad valorem tax debt during the next 12 months.

**REGISTRATION AND QUALIFICATION OF NOTES FOR SALE**: No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes 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 Notes under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Notes are offered for sale.

**ADDITIONAL COPIES**: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Notes, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

/s/ Andy Conner

Mayor,
City of Dayton, Texas

ATTEST:

/s/ Jennifer Perkins

City Secretary,
City of Dayton, Texas

August 10, 2026

**OFFICIAL BID FORM**

Honorable Mayor and City Council
City of Dayton
117 Cook Street
Dayton, Texas 77535

August 17, 2026

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated August 10, 2026, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for $6,000,000 (preliminary, subject to change) CITY OF DAYTON, TEXAS TAX NOTES, SERIES 2026, dated August 15, 2026 (the "Notes").

For said legally issued Notes, we will pay you $__________ (being a price of no less than 102% of par value) plus accrued interest from their date to the date of delivery to us for Notes maturing February 1 and bearing interest per annum as follows:

| Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % |
|---|---|---|
| 2027 | $ 915,000 | |
| 2028 | 1,090,000 | |
| 2029 | 1,275,000 | |
| 2030 | 1,330,000 | |
| 2031 | 1,390,000 | |

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: __________________%

We are (are not) having the Notes of the following maturities ______________ insured by _________ at a premium of $______________. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The City will pay the fee due to S&P.

**NO REDEMPTION:** The Notes will not be subject to redemption prior to stated maturity.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Notes, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed $6,000,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per note underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

The Initial Note shall be registered in the name of ____________________________________________, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the ______________________________ Bank, ________________, Texas, in the amount of $120,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Note <u>in immediately available funds</u> at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Wednesday, September 16, 2026, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Notes to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to or required by Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", and (4) does not and will not "boycott energy companies", and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITIONS OF AWARD," which are included in Exhibit A to this Official Bid Form and incorporated herein for all purposes.

For purposes of contracting for the sale of the Notes, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Notes. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at mmcliney@samcocapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

Bidder: ________________________________

By: ________________________________
Authorized Representative

________________________________
Telephone Number

________________________________
E-mail Address

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby in all things accepted by the City of Dayton, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 17th day of August, 2026.

/s/________________________________
Mayor,
City of Dayton, Texas

ATTEST:

/s/________________________________
City Secretary, City of Dayton, Texas

**$6,000,000***
**CITY OF DAYTON, TEXAS**
**TAX NOTES,**
**SERIES 2026**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of ____________________, _______________, _____________ (the "Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Obligations") of the City of Dayton, Texas (the "Issuer").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by ____________________ are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Obligations used by the "Purchaser" in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by the "Purchaser" to purchase the Obligations.

(b) ______________________ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by ______________________ constituted a firm offer to purchase the Obligations.

2. ***Defined Terms***.

(a) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is August 17, 2026.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

_____________________________

By: _________________________________

Name: _________________________________

Title: _________________________________

Dated: August 17, 2026

____________
*Preliminary, subject to change.

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## EXHIBIT A

### Statutory Representations and Covenants and Texas Attorney General Standing Letter

Statutory Representations and Covenants. Through submitting of this executed Official Bid Form, the undersigned makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the winning bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Notes created by the Official Bid Form (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or the Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

*Not a Sanctioned Company*. The undersigned represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the undersigned and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

*No Boycott of Israel*. The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

*No Discrimination Against Firearm Entities.* The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

*No Boycott of Energy Companies.* The undersigned hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Texas Attorney General Standing Letter. The undersigned represents that it has, as of the date of this Official Bid Form and as of Closing will have, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in the Notice of Sale and in this Official Bid Form in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2024) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such winning bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City or Bond Counsel, two business days prior to Closing and additionally upon request by the City or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the City and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Notes. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

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## SCHEDULE A

## EXPECTED OFFERING PRICES

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**SCHEDULE B**

**COPY OF UNDERWRITER’S BID**

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

**Rating: S&P: "Applied For"**
**(See: "OTHER PERTINENT INFORMATION-Ratings")**

**PRELIMINARY OFFICIAL STATEMENT**
**August 10, 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 Notes (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Notes 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 Notes 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 will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.*

**$6,000,000***
**CITY OF DAYTON, TEXAS**
**(A political subdivision of the State of Texas located in Liberty County, Texas)**
**TAX NOTES, SERIES 2026**

**Dated Date: August 15, 2026** **Due: February 1, as shown on inside cover**

The $6,000,000* City of Dayton, Texas Tax Notes, Series 2026 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Dayton, Texas (the "City" or the "Issuer") on August 17, 2026, and the City's Home Rule Charter. (See "THE NOTES - Authority for Issuance" herein.)

The Notes constitute direct and general obligations of the Issuer payable from levy and collection of a direct ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance. (See "THE NOTES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Notes will accrue from August 15, 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 stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Notes 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 Notes will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes 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 Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Notes 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) designing, constructing, acquiring, purchasing, renovating, enlarging and improving street improvements (including utilities repair, replacement and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) purchase and equipping of police vehicles; (3) the purchase of police equipment, including body cameras; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE NOTES - Use of Note Proceeds" herein.)

The City has made an application to municipal bond insurance companies to have the payment of principal of and interest on the Notes insured by a municipal bond guaranty policy and will consider the purchase of such policy after an analysis of the bids from such insurance providers has been made by the City's Financial Advisor. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

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

The Notes are **not** subject to redemption prior to stated maturity.

*The Notes 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 Notes. (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 Notes will be available for initial delivery through DTC on or about September 16, 2026.*

## BIDS DUE MONDAY, AUGUST 17, 2026, BY 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change

**$6,000,000***
**CITY OF DAYTON, TEXAS**
**(A political subdivision of the State of Texas located in Liberty County, Texas)**
**TAX NOTES, SERIES 2026**

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

**CUSIP Prefix No. 240082[1]**

| Stated Maturity 2/1 | Principal Amount | Interest Rate | Initial Yield | Cusip No. Suffix [1] |
|---|---|---|---|---|
| 2027 | $915,000 | | | |
| 2028 | 1,090,000 | | | |
| 2029 | 1,275,000 | | | |
| 2030 | 1,330,000 | | | |
| 2031 | 1,390,000 | | | |

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

The Notes are not subject to redemption prior to stated maturity. (See "THE NOTES – No Redemption Provisions" herein.)

* Preliminary, subject to change.

*[1] CUSIP numbers are included solely for the convenience of the owner of the Notes. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2026 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. 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.*

*[The remainder of this page intentionally left blank]*

**CITY OF DAYTON TEXAS**

**117 Cook Street**
**Dayton, Texas 77535**
**Telephone: (936) 258-2642**

**ELECTED OFFICIALS**

| Name | Years Served | Term Expires (May) |
|---|---|---|
| Andy Conner*<br>Mayor | <1 | 2029 |
| Tonya Smikal<br>Mayor Pro-Tem, Position 4 | 3 | 2028 |
| Harry Barnes Jr<br>Councilmember, Position 1 | 2 | 2027 |
| Sarah Vickery<br>Councilmember, Position 2 | 2 | 2027 |
| Charlie Whitehead<br>Councilmember, Position 3 | 1 | 2029 |
| Alvin Burress<br>Councilmember, Position 5 | 1 | 2028 |

**Prior to being elected as Mayor Andy Conner served one term as Position 4 Councilmember.*

**ADMINISTRATION**

| **Name** | **Position** | **Length of Service (Years)** |
|---|---|---|
| Derek Woods | City Manager | 5 |
| Jennifer Perkins | City Secretary | 7 |
| Leslie Herrera | Finance Director | 4 |

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** .......... BrooksWatson & Co., PLLC
Houston, Texas

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

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

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City Manager
City of Dayton
117 Cook Street
Dayton, Texas 77535
Telephone: (936) 258-2642
dwoods@daytontx.org

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

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
afriedman@samcocapital.com

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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 NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION IS PROVIDED BY DTC. OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS "BOOK-ENTRY-ONLY SYSTEM", "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

The agreements of the City and others related to the Notes 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 Notes is to be construed as constituting an agreement with the Purchaser of the Notes. 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 Notes 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 Dayton, Texas (the "City" or "Issuer") is in southwest Liberty County, Texas approximately 39 miles northeast of the City of Houston. The City became an incorporated municipality in 1911 after originally being considered part of the original town of Liberty, founded in 1831. The City operates under the council-mayor form of government and as a home rule municipality. The City Manager, appointed by the City Council, is the chief administrative and executive officer of the City. (See "APPENDIX B - General Information Regarding the City of Dayton and Liberty County, Texas" herein.) |
| **The Notes** | The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted on August 17, 2026 and the City's Home Rule Charter. (See "THE NOTES - Authority for Issuance" herein.) |
| **Paying Agent/Registrar** | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. |
| **Security** | The Notes are payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance. (See "THE NOTES - Security for Payment" and "TAX RATE LIMITATIONS" herein.) |
| **No Redemption** | The Notes are not subject to redemption prior to stated maturity. |
| **Tax Matters** | In the opinion of Bond Counsel, the interest on the Notes 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 will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.) |
| **Use of Note Proceeds** | Proceeds from the sale of the Notes 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) designing, constructing, acquiring, purchasing, renovating, enlarging and improving street improvements (including utilities repair, replacement and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) purchase and equipping of Police vehicles; (3) the purchase of police equipment, including body cameras; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE NOTES - Use of Note Proceeds" herein.) |
| **Rating** | A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.) |
| **Bond Insurance** | The City has made an application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" 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 tax debt during the next 12 months. |
| **Delivery** | When issued, anticipated on or about September 16, 2026. |
| **Legality** | Delivery of the Notes 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. |

**PRELIMINARY OFFICIAL STATEMENT**
**relating to**

**$6,000,000***
**CITY OF DAYTON, TEXAS**
**(A political subdivision of the State of Texas located in Liberty County, Texas)**
**TAX NOTES, SERIES 2026**

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Dayton, Texas (the "City" or the "Issuer") of its $6,000,000* Tax Notes, Series 2026 (the "Notes") 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 and the City's Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Notes 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 Notes 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 NOTES

### General Description of the Notes

The Notes will be dated August 15, 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 Notes will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Notes 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, 2027, until stated maturity. Principal of and interest on the Notes 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 Notes 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 Notes will be payable at stated maturity 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 Notes 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 Notes are being issued pursuant to the Constitution and general laws of the State particularly Chapter 1431, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on August 17, 2026, and the City's Home Rule Charter.

### Security for Payment

The Notes payable from the levy and collection of a direct and continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Ordinance.

**No Redemption**

The Notes are not subject to redemption prior to stated maturity.

**Use of Note Proceeds**

Proceeds from the sale of the Notes 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) designing, constructing, acquiring, purchasing, renovating, enlarging and improving street improvements (including utilities repair, replacement and relocation), curbs, gutters, and sidewalk improvements, including drainage incidental thereto; (2) purchase and equipping of Police vehicles; (3) the purchase of police equipment, including body cameras; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

| | |
|---|---|
| Sources | |
| Par Amount of the Notes | $ |
| Accrued Interest on the Notes | |
| [Net] Reoffering Premium | |
| Total Sources of Funds | |
| | |
| Uses | |
| Project Fund Deposit | $ |
| Purchaser's Discount | |
| Note Fund Deposit | |
| Costs of Issuance | |
| Total Uses | |

**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 Notes 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 Outstanding Notes, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or interest on the Notes, 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 Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of Notes required for consent to any amendment, addition or recission.

**Defeasance**

The Ordinance provides for the defeasance of the Notes when payment of the principal amount of the Notes plus interest accrued on the Notes 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 Notes. 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 Notes. 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 Notes. City officials are authorized to restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Notes, 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 Notes ("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 Notes, registered owners of Notes 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 Notes shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the City to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Notes, to call for redemption at an earlier date those Notes 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 Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes immediately following the defeasance, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes, and (iv) at the time of the redemption, satisfies the conditions of (i) and (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Notes, after taking the redemption into account in determining the sufficiency of the provisions made for payment of the defeased Notes.

**Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Notes when due, or if it fails to make payments into the Note Fund 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 Notes, if there is no other available remedy at law to compel performance of the Notes 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 Notes 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 the 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 Notes. As noted above, the Ordinance provides that Note 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 Notes 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 institution or 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 Notes, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes affected by the change by United States mail, first-class, postage prepaid.

The Notes 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 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 Notes 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 Note on any interest payment date means the fifteenth ($15^{th}$) 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 Note 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 Notes are not in the Book-Entry-Only System, the Notes 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 Note may be assigned by the execution of an assignment form on the Note or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes 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 Notes issued in an exchange or transfer of Notes 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 Notes 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 Notes 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 Note or Notes 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 Notes.)

**Limitation on Transfer or Exchange of Notes**

The Paying Agent/Registrar shall not be required to transfer or exchange any Notes or any portion thereof 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.

**Replacement Notes**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes 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 Note 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 Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Notes 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 Notes, 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 Notes), 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 Notes. The Notes 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 Note will be issued for the Notes, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Notes 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 Notes 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 Notes 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 Notes, 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 Notes 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 Notes, 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 Notes will be issued to the holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

## BOND INSURANCE

The City has applied for a municipal bond insurance policy on the Notes and will consider the purchase of such insurance after an analysis of bids from such companies has been made. The City shall notify the Purchaser upon obtaining a commitment from a municipal bond insurance company (the "Bond Insurer") concerning the Notes. If the City accepts a bid for the Notes that utilizes municipal bond insurance, the premium for a municipal bond insurance policy (the "Policy") shall be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy. If bond insurance is purchased, purchasers of the Notes should be aware of the risks described below.

## BOND INSURANCE RISK FACTORS

The City has yet to determine whether any insurance will be purchased with respect to the Notes. If an insurance policy is purchased (the "Policy") from a bond insurance company (the "Insurer"), the following are the risks factors relating to bond insurance.

If a Policy is purchased for some or all the Notes, the following are risk factors related to bond insurance. In the event of default of the payment of the principal or interest with respect to the Notes when all or some become due, any owner of the Notes shall have a claim under the Policy for such payments. The payment of principal and interest in connection with the mandatory or optional prepayment of the Notes by the City, which is recovered by the City from the Notes owner 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 absent 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. 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 Note 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 Notes are payable solely from the security provided pursuant to the applicable Note documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. If a Policy is acquired, the long-term ratings of the Notes 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 the ratings on the Notes insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the price of the Notes or the marketability (liquidity) for the Notes. See "OTHER PERTINENT INFORMATION – Rating" 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. None of the City, the Financial Advisor, or the Purchaser have made independent investigation into the claims-paying ability of any potential Bond Insurer, and no insurance 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 of and interest on the Notes and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Notes.

**Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

In the past, Moody's Investors Service, Inc., S&P Global Ratings, 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 Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of such bond insurer to pay principal of and interest on the Notes and the claims-paying ability of any such bond insurer, particularly over the life of the Notes.

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

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

**Current Investments** [1] **TABLE 1**

As of July 2026 the City held investments as follows:

| Type of Security | Market Value |
|---|---|
| Investment Pools | $10,461,904 |
| Bank Accounts | 24,225,932 |
| Money Market Accounts | 51,081 |
| Total | $ 34,738,919 |

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.

## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 Liberty County Appraisal District (the "Appraisal District") is primarily responsible for appraising property within the City generally as of January 1 of each year. 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.

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – 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 are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

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

**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 provides a person with 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. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property 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.

For a discussion of how the various exemptions described above are applied by the City, see "CITY'S APPLICATION OF THE PROPERTY TAX CODE" herein.

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. 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.

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

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

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

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

"unused increment rate" means the cumulative foregone revenue amount for the three tax years prior to the current tax year divided by the total taxable value of property for the current year less exemption.

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

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under

State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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

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

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

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

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

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

**Debt Tax Rate Limitations**

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

**State Legislation**

The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City.

The Regular Session of the 90th Texas Legislature will convene on January 12, 2027 and is scheduled to conclude on May 31, 2027. The City cannot predict what legislation may be introduced during the 90th Texas Legislature or any upcoming legislative sessions and, if passed, the impact that any future legislation will or may have on the security for the Certificates.

## CITY'S APPLICATION OF THE PROPERTY TAX CODE

The City grants a local option exemption to the appraised value of the residence homestead of persons 65 years of age or older of $20,000.00.

The City has elected to grant a local option exemption to the appraised value of the residence homesteads of $20,000.00.

The City has adopted the tax freeze for citizens who are disabled or are 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

The City does not allow split payments and discounts are not allowed.

The City does tax Goods-in-Transit.

The City does tax Freeport Property.

The City does collect an additional ½ of one percent sales tax for economic development.

The City is 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, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into various 380 agreements with businesses in the City. These agreements involve rebates of future ad valorem taxes and/or sales taxes and should not have a significant impact on current tax in future years. Once the terms of the 380 agreements expire, the tax base of the City will be increased to include the new businesses of the City. The City has a Chapter 380 Agreement with Jess-John, Inc. (the "Developer"). The Jess-John, Inc. Agreement allows the City to provide City Grant Payments, less City Service Retainage, to the Developer in order to pay for up to one half (1/2) of actual costs of Public Improvements not to exceed $674,530. This Agreement took effect on November 17, 2014, for a term expiring the earlier of 15 years thereafter, or on the date that all payments required have been made.

**Industrial Districts in Extraterritorial Jurisdiction**

Pursuant to Section 42.044, as amended, Texas Local Government Code, the City is authorized to designate any area within its extraterritorial jurisdiction as an "Industrial District" and contract with the Industrial District to guarantee the continuation of the District's extraterritorial status for a period not to exceed 15 years. In lieu of annexation, and the tax burden such annexation would impose, the landowners within an Industrial District typically agree to pay a lesser portion of those property taxes which they would have paid if the property within the District had been within the City limit. The City currently has one such Industrial District.

## TAX MATTERS

The delivery of the Notes is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Notes 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 hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Notes. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

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 Notes. 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 Issuer 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 Notes is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Notes 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 Notes, the Issuer may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

**Tax Changes**

Existing law may change to reduce or eliminate the benefit to Note holders of the exclusion of interest on the Notes 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 Notes. Prospective purchasers of the Notes 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 Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions (see "TAX MATTERS – Qualified Tax Exempt Obligations" herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 purchasers 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 of the table year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Notes. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Notes.

**Tax Accounting Treatment of Discount Notes**

The initial public offering price to be paid for certain Notes may be less than the amount payable on such Notes at maturity (the "Discount Notes"). An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes 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 Notes. A portion of such original issue discount, allocable to the holding period of a Discount Note 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 Notes. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note 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 "TAX MATTERS – Qualified Tax Exempt Obligations" herein), life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

Owners of Discount Notes should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Notes and with respect to the state and local tax consequences of owning Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Notes 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 Notes**

The purchase price of certain Notes (the "Premium Notes") paid by an owner may be greater than the amount payable on such Notes at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Note over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Note in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. 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 Note. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Note, the yield based on a call date that results in the lowest yield on the Note).

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

**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 financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly 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 current 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 will designate the Notes as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes 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 Notes will be reduced by 20% pursuant to section 291 of the Code.

## CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. 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 City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2026, financial information and operating data with respect to the City of the general type included in Table 1 of the Official Statement and in Tables 1-14 of APPENDIX A to this Official Statement, and (2) within six months after the end of each fiscal year of the City beginning in the year 2026, the audited financial statements of the City (the "Audited Financial Statements"). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

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 Notes 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 Notes, or other material events affecting the tax status of the Notes, as the case may be; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, 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 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 will adopt 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 Notes nor the Ordinance make provision for credit enhancement (although the City is applying for Bond Insurance on the Notes), 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 Notes 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 Notes 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 Notes 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 Notes in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Notes 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 Notes. 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 Notes, respectively, in the primary offering of the Notes.

**Compliance with Prior Agreements**

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.

## 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 Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Note 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 Notes, 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 Notes 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 Notes, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Notes. 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 NOTES" (except under the subcaptions "Use of Note Proceeds", "Sources and Uses of Funds", "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 Notes for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Notes 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 Notes or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Notes will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Notes are contingent on the sale and initial delivery of the Notes. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes 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 Notes 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.

At the time of the initial delivery of the Notes, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale, or delivery of the Notes.

**Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes 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 Notes must 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 – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes 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 Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The City has made no review of laws in other states to determine whether the Notes 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 Notes for Sale**

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

A municipal bond rating application for the Notes has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes 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 Notes.

**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 Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes 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 Notes.

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 Notes, the City accepted the bid of ____________ (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of $___________, less a Purchaser's discount of $ ___________, plus accrued interest on the Notes 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 Notes after their sale by the City to the Purchaser. The City has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes 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 Notes, 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 Notes, on the date of such Official Statement, on the date of sale of said Notes 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) except as disclosed in the Official Statement, there has been no material adverse change in the financial condition of the City, since September 30, 2025, the date of the last financial statements of the City appearing in the Official Statement.

**Information from External Sources**

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

**Concluding Statement**

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

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

The Ordinance authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Notes by the Purchaser.

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

**CITY OF DAYTON, TEXAS**

/s/

Mayor
City of Dayton, Texas

ATTEST:

/s/

City Secretary
City of Dayton, Texas

**APPENDIX A**

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

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## FINANCIAL INFORMATION OF THE ISSUER

**ASSESSED VALUATION** — **TABLE 1**

| | | |
|---|---|---|
| 2026 Actual Certified Market Value of Taxable Property (100% of Market Value) | $ | 2,303,646,135 |
| Less Exemptions: | | |
| Over-65 or Disabled Exemption | $ | 25,446,108 |
| Veterans' Exemption | | 18,921,070 |
| Productivity Value Loss | | 176,976,470 |
| Abatement Loss | | 27,570,856 |
| Homestead | | 69,655,222 |
| Pollution Control | | 137,910 |
| 10% Cap on Res. Homesteads | | 14,662,516 |
| Exempt Misc | | 260,176,678 |
| **TOTAL EXEMPTIONS** | | 593,546,830 |
| 2026 Assessed Value of Taxable Property | $ | 1,710,099,305 |

*Source: Liberty County Appraisal District.*

**GENERAL OBLIGATION BONDED DEBT**

*(as of July 1, 2026)*

| | | | |
|---|---|---|---|
| **General Obligation Debt Principal Outstanding** | | | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 | $ | 4,895,000 | |
| General Obligation Refunding Bonds, Series 2016 | | 1,430,000 | |
| General Obligation Refunding Bonds, Series 2017 | | 2,075,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 | | 3,505,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 | | 1,680,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020A | | 3,245,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020B | | 3,845,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 | | 6,965,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2023 | | 7,065,000 | |
| Tax Notes, Series 2026 (the "Notes") | | 6,000,000 | * |
| Total Gross General Obligation Debt | $ | 40,705,000 | * |
| Less: Self Supporting Debt | | | |
| General Obligation Refunding Bonds, Series 2016 (100% Utility System) | $ | 1,430,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018 (81.74% Utility System) | | 2,865,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020B (38.10% Utility System) | | 1,465,000 | |
| Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (100% Utility System) | | 6,965,000 | |
| Total Self-Supporting Debt | $ | 12,725,000 | * |
| Total Net General Obligation Debt Outstanding | $ | 27,980,000 | * |

| | |
|---|---|
| Ratio of Total Gross General Obligation Debt Principal to 2026 Net Taxable Assessed Valuation | 2.38% |
| Ratio of Net General Obligation Debt to 2026 Net Taxable Assessed Valuation | 1.64% |

Population: 1990 - 5,151; 2000 - 5,719; 2010 - 7,242; 2020 - 8,777; 2026 estimate -10,400
Per Capita Certified Net Taxable Assessed Valuation - $164,432.63
Per Capita Gross General Obligation Debt Principal - $3,913.94
Per Capita Net General Obligation Debt Principal - $2,690.38

* *Preliminary, Subject to change.*

**DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE** — **TABLE 2**

NONE

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year Ending (9/30) | Current Outstanding Debt Service [(a)] | The Notes [(b)] Principal | Interest | Total | Combined Debt Service [(a)] | Less: Self Supporting Debt | Total Net Debt Service |
|---|---|---|---|---|---|---|---|
| 2027 | $ 5,245,231 | $ 915,000 | $ 239,108 | $ 1,154,108 | $ 6,399,339 | $ 1,737,856 | $ 4,661,483 |
| 2028 | 5,249,111 | 1,090,000 | 204,525 | 1,294,525 | 6,543,636 | 1,744,981 | 4,798,654 |
| 2029 | 3,539,819 | 1,275,000 | 151,313 | 1,426,313 | 4,966,131 | 950,756 | 4,015,375 |
| 2030 | 3,430,884 | 1,330,000 | 92,700 | 1,422,700 | 4,853,584 | 947,031 | 3,906,553 |
| 2031 | 2,645,863 | 1,390,000 | 31,388 | 1,421,388 | 4,067,250 | 954,919 | 3,112,331 |
| 2032 | 2,642,422 | - | - | - | 2,642,422 | 953,122 | 1,689,300 |
| 2033 | 2,649,844 | - | - | - | 2,649,844 | 950,356 | 1,699,488 |
| 2034 | 2,642,675 | - | - | - | 2,642,675 | 946,888 | 1,695,788 |
| 2035 | 2,651,628 | - | - | - | 2,651,628 | 952,419 | 1,699,209 |
| 2036 | 1,930,525 | - | - | - | 1,930,525 | 951,850 | 978,675 |
| 2037 | 1,929,575 | - | - | - | 1,929,575 | 949,938 | 979,638 |
| 2038 | 1,931,356 | - | - | - | 1,931,356 | 951,925 | 979,431 |
| 2039 | 1,621,738 | - | - | - | 1,621,738 | 668,219 | 953,519 |
| 2040 | 1,476,838 | - | - | - | 1,476,838 | 668,350 | 808,488 |
| 2041 | 1,118,306 | - | - | - | 1,118,306 | - | 1,118,306 |
| 2042 | 585,781 | - | - | - | 585,781 | - | 585,781 |
| 2043 | 587,219 | - | - | - | 587,219 | - | 587,219 |
| Total | $ 41,878,814 | $ 6,000,000 | $ 719,033 | $ 6,719,033 | $ 48,597,847 | $ 14,328,609 | $ 34,269,237 |

[(a)] *Includes self-supporting debt.*
[(b)] *Preliminary, subject to change. Interest calculated at an assumed rate for illustrative purposes only.*

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

| | | |
|---|---|---|
| 2026 Assessed Value of Taxable Property | $ 1,710,099,305 | |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2028) | $ 6,543,636 | * |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | $ 0.3905 | |

* *Includes the Notes. Preliminary, subject to change.*

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

| | | |
|---|---|---|
| 2026 Assessed Value of Taxable Property | $ 1,710,099,305 | |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2028) | $ 4,798,654 | * |
| Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | $ 0.2863 | |

* *Includes the Notes. Preliminary, subject to change.*

Note: AV 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 Notes[(b)] | Total | Principal Unpaid at End of Year | Percent of Principal Retired (%) |
|---|---|---|---|---|---|
| 2027 | $ 4,150,000 | $ 915,000 | $ 5,065,000 | $ 35,640,000 | 12.44% |
| 2028 | 4,305,000 | 1,090,000 | 5,395,000 | 30,245,000 | 25.70% |
| 2029 | 2,725,000 | 1,275,000 | 4,000,000 | 26,245,000 | 35.52% |
| 2030 | 2,715,000 | 1,330,000 | 4,045,000 | 22,200,000 | 45.46% |
| 2031 | 2,010,000 | 1,390,000 | 3,400,000 | 18,800,000 | 53.81% |
| 2032 | 2,075,000 | - | 2,075,000 | 16,725,000 | 58.91% |
| 2033 | 2,150,000 | - | 2,150,000 | 14,575,000 | 64.19% |
| 2034 | 2,210,000 | - | 2,210,000 | 12,365,000 | 69.62% |
| 2035 | 2,290,000 | - | 2,290,000 | 10,075,000 | 75.25% |
| 2036 | 1,630,000 | - | 1,630,000 | 8,445,000 | 79.25% |
| 2037 | 1,680,000 | - | 1,680,000 | 6,765,000 | 83.38% |
| 2038 | 1,735,000 | - | 1,735,000 | 5,030,000 | 87.64% |
| 2039 | 1,475,000 | - | 1,475,000 | 3,555,000 | 91.27% |
| 2040 | 1,375,000 | - | 1,375,000 | 2,180,000 | 94.64% |
| 2041 | 1,055,000 | - | 1,055,000 | 1,125,000 | 97.24% |
| 2042 | 550,000 | - | 550,000 | 575,000 | 98.59% |
| 2043 | 575,000 | - | 575,000 | - | 100.00% |
| Total | $ 34,705,000 | $ 6,000,000 | $ 40,705,000 | | |

[(a)] *Includes self-supporting debt.*
[(b)] *Preliminary, subject to change.*

## TAXABLE ASSESSED VALUATION FOR TAX YEARS 2017-2026 — TABLE 3

| Tax Year | Net Taxable Assessed Valuation | Change From Preceding Year | |
|---|---|---|---|
| 2017 | 755,333,201 | 97,085,860 | 14.75% |
| 2018 | 796,480,291 | 41,147,090 | 5.45% |
| 2019 | 878,731,164 | 82,250,873 | 10.33% |
| 2020 | 910,067,714 | 31,336,550 | 3.57% |
| 2021 | 998,790,652 | 88,722,938 | 9.75% |
| 2022 | 1,219,645,264 | 220,854,612 | 22.11% |
| 2023 | 1,305,591,877 | 85,946,613 | 7.05% |
| 2024 | 1,455,087,469 | 149,495,592 | 11.45% |
| 2025 | 1,587,135,481 | 132,048,012 | 9.07% |
| 2026* | 1,710,099,305 | 122,963,824 | 7.75% |

*Source: Liberty County Appraisal District.*
** Preliminary, as of 4.22.26.*

## PRINCIPAL TAXPAYERS 2025 — TABLE 4

| Name | Type of Business/Property | 2025 Net Taxable Assessed Valuation | % of Total 2025 Assessed Valuation |
|---|---|---|---|
| Bayport Polymers LLC | Polyethylene production | $ 53,567,400 | 3.38% |
| Kinder Morgan Texas Pipeline | Pipeline | 53,529,080 | 3.37% |
| Exxon Chemical Americas | Petrochemical | 52,771,900 | 3.32% |
| Global Tubing | Manufacturer | 47,151,630 | 2.97% |
| Total Petrochemicals USA | Oil and Gas | 37,216,690 | 2.34% |
| Oxy Vinyls LP | Petrochemical | 36,888,580 | 2.32% |
| Rail Logix Dayton LLC | Storage/Transportation | 28,431,504 | 1.79% |
| BNSF Dayton LLC | Transportation | 27,358,840 | 1.72% |
| Braskem America Inc. | Manufacturer Petrochemical Products | 25,047,050 | 1.58% |
| Insteel Wire Products Co | Wire Products | 18,866,210 | 1.19% |
| | | $ 380,828,884 | 23.99% * |

*Source: Liberty County Appraisal District, 2026 top 10 not available at the time of printing*

** As shown in the table above, the top ten taxpayers in the City account for 23.99% of the City's tax base. Adverse developments in economic conditions, especially 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 in less 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 Notes 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 NOTES- Default and Remedies" and "AD VALOREM PROPERTY TAXATION - City and Taxpayer Remedies" in this Official Statement.*

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

| | 2026 | % of Total | 2025 | % of Total | 2024 | % of Total |
|---|---|---|---|---|---|---|
| Real, Residential, Single-Family | $ 642,673,030 | 27.90% | $ 616,846,277 | 29.17% | $ 578,210,607 | 29.40% |
| Real, Residential, Multi-Family | 47,396,550 | 2.06% | 44,300,170 | 2.09% | 42,129,855 | 2.14% |
| Real, Vacant Lots/Tracts | 51,506,482 | 2.24% | 54,910,030 | 2.60% | 50,185,475 | 2.55% |
| Real, Acreage (Land Only) | 178,697,360 | 7.76% | 150,229,262 | 7.10% | 150,042,849 | 7.63% |
| Real, Farm and Ranch Improvements | 79,789,226 | 3.46% | 70,080,104 | 3.31% | 52,523,690 | 2.67% |
| Real, Commercial and Industrial | 498,785,565 | 21.65% | 414,620,532 | 19.61% | 367,031,310 | 18.66% |
| Oil and Gas | 9,270 | 0.00% | 29,490 | 0.00% | 14,299 | 0.00% |
| Real & Tangible, Personal Utilities | 70,598,770 | 3.06% | 57,725,120 | 2.73% | 55,035,880 | 2.80% |
| Tangible Personal Business | 483,043,469 | 20.97% | 464,919,580 | 21.98% | 434,358,860 | 22.09% |
| Tangible Personal, Mobile Homes | 9,848,623 | 0.43% | 9,716,805 | 0.46% | 9,987,353 | 0.51% |
| Special Inventory | 17,491,980 | 0.76% | 5,442,930 | 0.26% | 3,564,116 | 0.18% |
| Totally Exempt Property | 223,805,810 | 9.72% | 225,953,895 | 10.68% | 223,443,968 | 11.36% |
| **Total Appraised Value** | $ 2,303,646,135 | 100.00% | $ 2,114,774,195 | 100.00% | $ 1,966,528,262 | 100.00% |
| **Less:** | | | | | | |
| Over-65 or Disabled Exemption | $ 25,446,108 | | $ 24,889,562 | | $ 24,208,759 | |
| Veterans' Exemption | 18,921,070 | | 16,818,848 | | 12,072,102 | |
| Productivity Value Loss | 176,976,470 | | 148,625,304 | | 147,571,445 | |
| Abatement Loss | 27,570,856 | | 27,784,516 | | 20,859,588 | |
| Homestead | 69,655,222 | | 66,935,158 | | 63,540,339 | |
| Pollution Control | 137,910 | | 780,590 | | 867,310 | |
| 10% Per Year Cap on Res. Homesteads | 14,662,516 | | 16,601,482 | | 19,854,319 | |
| Exempt Misc | 260,176,678 | | 225,203,254 | | 222,466,931 | |
| **Total Exemptions** | 593,546,830 | | 527,638,714 | | 511,440,793 | |
| **Net Taxable Assessed Valuation** | $ 1,710,099,305 | | $ 1,587,135,481 | | $ 1,455,087,469 | |

*Source: Liberty County Appraisal District.*

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

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy | % of Collections Current | % of Collections Total | Year Ended |
|---|---|---|---|---|---|---|
| 2017 | 755,333,201 | 0.670000 | 5,060,732 | 98.25 | 101.78 | 9/30/2018 |
| 2018 | 796,480,291 | 0.682100 | 5,432,792 | 99.73 | 100.26 | 9/30/2019 |
| 2019 | 878,731,164 | 0.664500 | 5,839,169 | 98.71 | 99.05 | 9/30/2020 |
| 2020 | 910,067,714 | 0.706000 | 6,425,078 | 92.77 | 99.79 | 9/30/2021 |
| 2021 | 998,790,652 | 0.666900 | 6,660,935 | 93.82 | 96.65 | 9/30/2022 |
| 2022 | 1,219,645,264 | 0.663779 | 8,095,749 | 94.70 | 96.62 | 9/30/2023 |
| 2023 | 1,305,591,877 | 0.660799 | 8,627,338 | 98.62 | 100.67 | 9/30/2024 |
| 2024 | 1,455,087,469 | 0.648586 | 9,437,494 | 97.57 | 97.60 | 9/30/2025 |
| 2025 | 1,587,135,481 | 0.647593 | 10,278,178 | 96.99 | 98.28 | 9/30/2026* |
| 2026 | 1,710,099,305 | | | | | 9/30/2027* |

** Collections as of June 30, 2026.*

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

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| General Fund | $ 0.352697 | $ 0.338726 | $ 0.345237 | $ 0.346034 | $ 0.409700 |
| Interest and Sinking Fund | 0.294896 | 0.309860 | 0.315562 | 0.317745 | 0.257200 |
| Total | $ 0.647593 | $ 0.648586 | $ 0.660799 | $ 0.663779 | $ 0.666900 |

*Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Liberty County Appraisal District, the Issuer's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2025, and information supplied by the Issuer.*

## MUNICIPAL SALES TAX COLLECTIONS — TABLE 8

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The City's approved a 1/2 cent sales tax for property relief to be effective 10/1/96. The City has an additional 1/2 of 1 cent sales tax for its Economic Development Corporation (4B). Collections on calendar year basis are as follows:

| Calendar Year | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate |
|---|---|---|---|
| 2016 | $2,121,260 | 47.02% | 0.32 |
| 2017 | 2,209,675 | 43.66% | 0.29 |
| 2018 | 2,518,247 | 46.35% | 0.32 |
| 2019 | 2,446,644 | 41.90% | 0.28 |
| 2020 | 2,619,836 | 40.78% | 0.29 |
| 2021 | 2,870,741 | 43.10% | 0.29 |
| 2022 | 3,289,544 | 40.63% | 0.27 |
| 2023 | 3,469,619 | 40.22% | 0.27 |
| 2024 | 3,748,501 | 39.72% | 0.26 |
| 2025 | 4,004,531 | 38.96% | 0.25 |
| 2026 | 2,363,211 | (As of July 2026) | |

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

## OVERLAPPING DEBT INFORMATION

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 7/1/26) | % Overlapping | Amount Overlapping |
|---|---|---|---|
| Dayton ISD | $ 41,340,000 | 38.53% | $ 15,928,302 |
| Liberty County | 131,825,000 | 11.22% | 14,790,765 |
| Liberty County MUD #9 | 3,225,000 | 99.45% | 3,207,263 |
| Liberty ISD** | 31,650,000 | 0.00% | - |
| River Ranch ID | 17,000,000 | 6.71% | 1,140,700 |
| Total Gross Overlapping Debt | | | $ 35,067,030 |
| Dayton, City of | | | $ 40,705,000 * |
| Total Gross Direct and Overlapping Debt | | | $ 75,772,030 * |
| Ratio of Direct and Overlapping Debt to Net Assessed Valuation | | | 4.43% * |
| Per Capita Direct and Overlapping Debt | | | $7,285.77 * |

*

Note: The above figures show Gross General Obligation Debt for the City of Dayton, Texas. The Issuer's Net General Obligation Debt is $27,980,000 . Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

| | |
|---|---|
| Total Direct and Overlapping Debt | $ 63,047,030 * |
| Ratio of Direct and Overlapping Debt to Net Assessed Valuation | 3.69% * |
| Per Capita Direct and Overlapping Debt | $6,062.21 * |

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

* *Includes the Notes. Preliminary, subject to change.*

*** Less than .01%*

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

| Governmental Subdivision | | 2025 Assessed Valuation | % of Actual | | 2025 Tax Rate |
|---|---|---|---|---|---|
| Dayton ISD | $ | 3,693,632,592 | 100% | $ | 0.957000 |
| Liberty County | | 14,146,716,981 | 100% | | 0.480000 |
| Liberty County MUD #9 | | 22,855,706 | 100% | | 0.400000 |
| Liberty ISD | | 1,134,682,554 | 100% | | 0.970000 |
| River Ranch Improvement District | | 208,145,595 | 100% | | 0.500000 |

*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 |
|---|---|---|---|---|---|---|---|---|
| Dayton ISD | None | | | | | | | |
| Liberty County | None | | | | | | | |
| Liberty County MUD #9 | 5/6/2023 | Road,Water,Fire | $ | 355,250,000 | $ | 3,225,000 | $ | 352,025,000 |
| Liberty ISD | None | | | | | | | |
| River Ranch Improvement District | 11/6/2018 | Road | $ | 972,000,000 | $ | 17,000,000 | $ | 955,000,000 |

*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 | $ | 8,158,972 | $ | 7,581,812 | $ | 4,732,119 | $ | 2,087,759 | $ | 2,024,276 |
| Revenues | $ | 10,603,444 | $ | 9,503,638 | $ | 8,675,441 | $ | 8,558,490 | $ | 7,779,536 |
| Expenditures | | 9,943,566 | | 10,362,930 | | 9,264,193 | | 9,059,563 | | 9,147,311 |
| Excess (Deficit) of Revenues Over Expenditures | $ | 659,878 | $ | (859,292) | $ | (588,752) | $ | (501,073) | $ | (1,367,775) |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Operating Transfers In | $ | 1,560,167 | $ | 2,536,452 | $ | 3,312,487 | $ | 2,996,118 | $ | 1,136,930 |
| Operating Transfers Out | | (1,900,000) | | (1,100,000) | | - | | - | | (217,869) |
| Sale of assets | | 34,501 | | - | | 125,958 | | | | |
| Lease issuance | | 66,561 | | - | | - | | - | | - |
| Bond issuance | | - | | - | | - | | 108,883 | | - |
| Bond Premium | | - | | - | | - | | 40,432 | | 512,197 |
| Total Other Financing Sources (Uses): | $ | (238,771) | $ | 1,436,452 | $ | 3,438,445 | $ | 3,145,433 | $ | 1,431,258 |
| Prior Period Adjustment | | | | | | - | | - | | - |
| Fund Balance - End of Year | $ | 8,580,079 | $ | 8,158,972 | $ | 7,581,812 | $ | 4,732,119 | $ | 2,087,759 |

*Source: The City's Comprehensive Annual Report for Fiscal Year Ending September 30, 2025.*

The City estimates the General Fund balance for FYE September 30, 2026 will be $8,438,243 (unaudited). The estimated draw down of Fund Balance is due to the reduction of the budgeted transfer from the Utility System to the General Fund from $1,500,000 to $1,000,000.

**EMPLOYEES' PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS** **TABLE 10**

Information regarding the City's Pension Plan can be found in the 2025 Audit under Notes

**UTILITY SYSTEM PLANT IN OPERATION** **TABLE 11**

| | FYE 9/30/2025 |
|---|---|
| Land | $ 1,384,811 |
| Construction in Progress | 19,709,251 |
| Machinery and Equipment | 9,777,067 |
| Buildings and Improvements | 23,484,275 |
| Right to use assets | 190,400 |
| Infrastructure | 13,093,182 |
| Total Capital Assets | 67,638,986 |
| Less: Accumulated Depreciation | (18,899,642) |
| Net Capital Assets | $ 48,739,344 |

*Source: The City's Annual Comprehensive Report for Fiscal Year Ending September 30, 2025.*

**WATERWORKS SYSTEM OPERATING STATEMENT** **TABLE 12**

*The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.*

| | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|
| | 9/30/2025 | 9/30/2024 | 9/30/2023 | 9/30/2022 | 9/30/2021 |
| Revenues | $ 10,273,630 | $ 8,361,463 | $ 8,965,269 | $ 5,792,667 | $ 3,591,586 |
| Less Expenses | 2,939,429 | 2,582,588 | 3,231,841 | 2,527,218 | 2,776,034 |
| Net Revenue Available for Debt Service | $ 7,334,201 | $ 5,778,875 | $ 5,733,428 | $ 3,265,449 | $ 815,552 |
| Customer Count: | | | | | |
| Water | 3,343 | 3,170 | 3,103 | 3,005 | 2,788 |
| Sewer | 3,006 | 2,841 | 2,740 | 2,655 | 2,521 |

*Source: The City's Annual Comprehensive Report for Fiscal Year Ending September 30, 2025.*

**WATER RATES** **TABLE 13**

**Rates**

***Effective October 1, 2025 to September 30, 2026***

| | |
|---|---|
| Residential: | Water base - $37.80 with 2,000 gallons<br>$ 5.13 / 1000 over base |
| Commercial: | Water base - $45.90 with 2,000 gallons<br>$ 5.67 / 1000 over base |
| Institutional: | Water base - $351.00 with 2,000 gallons<br>$ 6.21 / 1000 over base |
| Bulk (Temporary Fire Hydrant): | Water base - $270.00 (no water included)<br>$ 6.21 / 1000 |

**SEWER RATES** **TABLE 14**

**Rates**

***Effective October 1, 2025 to September 30, 2026***

| | |
|---|---|
| Residential: | Sewer base - $37.80 with 2,000 gallons<br>$ 5.13 / 1000 over base |
| Commercial: | Sewer base - $45.90 with 2,000 gallons<br>$ 5.67 / 1000 over base |
| Institutional: | Sewer - $351.00 with 2,000 gallons<br>$ 6.21 / 1000 over base |

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## APPENDIX B

## GENERAL INFORMATION REGARDING THE CITY OF DAYTON AND LIBERTY COUNTY, TEXAS

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## GENERAL INFORMATION

### City of Dayton

The City of Dayton (the "City") is located in southwest Liberty County where State Highway 146 meets U.S. Highway 90. The City was recorded as an incorporated municipality on May 3, 1911. The current population estimate is 10,400.

The City provides a full range of municipal services including public safety, residential solid waste sanitation services, water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities, and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government.

### Liberty County

Liberty County is located in southeast Texas on U.S. Highway 90 halfway between Beaumont and Houston. The County occupies an area of approximately 1,176 square miles and serves an estimated population of approximately 126,437. City of Liberty is the County seat. The County's economy is diversified and has historically been based on mineral production (Oil and gas), agriculture, and lumber. The cities within the County offer many recreational and cultural opportunities.

Liberty County produces diversified crops including rice, sorghum, soybeans, corn, grains, fruits and vegetables. Beef cattle, sheep, poultry, hogs, and goats are raised and honey is produced commercially. Natural resources include timber, oil, natural gas, lignite, sulfur, iron ore, lime, salt, brick clay, and glass sand. Manufacturing facilities include chemicals and machinery.

**Labor Force (1)**
**Average Annual Statistics**

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Civilian Labor Force | 44,479 | 43,764 | 41,541 | 38,914 | 37,202 |
| Total Employed | 42,074 | 41,432 | 39,531 | 36,718 | 34,020 |
| Total Unemployed | 2,405 | 2,332 | 2,190 | 2,196 | 3,182 |
| % Unemployment | 5.4% | 5.3% | 5.3% | 5.6% | 8.6% |
| Texas Unemployment | 4.2% | 4.1% | 4.0% | 3.9% | 5.6% |

(1) Source: Texas Workforce Commission.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

**September 16, 2026**

**DRAFT**

IN REGARD to the authorization and issuance of the "City of Dayton, Texas Tax Notes, Series 2026" (the *Obligations*), dated August 15, 2026 in the aggregate principal amount of $_,___,___, we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Dayton, Texas (the *Issuer*). The Obligations are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Obligations have Stated Maturities of February 1 in each of the years 20__ through 20__. The Obligations are not subject to redemption prior to their Stated Maturity. Interest on the Obligations 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 Obligations. 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 Obligations under the laws of the State of Texas and with respect to the exclusion of the interest on the Obligations 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. We 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 Obligations. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Obligations. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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 Obligations, 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 Obligations 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 Obligation 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.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Obligations have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Obligations 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 Obligations are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

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 Obligations, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Obligations 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 Obligations 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 Obligations. Ownership of tax-exempt obligations such as the Obligations 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.

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.

**Legal Opinion of Norton Rose Fulbright US LLP in connection with the authorization and issuance of CITY OF DAYTON, TEXAS TAX NOTES, SERIES 2026**

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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*ANNUAL COMPREHENSIVE*
*FINANCIAL REPORT*

**of the**

# City of Dayton, Texas

**For the Year Ended**
**September 30, 2025**

Prepared by:

Leslie Herrera
Director of Finance

# City of Dayton, Texas

*TABLE OF CONTENTS*

**September 30, 2025**

**INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**



**STATISTICAL SECTION**

*INTRODUCTORY SECTION*

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DAYTON TEXAS

March 16, 2026

Honorable Mayor and City Council Members;
City of Dayton
117 Cook Street
Dayton, Texas 77535

Dear Mayor and City Council,

In accordance with the Texas Local Government Code, municipalities are required to conduct an annual audit of their records and accounts and prepare financial statements based on the audit. To fulfill this requirement, we are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Dayton, Texas, for the fiscal year ended September 30, 2025.

The City is committed to transparency, accuracy, and integrity in financial reporting. We take full responsibility for the completeness and fairness of this report, including all necessary disclosures. To the best of our knowledge, the enclosed information is accurate in all material respects and fairly represents the financial position and operations of the City's various funds and account groups. While internal controls are designed to provide reasonable rather than absolute assurance, we strive to maintain a strong and efficient financial framework that balances cost-effectiveness with accountability.

We are pleased to report that BrooksWatson & Company, PLLC, an independent auditing firm, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2025. Their independent auditor's report can be found at the beginning of the financial section.

Following the auditor's report, you will find Management's Discussion and Analysis (MD&A), which provides a narrative overview and in-depth analysis of the City's financial statements. We encourage readers to review the MD&A alongside this letter for a comprehensive understanding of the City's financial position and performance.

We appreciate the continued trust and support of our community as we maintain financial accountability and transparency for the City of Dayton.

**<u>STRATEGIC DIRECTION</u>**

The City's vision, mission, and strategy clearly define what issues are most important to Dayton.

- **Vision.** The City of Dayton strives for a wholesome and enriching community for all. The hallmarks of our city are a thriving economy, innovation, and well-planned quality of life.
- **Mission.** At the City of Dayton, we do more than shine, we are STARS, working together, demonstrating the power of teamwork.

**WE**

**S**trive to be the best we can be,
**T**hink outside the box,
**A**dvocate for our community,
**R**ecognize our differences, and
**S**tand up for what is right.

## Commitment to Financial Responsibility

To uphold our financial responsibilities and support the continued growth and well-being of our community, the City of Dayton is committed to the following guiding principles:

- **Fiscal Responsibility** – Maintain strong financial management through active budget controls and strategic community planning.
- **Public Safety** – Ensure the safety and security of our residents through the dedicated efforts of the Police Department and Volunteer Fire Personnel.
- **Emergency Preparedness** – Maintain a comprehensive Emergency Management Plan with all essential City staff in compliance with National Incident Management System (NIMS) standards.
- **Residential Development** – Partner with developers to meet the community's growing demand for quality housing.
- **Economic Development** – Support job creation and business retention with a mission to "attract and steward quality jobs and retain businesses that enhance our community."
- **Quality Infrastructure & Recreational Facilities** – Invest in safe, clean, and well-maintained roadways, parks, and public spaces while ensuring a reliable water and sewer system for residents and businesses.

## Profile of the City of Dayton

The City of Dayton is located on U.S. Highway 90 in southwestern Liberty County, Texas, approximately six miles west of the City of Liberty. Originally known as West Liberty, the community was founded in 1831 and was incorporated as a municipality on May 3, 1911. According to the United States Census Bureau, the City had a total land area of approximately 30.66 square miles and a 2020 resident population of 8,777.

The City is authorized by the State of Texas to levy ad valorem property taxes on real and personal property located within its corporate limits. The City also has the authority, under Texas state statutes, to extend its corporate limits through annexation; however, under current state law, annexation of private property generally occurs only with the consent of the property owner and is undertaken when deemed appropriate by the City Council.

The City of Dayton operates under a council-manager form of government. The governing body consists of a Mayor and five Council Members elected at-large to serve staggered three-year terms. The City Council is responsible for establishing the City's policy direction and making high-level decisions, while the City Manager is responsible for implementing Council policy and overseeing the City's day-to-day administrative and operational functions. The City Council appoints the City Manager, City Attorney, and Municipal Court Judge.

The City provides a full range of municipal services, including police and fire protection, water and wastewater services, street construction and maintenance, solid waste services, parks and recreation, library services, animal control, building inspections, municipal court services, and general administrative services.

As an independent political subdivision of the State of Texas, governed by an elected Mayor and City Council, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds, organizations, and activities for which it is financially accountable.

## Local Economy

The City of Dayton's budget and financial planning are closely tied to local, regional, and statewide economic conditions. The City's primary revenue sources—sales tax and ad valorem property tax—are sensitive to economic trends, development activity, and consumer behavior. As a result, economic conditions are carefully considered during the annual budget process and long-term financial forecasting.

While the City, the Gulf Coast region, and the State of Texas have experienced continued economic growth in recent years, the City remains prudent in its revenue assumptions to account for potential economic fluctuations. Population growth and ongoing development continue to support the tax base; however, inflationary pressures, labor market conditions, and construction costs remain key considerations when developing expenditure budgets.

As of 2025, unemployment rates at the national, state, and county levels remained relatively stable. Despite this stability, workforce availability and rising personnel costs continue to present budgetary challenges. In response, the City prioritizes conservative budgeting practices, ongoing monitoring of revenue performance, and maintaining adequate fund balance reserves to ensure financial flexibility.

The City's budget strategy emphasizes sustainability by aligning recurring revenues with recurring expenditures, limiting reliance on one-time revenues, and maintaining reserves sufficient to manage economic uncertainty while continuing to provide essential public services.

## Long-Term Financial Planning

The City of Dayton remains committed to responsible financial planning to support infrastructure growth and community development. The majority of our capital improvement projects are funded through general obligation and certificates of obligation debt issuances. Each project is carefully reviewed and approved by the City Council to ensure proper allocation and compliance with funding guidelines.

Our financial position remains strong and stable, with adequate reserves across all funds. These reserves are continuously monitored through ongoing refinements to our long-range financial projections, ensuring sustainability and fiscal responsibility.

For the fiscal year ending September 30, 2025, City Council continued to place a strong emphasis on improving and maintaining the City’s street infrastructure to support growth, enhance safety, and preserve existing assets. Street improvements remained a key priority within the City’s long-term capital planning efforts, with projects evaluated and sequenced to align with available funding, debt capacity, and overall financial sustainability.

## Financial Procedures & Budgetary Controls

The City adheres to rigorous financial procedures to ensure accountability and transparency. Our general government accounting records follow a modified accrual basis, recording revenues when measurable and expenditures when liabilities are incurred. For proprietary activities, including water and sewer utilities, the City maintains records on an accrual basis.

The annual budgetary process begins with revenue and expenditure estimates prepared by the City's finance department and reviewed by the City Manager. A recommended budget is then submitted to the City Council, which oversees all budget approvals and amendments. The City adopts an annual appropriated budget for several governmental funds, including the General Fund, Debt Service Fund, Capital Projects Fund, Hotel/Motel Tax Fund, Municipal Court Building Fund, and Municipal Court Technology Fund. Budget-to-actual comparison schedules are presented for these funds to demonstrate compliance with the legally adopted budget.

## Major Initiatives

During the fiscal year ended September 30, 2025, the City of Dayton advanced several key capital initiatives aimed at strengthening infrastructure and supporting continued growth. Construction activities were initiated on multiple projects, including the new animal shelter, citywide street overlay projects, development of a new water well, improvements to the Sawmill lift station, and the extension of Waco Street.

In addition to these construction efforts, the City successfully secured multimillion-dollar grant funding to support future street infrastructure improvements. These grants enhance the City’s ability to address critical roadway needs while preserving local financial resources and maintaining long-term fiscal sustainability.

Looking ahead, the City remains focused on continued investment in street infrastructure, the systematic replacement of aging assets, and ongoing water and sewer infrastructure improvements. Future efforts will also prioritize the completion of the projects initiated during the current fiscal year, ensuring that capital investments are delivered efficiently and in alignment with the City’s long-term financial and strategic plans.

## Acknowledgments

The successful preparation of this report would not have been possible without the dedication and expertise of the Finance staff. We extend our sincere appreciation to all team members who contributed to its completion.

Additionally, we recognize and thank the Mayor and City Council for their leadership, commitment, and ongoing support in ensuring the financial stability and growth of our community. Their vision and responsible governance continue to drive Dayton toward a prosperous and sustainable future.

Respectfully submitted,

Derek Woods

City Manager

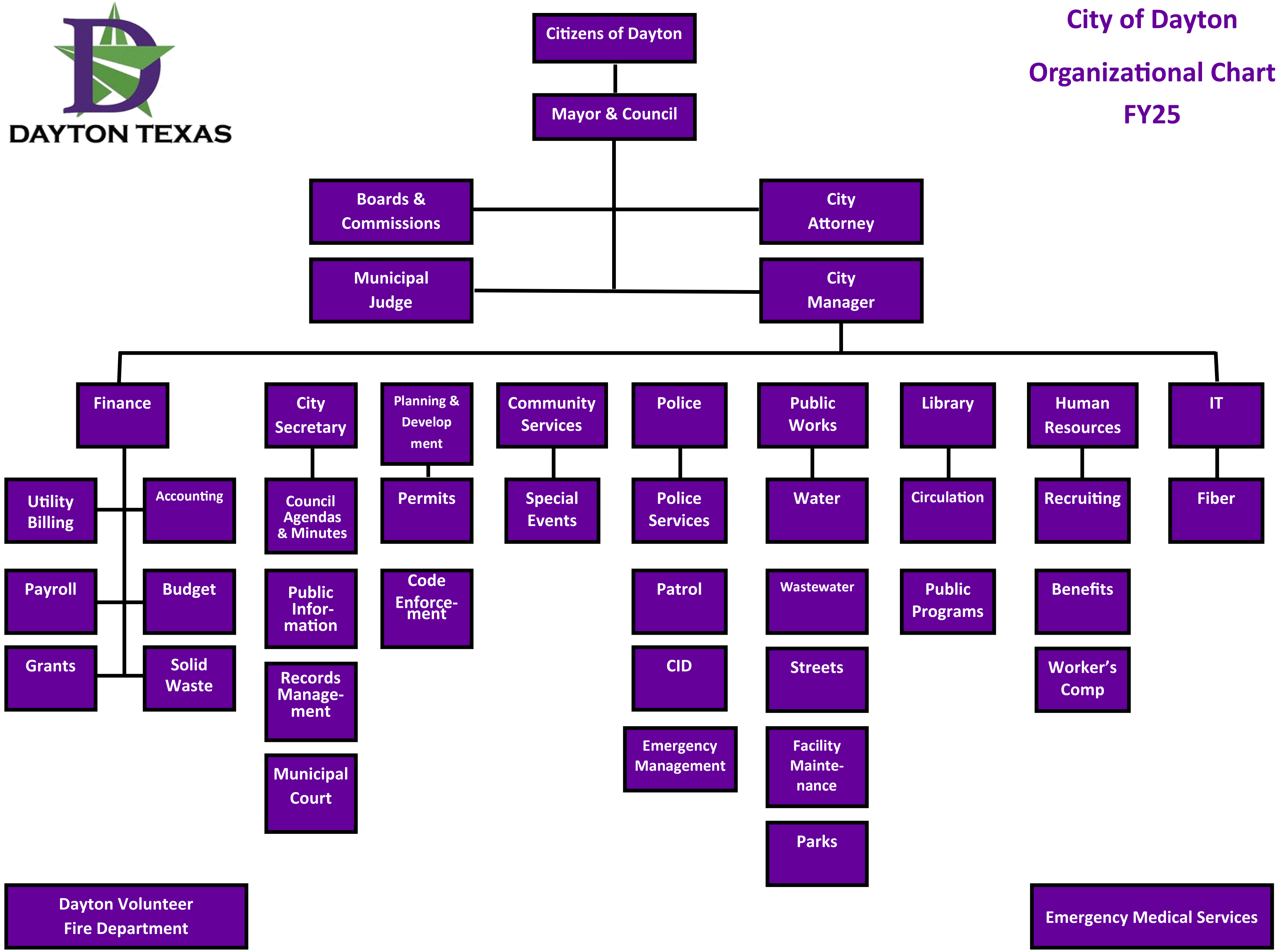
Leslie Herrera

Finance Director

# City of Dayton

# Organizational Chart

# FY25



# City of Dayton, Texas

*ELECTED AND APPOINTED OFFICIALS*

**September 30, 2025**

**City Council**

| | |
|---|---|
| Martin Mudd | Mayor |
| Tonya Smikal | Mayor Pro Tem (Place 4) |
| Harry Barnes Jr. | Council Member Place 1 |
| Sarah Vickery | Council Member Place 2 |
| John Headrick | Council Member Place 3 |
| Alvin Burress | Council Member Place 5 |

**Appointed Officials**

| | |
|---|---|
| Derek Woods | City Manager |
| Leslie Herrera | Finance Director |
| Shane Burleigh | Interim Police Chief |
| Chad Glatfelter | Fire Chief |
| Jennifer Perkins | City Secretary |

# *FINANCIAL SECTION*

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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

## *INDEPENDENT AUDITOR'S REPORT*

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Texas, as of September 30, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

***Emphasis of Matters***

As discussed in Note V.G. to the financial statements, due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position for governmental activities, business-type activities, and the water and sewer fund. In addition, the City restated beginning fund balance and net position for the Economic Development Admin Grant fund and governmental activities to change from a major to a nonmajor fund and to correct payable, respectively. Our opinion is not modified with respect to these matters.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the supplemental schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BrooksWatson & Co.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 16, 2026

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

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# City of Dayton, Texas

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

**September 30, 2025**

As management of the City of Dayton, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, financial statements, notes to the financial statements, requirement supplementary information, and other supplementary information.

## Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2025 by $61,925,687.

- The City's total net position increased by $11,607,103. The majority of the City's net position is invested in capital assets and restricted for specific purposes.

- The City's governmental funds reported combined ending fund balances of $18,334,697 at September 30, 2025, an increase of $65,839 from the prior fiscal year; this includes an increase of $421,107 in the general fund, an increase of $186,193 in the debt service fund, a decrease of $710,038 in the Series 2023 bond fund, a decrease of $324,045 in the capital projects fund, and an increase of $492,622 in nonmajor funds.

- At the end of the fiscal year, unassigned fund balance for the general fund was $8,318,845 or 84% of total general fund operating expenditures.

- The City recorded a TMRS net pension liability totaling $4,446,521 as of year end.

## Overview of the Financial Statements

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

## Government-Wide Statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows. The sum of assets plus deferred outflows, less the sum of liabilities plus deferred inflows is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, community development, public safety, and public works. The business-type activities of the City include water and sewer, refuse, and fiber operations.

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

## FUND FINANCIAL STATEMENTS

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

### Governmental Funds

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

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

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, series 2023 bond fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, capital projects fund, certain special revenue, and enterprise funds. A budgetary comparison statement has been provided for the general fund and other governmental funds to demonstrate compliance with their respective budget.

**Proprietary Funds**

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water/sewer and sanitation service, and fiber internet operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, refuse, and fiber funds. The water and sewer and refuse funds are considered major funds for reporting purposes.

**Component Unit**

The City maintains the accounting and financial statements for one component unit. The Dayton Economic Development Corporation ("DEDC" or "the Corporation") is a discretely presented component unit and displayed on the government-wide financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Dayton, Texas, assets and deferred outflows exceed liabilities and deferred inflows by $61,925,687 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, $40,023,751, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Current and other assets | $ 22,283,069 | $ 13,808,830 | $ 36,091,899 | $ 20,988,635 | $ 10,245,218 | $ 31,233,853 |
| Capital assets, net | 48,739,344 | 33,549,947 | 82,289,291 | 44,178,343 | 33,751,788 | 77,930,131 |
| **Total Assets** | 71,022,413 | 47,358,777 | 118,381,190 | 65,166,978 | 43,997,006 | 109,163,984 |
| **Deferred Outflows of Resources** | 857,253 | 166,707 | 1,023,960 | 977,767 | 236,885 | 1,214,652 |
| Other liabilities | 5,646,768 | 2,684,929 | 8,331,697 | 3,815,266 | 2,665,229 | 6,480,495 |
| Long-term liabilities | 26,638,279 | 22,237,333 | 48,875,612 | 29,025,254 | 24,375,423 | 53,400,677 |
| **Total Liabilities** | 32,285,047 | 24,922,262 | 57,207,309 | 32,840,520 | 27,040,652 | 59,881,172 |
| **Deferred Inflows of Resources** | 213,798 | 58,356 | 272,154 | 83,684 | 22,737 | 106,421 |
| Net Position: | | | | | | |
| Net investment in capital assets | 29,346,772 | 10,676,979 | 40,023,751 | 25,014,940 | 10,818,823 | 35,833,763 |
| Restricted | 4,256,421 | 3,835,032 | 8,091,453 | 2,661,119 | - | 2,661,119 |
| Unrestricted | 5,777,628 | 8,032,855 | 13,810,483 | 5,544,482 | 6,351,679 | 11,896,161 |
| **Total Net Position** | $ 39,380,821 | $ 22,544,866 | $ 61,925,687 | $ 33,220,541 | $ 17,170,502 | $ 50,391,043 |

Total current and other assets for governmental activities increased by $1,294,434 primarily due to greater investment accounts held in the current year. Current and other assets for business-type activities increased by $3,563,612 primarily due to greater cash on hand resulting from an operating surplus in the current year. Governmental activities capital assets increased by $4,561,001 due to new infrastructure investments in the current year related to the West Point Project and 2025 Street Rehabilitation Project. Total other liabilities for governmental activities increased by $1,864,448 primarily due to greater payables related to the aforementioned new infrastructure projects in the current year. Total long-term liabilities for the primary government decreased by $4,558,011 due to payments made on long-term debt and a decrease in the City's net pension liability in the current year.

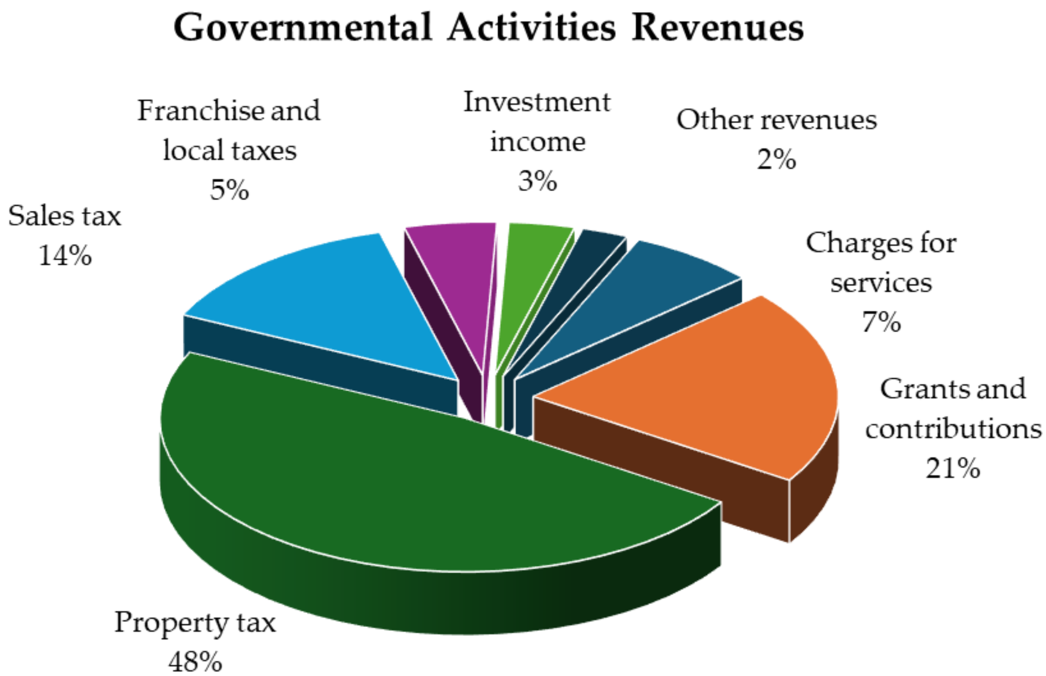
**Statement of Activities:**

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

| | For the Year Ended September 30, 2025 | | | For the Year Ended September 30, 2024 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 1,306,096 | $ 11,030,409 | $ 12,336,505 | $ 1,115,107 | $ 9,004,556 | $ 10,119,663 |
| Operating grants | 294,805 | - | 294,805 | 153,760 | - | 153,760 |
| Capital grants | 3,716,267 | - | 3,716,267 | 11,670,080 | - | 11,670,080 |
| General revenues: | | | | | | |
| Property tax | 9,245,658 | - | 9,245,658 | 8,404,387 | - | 8,404,387 |
| Sales tax | 2,658,646 | - | 2,658,646 | 2,477,987 | - | 2,477,987 |
| Franchise and local taxes | 944,804 | - | 944,804 | 961,305 | - | 961,305 |
| Investment income | 670,435 | 348,184 | 1,018,619 | 616,941 | 320,968 | 937,909 |
| Other revenues | 472,771 | 140,490 | 613,261 | 348,811 | 198,665 | 547,476 |
| **Total Revenues** | 19,309,482 | 11,519,083 | 30,828,565 | 25,748,378 | 9,524,189 | 35,272,567 |
| **Expenses** | | | | | | |
| General government | 4,021,405 | - | 4,021,405 | 4,229,401 | - | 4,229,401 |
| Public safety | 4,023,590 | - | 4,023,590 | 3,853,119 | - | 3,853,119 |
| Public works | 1,910,194 | - | 1,910,194 | 1,895,454 | - | 1,895,454 |
| Culture and recreation | 455,889 | - | 455,889 | 548,430 | - | 548,430 |
| Community enhancement | 1,245,125 | - | 1,245,125 | 1,098,850 | - | 1,098,850 |
| Interest and fiscal charges | 829,053 | 523,739 | 1,352,792 | 904,943 | 637,344 | 1,542,287 |
| Water and sewer | - | 4,452,364 | 4,452,364 | - | 4,062,828 | 4,062,828 |
| Refuse | - | 761,713 | 761,713 | - | 702,543 | 702,543 |
| Fiber | - | 998,390 | 998,390 | - | 536,421 | 536,421 |
| **Total Expenses** | 12,485,256 | 6,736,206 | 19,221,462 | 12,530,197 | 5,939,136 | 18,469,333 |
| **Change in Net Position Before Transfers** | 6,824,226 | 4,782,877 | 11,607,103 | 13,218,181 | 3,585,053 | 16,803,234 |
| Transfers | (619,745) | 619,745 | - | (624,881) | 624,881 | - |
| **Total** | (619,745) | 619,745 | - | (624,881) | 624,881 | - |
| **Change in Net Position** | 6,204,481 | 5,402,622 | 11,607,103 | 12,593,300 | 4,209,934 | 16,803,234 |
| Beginning Net Position | 33,176,340 * | 17,142,244 * | 50,318,584 | 20,627,241 | 12,960,568 | 33,587,809 |
| **Ending Net Position** | $ 39,380,821 | $ 22,544,866 | $ 61,925,687 | $ 33,220,541 | $ 17,170,502 | $ 50,391,043 |

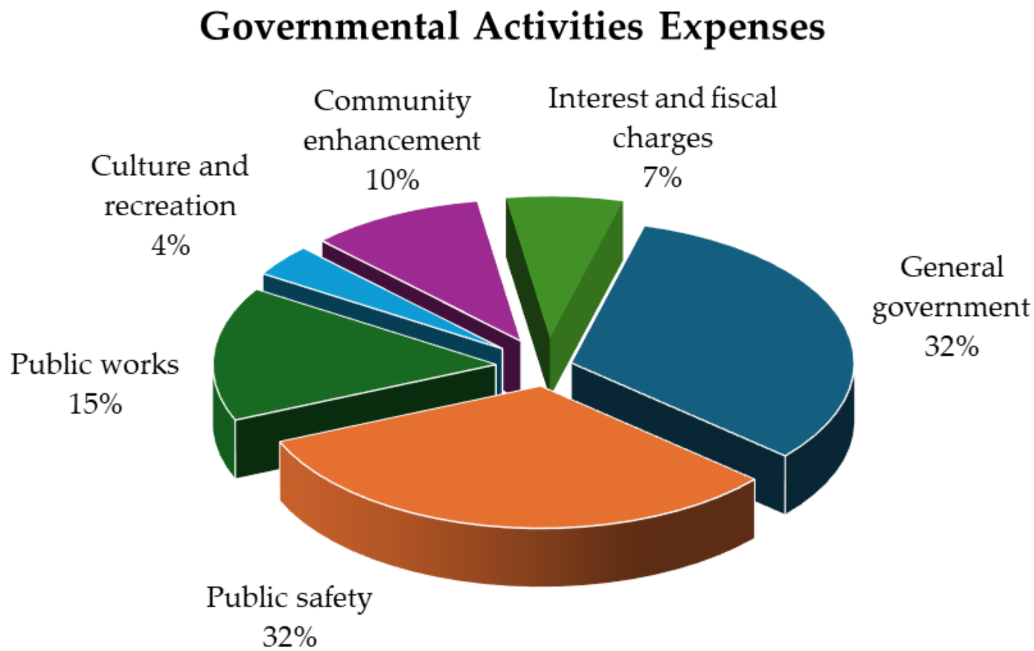
*The difference between prior year ending net position and current year beginning net position is due to the implementation of GASB 101, *Compensated Absences*, in the current year. Please see Note V.G to the financial statements.

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



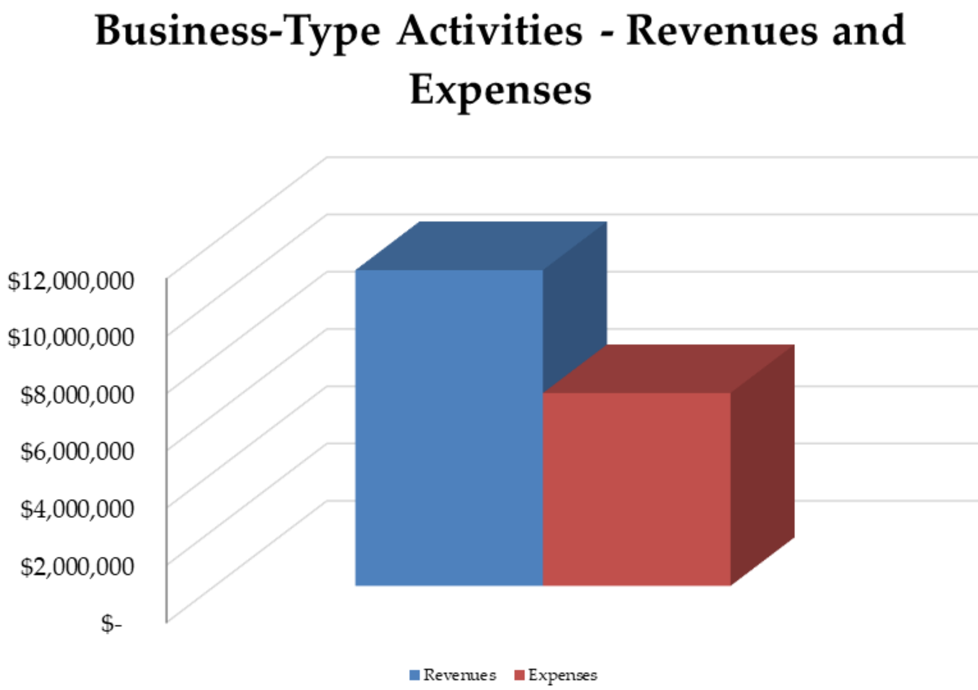

For the year ended September 30, 2025, revenues from governmental activities totaled $19,309,482. Property tax, grants/contributions, and sales tax were the City's largest general revenue sources. Overall revenue decreased by $6,438,896 or 25% from the prior year. Grants and contributions decreased $7,812,768 or 66% due primarily to nonrecurring intergovernmental grants and developer contributions for utility infrastructure investments in the prior year. Charges for services increased by $190,989 or 17% due to greater permits and related fees collected related to the new infrastructure development in the current year. Property tax revenue increased by $841,271 or 10% due to greater appraised values in the current year. Sales tax revenue increased by $180,659 or 7% primarily due to increased economic growth as well as population growth within the City. Investment income increased by $53,494 or 9% primarily due to greater interest-bearing accounts and the realization of higher interest rates. Other revenue increased by $123,960 or 36% due to nonrecurring insurance reimbursements in the current year. All remaining revenues remained relatively consistent with the previous year.

This graph shows the governmental function expenses of the City:




For the year ended September 30, 2025, expenses for governmental activities totaled $12,485,256. This represents a slight decrease of $44,941 or less than 1% from the prior year. The City's largest functional expense is public safety totaling $4,023,590, an increase of $170,471 or 4%, which is considered consistent with the prior year. General government decreased by $207,996 or 5% primarily due to nonrecurring computer hardware and software costs and contracted services in the prior year. Culture and recreation expenses decreased by $92,541 or 17% and primarily due to a decrease in personnel expenses related to pension valuation changes in the current year. Community enhancement increased by $146,275 or 13% due to greater personnel costs resulting from overall wage increase in the current year. In addition, the increase is due to nonrecurring equipment maintenance in the current year. Interest and fiscal charges decreased by $75,890 or 8% due to debt approaching maturity in the current year. All remaining expenses remained relatively consistent with the previous year.

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




For the year ended September 30, 2025, charges for services by business-type activities totaled $11,030,409. This is an increase of $2,025,853 or 22% from the previous year, which is primarily due to greater water, sewer, and fiber usage in the current year. Consumption for the three utility revenue streams increased by approximately 4%, 5%, and 62%, respectively, when compared to the prior year.

Total expenses increased $797,070 or 13% to a total of $6,736,206. Water/sewer expenses increased by $389,536 or 10% primarily due to greater personnel costs related to new hires, greater depreciation costs, and nonrecurring contracted services in the current year. Fiber and refuse expenses increased by $461,969 or 86% and $59,170 or 8%, respectively due to greater contracted services and depreciation costs in the current year. Interest and fiscal charges decreased by $113,605 or 18% primarily due to debt approaching maturity in the current year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

At September 30, 2025, the City's governmental funds reported combined fund balances of $18,334,697, an increase of $65,839 in comparison with the prior year. Approximately of this amount, $8,309,329**,** constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is not in spendable form $111,467 or restricted for particular purposes $9,913,901.

As of the end of the year the general fund reflected a total fund balance of $8,580,079. Of this, $111,467 is considered nonspendable and $8,318,845 is unassigned. General fund balance increased by $421,107. This increase can be attributed to greater property tax and sales tax revenues received in the current year. In addition, overall expenses decreased by $419,364, when compared to the prior year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of $8,318,845 is 84% of total general fund operating expenditures.

The debt service fund had an ending fund balance of $924,322 as of yearend. Total fund balance increased by $186,193 from the prior year primarily due to property tax revenues exceeding debt services expenses. Property tax revenues increased by approximately 12% when compared to the prior year.

Series 2023 bond fund had an ending fund balance of $7,103,111 as of yearend, a decrease of $710,038 when compared to the previous year. The decrease is primarily a result greater capital outlay expenditures combined with nonrecurring transfers to other funds in the current year.

The capital projects fund had an ending fund balance of $751,890 as of year end. Total fund balance decreased by $324,045 from the prior year primarily due to nonrecurring contributions received in the prior year.

<u>Proprietary Funds</u> - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the water and sewer fund, totaled $21,399,478. Unrestricted net position at the close of the fiscal year amounted to $6,730,622 and a total increase in net position of $4,824,316 from the previous year. Total investment in capital assets, net of related debt of was $10,676,979, and capital assets, net of depreciation totaled $33,549,947.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year. Final budgeted revenues did not change when compared to the original budget and final budgeted expenditures increased by $242,642 when compared to the original budget. Total budgeted revenues of $9,179,360 were less than actual revenues of $10,603,444, resulting in a total positive revenue variance of $1,424,084. The majority of this variance is a result of greater property taxes, sales taxes, licenses and permits, intergovernmental, and other revenues received compared to that which was budgeted. Total budgeted expenditures of $11,405,199 were more than actual expenditures of $9,943,566, resulting in a total positive expenditure variance of $1,461,633. Expenditures exceeded appropriations at the legal level of control for nondepartmental expenses by $11,458.

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested $48,739,344 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested $33,549,947 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. Major capital asset events during the current year include the following:

- Major construction in progress additions of the following:

| | | |
|---|---|---|
| Villages of Westpointe project infrastructure | $ | 3,401,285 |
| 2025 street rehabilitation project | $ | 1,735,196 |
| Sawmill lift station | $ | 45,400 |
| Clayton water well improvements | $ | 394,243 |
| D-Force main and lift station improvements | $ | 44,162 |
| Sewer rehabilitation | $ | 143,629 |

- Purchased two generators for $135,478.
- Began Waco Street extension for $569,1455.
- Updated Daniel Park lighting for $38,363.
- Entered into a new lease for computers totaling $66,561.
- Pruchased an excavator for $77,488.
- Purchased multiple pumps for lift stations totaling $119,040.
- Purchased two trucks for $84,965.
- Purchased a freightliner for $375,842.

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

**LONG-TERM DEBT**

The City's outstanding bonds and certificates of obligation payable decreased by $4,185,000 (excluding premiums) from the prior year. The total bonds, certificates of obligation, and leases payable at the close of the fiscal year were $47,767,115, including premiums.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Dayton and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 117 Cook Street, Dayton, TX 77535.

# *FINANCIAL STATEMENTS*

# City of Dayton, Texas

*STATEMENT OF NET POSITION (Page 1 of 2)*

**September 30, 2025**

| | Primary Government | | |
|---|---|---|---|
| | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 20,647,995 | $ 8,960,562 | $ 29,608,557 |
| Restricted cash | - | 3,835,032 | 3,835,032 |
| Receivables, net | 1,521,728 | 937,768 | 2,459,496 |
| Inventory | - | 63,809 | 63,809 |
| Due from component unit | 1,879 | - | 1,879 |
| Prepaid and other assets | 111,467 | 11,659 | 123,126 |
| **Total Current Assets** | 22,283,069 | 13,808,830 | 36,091,899 |
| Capital assets: | | | |
| Non-depreciable | 21,094,062 | 5,296,958 | 26,391,020 |
| Net depreciable capital assets | 27,645,282 | 28,252,989 | 55,898,271 |
| **Total Noncurrent Assets** | 48,739,344 | 33,549,947 | 82,289,291 |
| **Total Assets** | 71,022,413 | 47,358,777 | 118,381,190 |
| **Deferred Outflows of Resources** | | | |
| Deferred charge on refunding | 56,123 | - | 56,123 |
| Pension outflows-TMRS | 604,832 | 165,386 | 770,218 |
| Pension outflows-TESRS | 191,429 | - | 191,429 |
| OPEB outflows | 4,869 | 1,321 | 6,190 |
| **Total Deferred Outflows of Resources** | 857,253 | 166,707 | 1,023,960 |

See Notes to Financial Statements.

| Component Unit |
| --- |
| **DCDC** |
| $ 3,330,463 |
| - |
| 229,680 |
| - |
| - |
| - |
| 3,560,143 |
| |
| 1,730,746 |
| - |
| 1,730,746 |
| 5,290,889 |
| |
| - |
| 4,685 |
| - |
| - |
| 4,685 |

# City of Dayton, Texas

*STATEMENT OF NET POSITION (Page 2 of 2)*

**September 30, 2025**

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | $ 3,029,525 | $ 495,682 | $ 3,525,207 |
| Customer deposits | - | 156,061 | 156,061 |
| Due to primary government | - | - | - |
| Accrued interest payable | 140,708 | 109,370 | 250,078 |
| Compensated absences, current | 296,518 | 38,816 | 335,334 |
| Long-term debt due within one year | 2,180,017 | 1,885,000 | 4,065,017 |
| **Total Current Liabilities** | 5,646,768 | 2,684,929 | 8,331,697 |
| Noncurrent liabilities: | | | |
| Net pension liability-TMRS | 3,470,627 | 949,009 | 4,419,636 |
| Net pension liability-TESRS | 369,946 | - | 369,946 |
| OPEB liability | 183,591 | 49,815 | 233,406 |
| Compensated absences, noncurrent | 32,946 | 10,318 | 43,264 |
| Long-term debt due in more than one year | 22,581,169 | 21,228,191 | 43,809,360 |
| **Total Noncurrent Liabilities** | 26,638,279 | 22,237,333 | 48,875,612 |
| **Total Liabilities** | 32,285,047 | 24,922,262 | 57,207,309 |
| **Deferred Inflows of Resources** | | | |
| Pension inflows-TMRS | 164,031 | 44,852 | 208,883 |
| OPEB inflows | 49,767 | 13,504 | 63,271 |
| **Total Deferred Inflows of Resources** | 213,798 | 58,356 | 272,154 |
| **Net Position** | | | |
| Net investment in capital assets | 29,346,772 | 12,401,266 | 41,748,038 |
| Restricted for: | | | |
| Public safety | 163,143 | - | 163,143 |
| Debt service | 924,322 | - | 924,322 |
| Capital projects | 2,469,643 | 3,835,032 | 6,304,675 |
| Tourism | 559,208 | - | 559,208 |
| Library | 22,048 | - | 22,048 |
| PEG | 118,057 | - | 118,057 |
| Economic development | - | - | - |
| Unrestricted | 5,777,628 | 6,308,568 | 12,086,196 |
| **Total Net Position** | $ 39,380,821 | $ 22,544,866 | $ 61,925,687 |

See Notes to Financial Statements.

| Component Unit |
| --- |
| DCDC |
| |
| $ 8,585 |
| - |
| 1,879 |
| - |
| - |
| - |
| 10,464 |
| |
| 26,885 |
| - |
| - |
| - |
| - |
| 26,885 |
| 37,349 |
| |
| 1,271 |
| - |
| 1,271 |
| |
| 1,730,746 |
| |
| - |
| - |
| - |
| - |
| - |
| - |
| 3,526,208 |
| - |
| $ 5,256,954 |

# City of Dayton, Texas

*STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2025**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities** | | | | |
| General government | $ 4,021,405 | $ - | $ 290,690 | $ - |
| Public safety | 4,023,590 | 293,720 | 4,115 | - |
| Public works | 1,910,194 | 908,245 | - | 314,982 |
| Culture and recreation | 455,889 | 104,131 | - | - |
| Community enhancement | 1,245,125 | - | - | 3,401,285 |
| Interest and fiscal charges | 829,053 | - | - | - |
| **Total Governmental Activities** | 12,485,256 | 1,306,096 | 294,805 | 3,716,267 |
| **Business-Type Activities** | | | | |
| Water and sewer | 4,681,012 | 9,921,413 | - | - |
| Refuse | 761,713 | 852,014 | - | - |
| Fiber | 1,293,481 | 256,982 | - | - |
| **Total Business-Type Activities** | 6,736,206 | 11,030,409 | - | - |
| **Total Primary Government** | $ 19,221,462 | $ 12,336,505 | $ 294,805 | $ 3,716,267 |
| **Component Unit** | | | | |
| Community development | $ 284,164 | $ - | $ - | $ - |
| **Total Component Unit** | $ 284,164 | $ - | $ - | $ - |

**General Revenues:**

Taxes

Property tax

Sales tax

Franchise and local taxes

Investment income

Other revenues

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position, as previously reported

New Accounting Standard - GASB 101

Error correction

Beginning Net Position, as adjusted

**Ending Net Position**

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | DCDC |
| $ (3,730,715) | $ - | $ (3,730,715) | $ 572,028 |
| (3,725,755) | - | (3,725,755) | - |
| (686,967) | - | (686,967) | - |
| (351,758) | - | (351,758) | - |
| 2,156,160 | - | 2,156,160 | - |
| (829,053) | - | (829,053) | - |
| (7,168,088) | - | (7,168,088) | 572,028 |
| - | 5,240,401 | 5,240,401 | - |
| - | 90,301 | 90,301 | - |
| - | (1,036,499) | (1,036,499) | - |
| - | 4,294,203 | 4,294,203 | - |
| (7,168,088) | 4,294,203 | (2,873,885) | 572,028 |
| | | | (284,164) |
| | | | (284,164) |
| 9,245,658 | - | 9,245,658 | - |
| 2,658,646 | - | 2,658,646 | 1,329,323 |
| 944,804 | - | 944,804 | - |
| 670,435 | 348,184 | 1,018,619 | 102,801 |
| 472,771 | 140,490 | 613,261 | - |
| (619,745) | 619,745 | - | - |
| 13,372,569 | 1,108,419 | 14,480,988 | 1,432,124 |
| 6,204,481 | 5,402,622 | 11,607,103 | 1,147,960 |
| 33,195,333 | 17,170,502 | 50,365,835 | 4,108,994 |
| (44,201) | (28,258) | (72,459) | - |
| 25,208 | - | 25,208 | - |
| 33,176,340 | 17,142,244 | 50,318,584 | 4,108,994 |
| $ 39,380,821 | $ 22,544,866 | $ 61,925,687 | $ 5,256,954 |

# City of Dayton, Texas

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

**September 30, 2025**

| | General | Debt Service | Series 2023 Bond | Capital Projects Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 8,710,301 | $ 893,742 | $ 7,361,738 | $ 2,487,859 |
| Receivables, net | 1,075,794 | 374,105 | - | - |
| Prepaid items | 111,467 | - | - | - |
| Due from component unit | 1,879 | - | - | - |
| Due from other funds | 53,670 | 30,580 | - | - |
| **Total Assets** | $ 9,953,111 | $ 1,298,427 | $ 7,361,738 | $ 2,487,859 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 828,290 | $ - | $ 240,848 | $ 1,735,969 |
| Due to other funds | - | - | 17,779 | - |
| **Total Liabilities** | 828,290 | - | 258,627 | 1,735,969 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue - Property taxes | 544,742 | 374,105 | - | - |
| **Total Deferred Inflows** | 544,742 | 374,105 | - | - |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Prepaids and inventory | 111,467 | - | - | - |
| Restricted for: | | | | |
| Public safety | - | - | - | - |
| Debt service | - | 924,322 | - | - |
| Capital projects | - | - | 7,103,111 | 751,890 |
| Tourism | - | - | - | - |
| Library | - | - | - | - |
| Grant activities | 31,710 | - | - | - |
| PEG | 118,057 | - | - | - |
| Unassigned | 8,318,845 | - | - | - |
| **Total Fund Balances** | 8,580,079 | 924,322 | 7,103,111 | 751,890 |
| **Total Liabilities, Deferred Inflows, and Fund Balances** | $ 9,953,111 | $ 1,298,427 | $ 7,361,738 | $ 2,487,859 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Governmental Funds |
|---|---|
| $ 1,194,355 | $ 20,647,995 |
| 71,829 | 1,521,728 |
| - | 111,467 |
| - | 1,879 |
| - | 84,250 |
| $ 1,266,184 | $ 22,367,319 |
| | |
| $ 224,418 | $ 3,029,525 |
| 66,471 | 84,250 |
| 290,889 | 3,113,775 |
| | |
| - | 918,847 |
| - | 918,847 |
| | |
| - | 111,467 |
| | |
| 163,143 | 163,143 |
| - | 924,322 |
| 240,412 | 8,095,413 |
| 559,208 | 559,208 |
| 22,048 | 22,048 |
| - | 31,710 |
| - | 118,057 |
| (9,516) | 8,309,329 |
| 975,295 | 18,334,697 |
| | |
| $ 1,266,184 | $ 22,367,319 |

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# City of Dayton, Texas

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

**September 30, 2025**

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds** | $ | 18,334,697 |
| | | |
| **Adjustments for the Statement of Net Position:** | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 21,094,062 |
| Capital assets - net depreciable | | 27,645,282 |
| | | |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | |
| Property taxes | | 918,847 |
| | | |
| Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then. | | |
| Deferred charge on refunding | | 56,123 |
| Pension outflows-TMRS | | 604,832 |
| Pension outflows-TESRS | | 191,429 |
| OPEB outflows | | 4,869 |
| | | |
| Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. | | |
| Pension inflows-TMRS | | (164,031) |
| OPEB inflows | | (49,767) |
| | | |
| Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds. | | |
| Net pension liability-TMRS | | (3,470,627) |
| Net pension liability-TESRS | | (369,946) |
| OPEB liability | | (183,591) |
| Accrued interest | | (140,708) |
| Bond premium | | (918,924) |
| Compensated absences | | (329,464) |
| Non-current liabilities due in one year | | (2,180,017) |
| Non-current liabilities due in more than one year | | (21,662,245) |
| **Net Position of Governmental Activities** | $ | 39,380,821 |

See Notes to Financial Statements.

# City of Dayton, Texas

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*

*GOVERNMENTAL FUNDS (Page 1 of 2)*

**For the Year Ended September 30, 2025**

| | General | Debt Service | Formerly Major Fund<br>Economic Development Admin Grant | Series 2023 Bond |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property tax | $ 4,813,252 | $ 4,374,526 | $ - | $ - |
| Sales tax | 2,658,646 | - | - | - |
| Franchise and local taxes | 675,482 | - | - | - |
| Payments in lieu of taxes | 104,490 | - | - | - |
| License and permits | 908,245 | - | - | - |
| Charges for services | 102,936 | - | - | - |
| Fines and forfeitures | 285,458 | - | - | - |
| Intergovernmental | 290,690 | - | - | - |
| Contributions from property owners | - | - | - | - |
| Investment income | 331,486 | 33,879 | - | 242,119 |
| Other revenues | 432,759 | - | - | - |
| **Total Revenues** | 10,603,444 | 4,408,405 | - | 242,119 |
| **Expenditures** | | | | |
| General government | 3,837,840 | - | - | - |
| Public safety | 3,572,228 | - | - | - |
| Public works | 968,969 | - | - | - |
| Culture and recreation | 291,400 | - | - | - |
| Community enhancement | 868,786 | - | - | - |
| Community center | 312,404 | - | - | - |
| Capital outlay | 66,561 | - | - | 512,514 |
| Debt service | | | | |
| Principal | 23,219 | 2,175,000 | - | - |
| Interest and fiscal charges | 2,159 | 882,274 | - | - |
| **Total Expenditures** | 9,943,566 | 3,057,274 | - | 512,514 |
| **Revenues Over (Under) Expenditures** | 659,878 | 1,351,131 | - | (270,395) |

| Capital Project Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ 81,292 | $ 9,269,070 |
| - | - | 2,658,646 |
| - | 164,832 | 840,314 |
| - | - | 104,490 |
| - | - | 908,245 |
| - | 1,195 | 104,131 |
| - | 8,262 | 293,720 |
| - | 886,772 | 1,177,462 |
| 3,401,285 | - | 3,401,285 |
| 34,897 | 28,054 | 670,435 |
| - | 5,511 | 438,270 |
| 3,436,182 | 1,175,918 | 19,866,068 |
| | | |
| - | 104,354 | 3,942,194 |
| - | 6,148 | 3,578,376 |
| - | - | 968,969 |
| - | - | 291,400 |
| - | - | 868,786 |
| - | - | 312,404 |
| 5,284,385 | 373,305 | 6,236,765 |
| | | |
| - | - | 2,198,219 |
| - | - | 884,433 |
| 5,284,385 | 483,807 | 19,281,546 |
| (1,848,203) | 692,111 | 584,522 |

# City of Dayton, Texas

## *STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*

## *GOVERNMENTAL FUNDS (Page 2 of 2)*

### For the Year Ended September 30, 2025

| | General | Debt Service | Formerly Major Fund: Economic Development Admin Grant | Series 2023 Bond |
|---|---|---|---|---|
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | $ 1,560,167 | $ 127,462 | $ - | $ - |
| Transfers (out) | (1,900,000) | (1,292,400) | - | (439,643) |
| Sale of assets | 34,501 | - | - | - |
| Lease issuance | 66,561 | - | - | - |
| **Total Other Financing Sources (Uses)** | (238,771) | (1,164,938) | - | (439,643) |
| **Net Change in Fund Balances** | 421,107 | 186,193 | - | (710,038) |
| Beg. fund balances, as previously reported | 8,158,972 | 738,129 | (566,905) | 7,813,149 |
| Change within financial reporting entity (major to nonmajor) | - | - | 566,905 | - |
| Error correction | - | - | - | - |
| Beg. fund balances, as adjusted | 8,158,972 | 738,129 | - | 7,813,149 |
| **Ending Fund Balances** | $ 8,580,079 | $ 924,322 | $ - | $ 7,103,111 |

See Notes to Financial Statements.

| Capital Project Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ 1,900,000 | $ - | $ 3,587,629 |
| (375,842) | (199,489) | (4,207,374) |
| - | - | 34,501 |
| - | - | 66,561 |
| 1,524,158 | (199,489) | (518,683) |
| (324,045) | 492,622 | 65,839 |
| 1,075,935 | 1,024,370 | 18,243,650 |
| - | (566,905) | - |
| - | 25,208 | 25,208 |
| 1,075,935 | 482,673 | 18,268,858 |
| $ 751,890 | $ 975,295 | $ 18,334,697 |

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# City of Dayton, Texas

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

**For the Year Ended September 30, 2025**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balances - total governmental funds | $ | 65,839 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | | 6,019,754 |
| Depreciation expense | | (1,458,753) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | (23,412) |
| Grants | | (567,675) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Pension expense-TMRS | | 83,257 |
| Pension expense-TESRS | | (104,998) |
| OPEB expense | | 5,820 |
| Compensated absences | | (2,389) |
| Accrued interest | | 11,909 |
| Amortization of deferred charges on refunding | | (18,708) |
| Amortization of bond premium | | 62,179 |
| The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal payments | | 2,198,219 |
| Lease issuance | | (66,561) |
| **Change in Net Position of Governmental Activities** | $ | 6,204,481 |

See Notes to Financial Statements.

# City of Dayton, Texas

*STATEMENT OF NET POSITION (Page 1 of 2)*

*PROPRIETARY FUNDS*

**September 30, 2025**

| | Water and Sewer | Fiber | Nonmajor Refuse |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 5,230,117 | $ 2,194,955 | $ 1,535,490 |
| Restricted cash | 3,835,032 | - | - |
| Receivables, net | 772,805 | 42,448 | 122,515 |
| Inventories | 63,809 | - | - |
| Prepaids and other assets | 11,099 | - | 560 |
| **Total Current Assets** | 9,912,862 | 2,237,403 | 1,658,565 |
| **Noncurrent Assets** | | | |
| Capital assets: | | | |
| Non-depreciable | 5,230,917 | 39,856 | 26,185 |
| Net depreciable capital assets | 19,255,107 | 8,659,520 | 338,362 |
| **Total Noncurrent Assets** | 24,486,024 | 8,699,376 | 364,547 |
| **Total Assets** | 34,398,886 | 10,936,779 | 2,023,112 |
| **Deferred Outflows of Resources** | | | |
| Pension outflows | 130,995 | 29,983 | 4,408 |
| OPEB outflows | 1,321 | - | - |
| **Total Deferred Outflows of Resources** | 132,316 | 29,983 | 4,408 |

See Notes to Financial Statements.

| Total Enterprise Funds |
| --- |
| |
| $ 8,960,562 |
| 3,835,032 |
| 937,768 |
| 63,809 |
| 11,659 |
| 13,808,830 |
| |
| 5,296,958 |
| 28,252,989 |
| 33,549,947 |
| 47,358,777 |
| |
| 165,386 |
| 1,321 |
| 166,707 |

# City of Dayton, Texas

*STATEMENT OF NET POSITION (Page 2 of 2)*

*PROPRIETARY FUNDS*

**September 30, 2025**

| | Water and Sewer | Fiber | Nonmajor Refuse |
|---|---|---|---|
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable | $ 333,555 | $ 99,939 | $ 62,188 |
| Customer deposits | 147,032 | 9,029 | - |
| Current maturities of long-term liabilities | 1,120,000 | 765,000 | - |
| Compensated absences, current | 38,816 | - | - |
| Accrued interest | 52,920 | 56,450 | - |
| **Total Current Liabilities** | 1,692,323 | 930,418 | 62,188 |
| **Noncurrent Liabilities** | | | |
| Long-term debt, noncurrent | 10,578,569 | 10,649,622 | - |
| Compensated absences, noncurrent | 10,318 | - | - |
| Net pension liability | 751,669 | 172,046 | 25,294 |
| OPEB liability | 49,815 | - | - |
| **Total Noncurrent Liabilities** | 11,390,371 | 10,821,668 | 25,294 |
| **Total Liabilities** | 13,082,694 | 11,752,086 | 87,482 |
| **Deferred Inflows of Resources** | | | |
| Pension inflows | 35,526 | 8,131 | 1,195 |
| OPEB inflows | 13,504 | - | - |
| **Total Deferred Inflows of Resources** | 49,030 | 8,131 | 1,195 |
| **Net Position** | | | |
| Net investment in capital assets | 12,558,111 | (521,392) | 364,547 |
| Restricted for capital projects | 3,835,032 | - | - |
| Unrestricted | 5,006,335 | (272,063) | 1,574,296 |
| **Total Net Position** | $ 21,399,478 | $ (793,455) | $ 1,938,843 |

See Notes to Financial Statements.

| Total Enterprise Funds |
| --- |
| |
| $ 495,682 |
| 156,061 |
| |
| 1,885,000 |
| 38,816 |
| 109,370 |
| 2,684,929 |
| |
| 21,228,191 |
| 10,318 |
| 949,009 |
| 49,815 |
| 22,237,333 |
| 24,922,262 |
| |
| 44,852 |
| 13,504 |
| 58,356 |
| |
| 12,401,266 |
| 3,835,032 |
| 6,308,568 |
| $ 22,544,866 |

# City of Dayton, Texas

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

**For the Year Ended September 30, 2025**

| | Water and Sewer | Fiber | Nonmajor Refuse |
|---|---|---|---|
| **Operating Revenues** | | | |
| Water and sewer charges | $ 9,921,413 | $ - | $ - |
| Sanitation revenue | - | - | 852,014 |
| Internet services | - | 256,982 | - |
| Other revenue | 134,456 | 4,810 | 1,224 |
| **Total Operating Revenues** | 10,055,869 | 261,792 | 853,238 |
| **Operating Expenses** | | | |
| Personnel services | 1,287,209 | 219,549 | 60,229 |
| Services | 145,422 | 269,601 | 612,622 |
| Supplies | 230,353 | - | - |
| Utilities | 364,225 | - | - |
| Repairs and maintenance | 511,488 | 41,458 | - |
| Depreciation | 1,512,935 | 467,782 | 83,531 |
| Miscellaneous | 390,070 | - | - |
| Insurance claims and expenses | 10,662 | - | 5,331 |
| **Total Operating Expenses** | 4,452,364 | 998,390 | 761,713 |
| **Operating Income (Loss)** | 5,603,505 | (736,598) | 91,525 |
| **Nonoperating Revenues (Expenses)** | | | |
| Investment income | 217,761 | 77,966 | 52,457 |
| Interest expense | (228,648) | (295,091) | - |
| **Total Nonoperating Revenues (Expenses)** | (10,887) | (217,125) | 52,457 |
| **Income (Loss) Before Transfers** | 5,592,618 | (953,723) | 143,982 |
| **Transfers** | | | |
| Transfers in | 1,003,276 | 1,292,400 | 145,647 |
| Transfers (out) | (1,771,578) | - | (50,000) |
| **Change in Net Position** | 4,824,316 | 338,677 | 239,629 |
| Beg. net position, as previously reported | 16,603,420 | (1,132,132) | 1,699,214 |
| New Accounting Standard - GASB 101 | (28,258) | - | - |
| Beg. net position, as adjusted | 16,575,162 | (1,132,132) | 1,699,214 |
| **Ending Net Position** | $ 21,399,478 | $ (793,455) | $ 1,938,843 |

See Notes to Financial Statements.

| Total Enterprise Funds |
|---|
| |
| $ 9,921,413 |
| 852,014 |
| 256,982 |
| 140,490 |
| 11,170,899 |
| |
| 1,566,987 |
| 1,027,645 |
| 230,353 |
| 364,225 |
| 552,946 |
| 2,064,248 |
| 390,070 |
| 15,993 |
| 6,212,467 |
| 4,958,432 |
| |
| 348,184 |
| (523,739) |
| (175,555) |
| 4,782,877 |
| |
| 2,441,323 |
| (1,821,578) |
| 5,402,622 |
| 17,170,502 |
| (28,258) |
| 17,142,244 |
| $ 22,544,866 |

# City of Dayton, Texas

*STATEMENT OF CASH FLOWS*

*PROPRIETARY FUNDS (Page 1 of 2)*

**For the Year Ended September 30, 2025**

| | Water and Sewer | Fiber | Nonmajor Refuse |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | $ 10,271,930 | $ 253,276 | $ 842,272 |
| Payments to suppliers and contractors | (1,373,344) | (268,364) | (610,228) |
| Payments to employees for salaries and benefits | (1,306,821) | (223,677) | (60,836) |
| **Net Cash Provided (Used) by Operating Activities** | 7,591,765 | (238,765) | 171,208 |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Transfers in | 1,003,276 | 1,292,400 | 145,647 |
| Transfers (out) | (1,771,578) | - | (50,000) |
| **Net Cash Provided (Used) by Noncapital Financing Activities** | (768,302) | 1,292,400 | 95,647 |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Purchases of capital assets | (1,540,529) | (360,206) | (145,647) |
| Principal paid on capital debt | (1,076,526) | (935,000) | - |
| Interest paid on capital debt | (337,324) | (357,399) | - |
| **Net Cash Provided (Used) by Capital and Related Financing Activities** | (2,954,379) | (1,652,605) | (145,647) |
| **Cash Flows from Investing Activities** | | | |
| Reaquisition (purchase) of investments | - | - | 774,011 |
| Interest on investments | 217,761 | 77,966 | 52,457 |
| **Net Cash Provided (Used) by Investing Activities** | 217,761 | 77,966 | 826,468 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 4,086,845 | (521,004) | 947,676 |
| Beginning cash and cash equivalents | 4,978,304 | 2,715,959 | 587,814 |
| **Ending Cash and Cash Equivalents** | $ 9,065,149 | $ 2,194,955 | $ 1,535,490 |

See Notes to Financial Statements.

| Total Enterprise Funds |
| --- |
| $ 11,367,478 |
| (2,251,936) |
| (1,591,334) |
| 7,524,208 |
| 2,441,323 |
| (1,821,578) |
| 619,745 |
| (2,046,382) |
| (2,011,526) |
| (694,723) |
| (4,752,631) |
| 774,011 |
| 348,184 |
| 1,122,195 |
| 4,513,517 |
| 8,282,077 |
| $ 12,795,594 |

# City of Dayton, Texas

*STATEMENT OF CASH FLOWS*

*PROPRIETARY FUNDS (Page 2 of 2)*

**For the Year Ended September 30, 2025**

| | Water and Sewer | Fiber | Nonmajor Refuse |
|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | | | |
| Operating Income (Loss) | $ 5,603,505 | $ (736,598) | $ 91,525 |
| Adjustments to reconcile operating income to net cash provided (used): | | | |
| Depreciation | 1,512,935 | 467,782 | 83,531 |
| **Changes in Operating Assets and Liabilities:** | | | |
| **(Increase) Decrease in:** | | | |
| Accounts receivable | 204,016 | (8,356) | (10,966) |
| Inventory | (5,762) | - | - |
| Due from other funds | - | - | - |
| Deferred Outflows of Resources: | | | |
| Pension outflows | 55,723 | 12,754 | 1,875 |
| OPEB outflows | (174) | 6,069 | - |
| Deferred Inflows of Resources: | | | |
| Pension inflows | 26,515 | - | 892 |
| OPEB inflows | 2,143 | - | - |
| **Increase (Decrease) in:** | | | |
| Prepaid expenses | (2,923) | - | (115) |
| Accounts payable and accrued expenses | 287,561 | 42,695 | 7,840 |
| Customer deposits | 12,045 | (160) | - |
| Net pension liability | (100,270) | (22,951) | (3,374) |
| OPEB liability | (3,549) | - | - |
| **Net Cash Provided (Used) by Operating Activities** | $ 7,591,765 | $ (238,765) | $ 171,208 |

See Notes to Financial Statements.

| Total Enterprise Funds |
| --- |
| $ 4,958,432 |
| 2,064,248 |
| 184,694 |
| (5,762) |
| - |
| 70,352 |
| 5,895 |
| 27,407 |
| 2,143 |
| (3,038) |
| 338,096 |
| 11,885 |
| (126,595) |
| (3,549) |
| $ 7,524,208 |

# City of Dayton, Texas

## *STATEMENT OF FIDUCIARY NET POSITION*
## *FIDUCIARY FUNDS*
**September 30, 2025**

| | | PID No. 1 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | | $ 2,994,009 |
| Special assessment receivable | | 19,375,860 |
| | **Total Assets** | $ 22,369,869 |
| **Liabilities** | | |
| Accrued interest | | 88,315 |
| Long-term debt, current | | 299,000 |
| Long-term debt, noncurrent | | 19,074,457 |
| | **Total Liabilities** | $ 19,461,772 |
| **Net Position** | | |
| Restricted | | 2,908,097 |
| | **Total Net Position** | $ 2,908,097 |

See Notes to Financial Statements.

# City of Dayton, Texas

## *STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*

## *FIDUCIARY FUNDS*

**For the Year Ended September 30, 2025**

| | | PID No. 1 |
|---|---|---|
| **Additions** | | |
| Special assessment revenue | | $ 1,291,428 |
| Dividend income | | 180,086 |
| | **Total Additions** | $ 1,471,514 |
| **Deductions** | | |
| Developer draws | | 3,401,285 |
| Administrative fees | | 83,710 |
| Interest expense | | 1,081,243 |
| | **Total Deductions** | $ 4,566,238 |
| | **Change in Net Position** | (3,094,724) |
| Beginning net position | | 6,002,821 |
| | **Ending Net Position** | $ 2,908,097 |

See Notes to Financial Statements.

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Description of government-wide financial statements

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

### B. Reporting Entity

The City of Dayton, Texas (the "City") is a Home Rule City. The City operates under a "Mayor-Council" form of government and provides services authorized by its charter. Presently, these services include: public safety (police, fire, and emergency medical services), public works (street and park maintenance), culture and recreation, community enhancement, and general administrative services.

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

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

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

**Discretely Presented Component Unit**

Dayton Economic Development Corporation

In May 1996, the City formed the Dayton Economic Development Corporation (the "DEDC" or "Corporation"), which was created by voters approving an additional sales tax. The mission of the Corporation is to promote economic development within the City and surrounding areas. The Board is composed of seven directors (voting members) and four advisory directors (nonvoting), each of whom is appointed by the City Council. The City Council may remove a Board member from office at any time without cause. Not more than three members of the Board may be a member of City Council or any other officer or employee of the City. The Corporation has been included in the reporting entity as a discretely presented component unit due to the City Council not having a majority representation on the Board. The City has the ability to impose its will on the Corporation because it approves the Corporation's budget. As a discretely presented component unit, the Corporation is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the City. The Corporation is funded by the levy of one-half of one percent sales and use tax. The Corporation has a September 30 year end. Financial statements for the Corporation may be obtained by contacting the finance department, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

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

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

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

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

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

The government reports the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Series 2023 Bond Fund**

This fund is used to account for and report the proceeds and principal and interest payments of the Series 2023 Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation.

**Capital Projects Fund**

The capital projects fund is used to account for the funds received for capital acquisitions and their related capital outlay expenditures. The capital projects fund was recognized as a nonmajor fund in the prior year and reclassed as a major fund in the current year.

The government reports the following proprietary funds:

**Enterprise Funds**

The enterprise funds are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, fiber network, and the operations that provide garbage services to the public. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund and fiber funds are considered major funds for reporting purposes. The refuse fund is considered a nonmajor fund for reporting purposes.

Additionally, the government reports the following fund types:

**Special Revenue Funds**

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The PID No. 1 is a private purpose trust fund and the City's only fiduciary fund.

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

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

### D. Measurement Focus and Basis of Accounting

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

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

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

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

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Custodial funds uses economic measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

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

### 1. Deposits and Investments

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

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

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

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

### 2. Fair Value

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

### 3. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the general fund are restricted by contractual agreements. Restricted assets of the enterprise fund are restricted for customer deposits and bond covenants.

### 4. Receivables and Interfund Transactions

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

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

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

### 5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

### 6. Capital Assets

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

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

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

| Asset Description | Estimated Useful Life |
|---|---|
| Vehicles | 5 to 7 years |
| Furniture and equipment | 5 to 7 years |
| Water and sewer system | 30 to 40 years |
| Buildings and improvements | 50 years |

**7. Deferred Outflows / Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Net Position Flow Assumption**

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

**9. Fund Balance Flow Assumptions**

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

**10. Fund Balance Policies**

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

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

## 11. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

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

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

## 12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. 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.

## 13. Other Postemployment Benefits ("OPEB")

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

## 14. Leases

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

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

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

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

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

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

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

### 15. Subscription-Based Information Technology Arrangements

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). When implementing GASB 96 in future fiscal years, the City will record right-to-use assets and subscription liabilities based on the present value of the payments for the related arrangements. The assets will be included within capital assets, and amortized straight-line over the term of the arrangement. The liabilities will accrue interest at the implied rate estimated by the City, and are relieved with payments over the term of the arrangements. The City recognizes right-to-use assets and subscription liabilities with an initial, individual value of $5,000 or more.

### 16. Estimates

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

## F. Revenues and Expenditures/Expenses

### 1. Program Revenues

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

**2. Property Taxes**

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

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

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Liberty County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment rations. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than 3.5 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

**3. Compensated Absences**

The City accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences. Under GASB Statement No. 101, the City recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the City has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year. The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the City does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

#### 4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects fund, certain special revenue funds and enterprise funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level for the general fund and the fund level for all other funds. No funds can be transferred or added to a budgeted without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

### A. Expenditures Exceeding Appropriations

The following department expenditures exceeding appropriations at the legal level of control:

General fund: Nondepartmental $11,458
Debt service fund: Total expenditures (including transfers out) $1,537,381
Capital projects fund: Total expenditures (including transfers out) $3,248,907

### B. Deficit Fund Balance Equity

The below funds had a deficit fund balance as of year end:

| | | |
|---|---|---|
| Governmental Activities: | | |
| Economic Development Admin Grant fund | $ | 9,516 |
| Business-Type Activities: | | |
| Fiber Fund | $ | 793,455 |

The deficits will be corrected in future years through transfers from other funds and revenues generated from grants and charges for services.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

The primary government and its component unit may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

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

| Investment Type | Value | Weighted Average Maturity (Years) |
|---|---|---|
| External investment pools | $ 7,120,198 | 0.12 |
| Total value | $ 7,120,198 | |
| Portfolio weighted average maturity | | 0.12 |

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

| Investment Type | Value | Weighted Average Maturity (Years) |
|---|---|---|
| External investment pools | $ 2,619,720 | 0.12 |
| Total value | $ 2,619,720 | |
| Portfolio weighted average maturity | | 0.12 |

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

*Credit risk:* The City's investment policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2025, the City's investments in TexPool were rated 'AAAm' by Standard & Poor's.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective fair value of at least 103 percent. As of September 30, 2025, the fair values of pledged securities and FDIC coverage exceeded the City's bank balances. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds. As of September 30, 2025, the City's investments in federal agency bonds were rated 'AAAm' by Standard & Poor's.

**<u>TexPool</u>**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

## B. Receivables

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

| | Governmental Activities | | | |
|---|---|---|---|---|
| | General | Debt Service | Nonmajor Govt. | Total |
| Property taxes | $ 544,742 | $ 374,105 | $ - | $ 918,847 |
| Sales tax | 459,360 | - | 71,829 | 531,189 |
| Grants | - | - | - | - |
| Other | 71,692 | - | - | 71,692 |
| **Total** | $ 1,075,794 | $ 374,105 | $ 71,829 | $ 1,521,728 |

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water and Sewer | Fiber | Nonmajor Refuse | Total |
| Accounts, net | $ 944,180 | $ - | $ 126,803 | $ 1,070,983 |
| Other | - | 42,448 | - | 42,448 |
| Allowance | (171,375) | - | (4,288) | (175,663) |
| **Total** | $ 772,805 | $ 42,448 | $ 122,515 | $ 937,768 |

The receivable balances of the component unit consisted entirely of sales tax at year end.

## C. Capital Assets

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

| | Beginning Balances | Additions | Retirements/ Reclassifications | Ending Balances |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 1,384,811 | $ - | $ - | $ 1,384,811 |
| Construction in progress | 14,572,770 | 5,136,481 | - | 19,709,251 |
| Total capital assets not being depreciated | 15,957,581 | 5,136,481 | - | 21,094,062 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 12,459,105 | 634,077 | - | 13,093,182 |
| Buildings and improvements | 23,484,275 | - | - | 23,484,275 |
| Right to use assets | 123,839 | 66,561 | - | 190,400 |
| Machinery and equipment | 9,733,709 | 182,635 | (139,277) | 9,777,067 |
| Total capital assets being depreciated | 45,800,928 | 883,273 | (139,277) | 46,544,924 |
| Less accumulated depreciation | | | | |
| Infrastructure | 3,284,735 | 465,339 | - | 3,750,074 |
| Buildings and improvements | 6,499,916 | 501,159 | - | 7,001,075 |
| Right to use assets | 63,354 | 31,424 | - | 94,778 |
| Machinery and equipment | 7,732,161 | 460,831 | (139,277) | 8,053,715 |
| Total accumulated depreciation | 17,580,166 | 1,458,753 | (139,277) | 18,899,642 |
| Net capital assets being depreciated | 28,220,762 | (575,480) | - | 27,645,282 |
| **Total Capital Assets** | $ 44,178,343 | $ 4,561,001 | $ - | $ 48,739,344 |

# City of Dayton, Texas

*NOTES TO FINANCIAL STATEMENTS, Continued*

**September 30, 2025**

Depreciation was charged to governmental functions as follows:

| | | |
|---|---|---|
| General | $ | 105,072 |
| Public safety | | 384,486 |
| Public works | | 513,855 |
| Culture and recreation | | 384,711 |
| Community enhancement | | 70,629 |
| **Total Governmental Activities Depreciation Expense** | $ | 1,458,753 |

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

| | Beginning Balances | Additions | Retirements/ Reclassifications | Ending Balances |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,306,992 | $ - | $ - | $ 2,306,992 |
| Construction in progress | 12,686,937 | 667,290 | (10,364,261) | 2,989,966 |
| Total capital assets not being depreciated | 14,993,929 | 667,290 | (10,364,261) | 5,296,958 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 3,123,121 | - | - | 3,123,121 |
| Right to use assets | 9,983 | | - | 9,983 |
| Machinery and equipment | 3,280,861 | 876,828 | - | 4,157,689 |
| Infrastructure | 41,143,993 | 318,289 | 10,364,261 | 51,826,543 |
| Total capital assets being depreciated | 47,557,958 | 1,195,117 | 10,364,261 | 59,117,336 |
| Less accumulated depreciation | | | | |
| Building and improvements | 1,577,935 | 142,720 | - | 1,720,655 |
| Right to use assets | 9,483 | 500 | - | 9,983 |
| Machinery and equipment | 2,621,306 | 274,758 | - | 2,896,064 |
| Infrastructure | 24,591,375 | 1,646,270 | - | 26,237,645 |
| Total accumulated depreciation | 28,800,099 | 2,064,248 | - | 30,864,347 |
| Net capital assets being depreciated | 18,757,859 | (869,131) | 10,364,261 | 28,252,989 |
| **Total Capital Assets** | $ 33,751,788 | $ (201,841) | $ - | $ 33,549,947 |

Depreciation was charged to business-type activities as follows:

| | | |
|---|---|---|
| Water and sewer | $ | 1,512,935 |
| Refuse | | 83,531 |
| Fiber | | 467,782 |
| **Total Business-type Activities Depreciation Expense** | $ | 2,064,248 |

### D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2025. In general, the City uses the general and debt service fund to liquidate governmental long-term liabilities.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | $ 4,060,000 | $ - | $ (980,000) | $ 3,080,000 | $ 1,005,000 |
| Certificates of Obligation | 21,850,000 | - | (1,195,000) | 20,655,000 | 1,130,000 |
| Less deferred amounts: | | | | | |
| For premiums | 981,103 | - | (62,179) | 918,924 | - |
| Total Bonds Payable | 26,891,103 | - | (2,237,179) | 24,653,924 | 2,135,000 |
| Lease liabilities | 63,920 | 66,561 | (23,219) | 107,262 | 45,017 |
| **Total** | $ 26,955,023 | $ 66,561 | $ (2,260,398) | $ 24,761,186 | $ 2,180,017 |
| **Long-term liabilities due in more than one year** | | | | $ 22,581,169 | |
| **Business-Type Activities:** | | | | | |
| Bonds, notes and other payables: | | | | | |
| Certificates of Obligation | $ 20,960,000 | $ - | $ (1,360,000) | $ 19,600,000 | $ 1,210,000 |
| General Obligation Bonds | 2,755,000 | - | (650,000) | 2,105,000 | 675,000 |
| Lease liabilities | 1,526 | - | (1,526) | - | - |
| Less deferred amounts: | | | | | |
| For premiums | 1,539,367 | - | (131,176) | 1,408,191 | - |
| **Total** | $ 25,255,893 | $ - | $ (2,142,702) | $ 23,113,191 | $ 1,885,000 |
| **Long-term liabilities due in more than one year** | | | | $ 21,228,191 | |
| **Fiduciary Activities:** | | | | | |
| Bonds, notes and other payables: | | | | | |
| Special assessment revenue Bonds | $ 19,718,000 | $ - | $ (284,000) | $ 19,434,000 | $ 299,000 |
| Less deferred amounts: | | | | | |
| For discounts | (60,543) | - | - | (60,543) | - |
| **Total** | $ 19,657,457 | $ - | $ (284,000) | $ 19,373,457 | $ 299,000 |
| **Long-term liabilities due in more than one year** | | | | $ 19,074,457 | |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. Leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

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

| | Governmental Activities |
|---|---|
| **Certificates of Obligation:** | |
| 2015 Certificates of Obligation, original principal due of $6,990,000 with an interest rate ranging from 2.00-4.00% | $ 5,090,000 |
| 2018 Certificates of Obligation, original principal due of $6,595,000 with an interest rate ranging from 2.00-4.00% | 3,945,000 |
| 2019 Certificates of Obligation, original principal due of $2,500,000 with an interest rate ranging from 2.00-5.00% | 1,790,000 |
| 2020B Certificates of Obligation, original principal due of $3,015,000 with an interest rate ranging from 2.00-5.00% | 2,500,000 |
| 2023 Combination Tax and Revenue Certificates of Obligation, original principal due of $7,855,000 with an interest rate ranging from 4.00-5.00% | 7,330,000 |
| **Total Certificates of Obligation** | $ 20,655,000 |
| **General Obligations:** | |
| 2017 general obligation refunding bonds, original principal due of $8,045,000 with an interest rate of 2.23% | $ 3,080,000 |
| **Total General Obligation bonds** | $ 3,080,000 |
| Less deferred amounts: | |
| Premiums | $ 918,924 |
| **Leases Liabilities:** | |
| Platinum Printer - 2022 lease for $108,883, int at 4%, monthly pmt. $1,923 | 40,701 |
| Computer - 2025 lease for $66,561, int at 5%, monthly pmt. $1,555 | 66,561 |
| **Total Lease Liabilities** | $ 107,262 |
| **Total Long-term Debt** | $ 24,761,186 |

| | | Business - Type Activities |
|---|---|---|
| **Certificates of Obligation:** | | |
| 2020A Certificates of Obligation, original principal due of $13,450,000 with an interest rate ranging from 2.00-4.00% | $ | 10,725,000 |
| 2020B Certificates of Obligation, original principal due of $1,855,000 with an interest rate ranging from 2.00-5.00% | | 1,540,000 |
| 2021 Certificates of Obligation, original principal due of $1,855,000 with an interest rate ranging from 1.25-4.00% | | 7,335,000 |
| **Total Certificates of Obligation** | $ | 19,600,000 |
| **General Obligations:** | | |
| 2016 general obligation refunding bonds, original principal due of $6,880,000 with an interest rate ranging from 2.00-4.00% | | 2,105,000 |
| **Total General Obligation bonds** | $ | 2,105,000 |
| Less deferred amounts: | | |
| Premiums | $ | 1,408,191 |
| **Total Long-term Debt** | $ | 23,113,191 |

| | | Fiduciary Activities |
|---|---|---|
| **Special Assessment Revenue Bonds** | | |
| 2022A Revenue Bonds, original principal due of $5,012,000 with an interest rate of 4.625% | $ | 4,766,000 |
| 2022B Revenue Bonds, original principal due of $3,028,000 with an interest rate of 4.625% | | 2,907,000 |
| 2024A Revenue Bonds, original principal due of $6,742,000 with an interest rate ranging from 5.5-5.75% | | 6,643,000 |
| 2024B Revenue Bonds, original principal due of $5,175,000 with an interest rate ranging from 5.5-5.75% | | 5,118,000 |
| **Total Revenue Bonds** | $ | 19,434,000 |
| Less deferred amounts: | | |
| Discounts | | (60,543) |
| **Total Long-term Debt** | $ | 19,373,457 |

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

Certificates of Obligation

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2026 | $ 1,130,000 | $ 447,597 | $ 1,210,000 | $ 555,094 |
| 2027 | 1,175,000 | 413,950 | 1,250,000 | 512,794 |
| 2028 | 1,225,000 | 379,759 | 1,300,000 | 461,019 |
| 2029 | 1,365,000 | 344,931 | 1,360,000 | 406,994 |
| 2030 | 1,405,000 | 311,191 | 1,410,000 | 355,144 |
| 2031 | 1,465,000 | 274,281 | 1,175,000 | 316,756 |
| 2032 | 1,520,000 | 232,188 | 1,205,000 | 287,716 |
| 2033 | 1,590,000 | 192,238 | 1,230,000 | 257,625 |
| 2034 | 1,640,000 | 154,106 | 1,260,000 | 226,475 |
| 2035 | 1,705,000 | 113,647 | 1,295,000 | 194,125 |
| 2036 | 1,035,000 | 82,425 | 1,210,000 | 162,288 |
| 2037 | 1,070,000 | 60,863 | 1,245,000 | 130,650 |
| 2038 | 640,000 | 31,256 | 1,275,000 | 97,813 |
| 2039 | 1,310,000 | 17,331 | 1,305,000 | 64,119 |
| 2040 | 725,000 | 9,169 | 1,345,000 | 28,775 |
| 2041 | 530,000 | 3,475 | 525,000 | 5,250 |
| 2042 | 550,000 | 2,125 | - | - |
| 2043 | 575,000 | 719 | - | - |
| **Total** | $ 20,655,000 | $ 3,071,250 | $ 19,600,000 | $ 4,062,634 |

General Obligation Bonds

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2026 | $ 1,005,000 | $ 57,478 | $ 675,000 | $ 70,700 |
| 2027 | 1,025,000 | 34,844 | 700,000 | 43,200 |
| 2028 | 1,050,000 | 11,707 | 730,000 | 14,600 |
| **Total** | $ 3,080,000 | $ 104,029 | $ 2,105,000 | $ 128,500 |

Lease Liabilities

| | Governmental Activities | |
|---|---|---|
| | **Principal** | **Interest** |
| 2027 | $ 45,017 | $ 4,235 |
| 2027 | 35,485 | 2,410 |
| 2028 | 17,584 | 1,077 |
| 2029 | 9,176 | 154 |
| **Total** | $ 107,262 | $ 7,876 |

The City entered into two separate five-year lease agreements as lessee for the acquisition and use of office equipment. The total initial lease liability was $175,444. As of September 30, 2025, the value of the lease liability was $107,262. The City is required to make monthly principal and interest payments of $1,923, and $1,555. The leases have an interest rate of 4% and 5%. The equipment has a five-year estimated useful life. The carrying amount of the right-to-use assets as of the end of the current fiscal year was $95,622.

Special Assessment Revenue Bonds

| | Fiduciary Activities | |
|---|---|---|
| | Principal | Interest |
| 2026 | $ 299,000 | $ 1,096,336 |
| 2027 | 314,000 | 1,081,121 |
| 2028 | 330,000 | 1,065,138 |
| 2029 | 347,000 | 1,048,088 |
| 2030 | 365,000 | 1,030,141 |
| 2031 | 384,000 | 1,011,233 |
| 2032 | 405,000 | 991,326 |
| 2033 | 427,000 | 969,109 |
| 2034 | 452,000 | 945,363 |
| 2035 | 477,000 | 920,217 |
| 2036 | 504,000 | 893,665 |
| 2037 | 533,000 | 865,596 |
| 2038 | 564,000 | 835,895 |
| 2039 | 596,000 | 804,454 |
| 2040 | 630,000 | 771,216 |
| 2041 | 666,000 | 736,060 |
| 2042 | 705,000 | 698,883 |
| 2043 | 747,000 | 659,501 |
| 2044 | 790,000 | 617,509 |
| 2045 | 837,000 | 573,083 |
| 2046 | 886,000 | 524,991 |
| 2047 | 940,000 | 474,066 |
| 2048 | 996,000 | 420,021 |
| 2049 | 1,056,000 | 362,736 |
| 2050 | 1,120,000 | 301,980 |
| 2051 | 1,188,000 | 237,520 |
| 2052 | 1,265,000 | 169,119 |
| 2053 | 781,000 | 96,318 |
| 2054 | 830,000 | 49,625 |
| **Total** | $ 19,434,000 | $ 20,250,305 |

### E. Other Long-term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Compensated absences | $ 327,075 | $ 414,421 | $ (412,032) | $ 329,464 | $ 296,518 |
| **Total Governmental Activities** | $ 327,075 | $ 414,421 | $ (412,032) | $ 329,464 | $ 296,518 |
| **Other long-term liabilities due in more than one year** | | | | $ 32,946 | |
| **Business Type Activities:** | | | | | |
| Compensated absences | $ 49,134 | $ - | $ - | $ 49,134 | $ 38,816 |
| **Total Business Type Activities** | $ 49,134 | $ - | $ - | $ 49,134 | $ 38,816 |
| **Other long-term liabilities due in more than one year** | | | | $ 10,318 | |

### F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2017 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental activities totaled $56,123. Current year amortization expense for governmental totaled $18,708.

### G. Interfund Transactions

Transfers between the primary government funds during the 2025 year were as follows:

| | Transfer In: | | | | | | |
|---|---|---|---|---|---|---|---|
| **Transfer out:** | **General** | **Debt Service** | **Capital Projects** | **Refuse** | **Water & Sewer** | **Fiber** | **Total** |
| General | $ - | $ - | $ 1,900,000 | $ - | $ - | - | $ 1,900,000 |
| Debt service | - | - | - | - | - | 1,292,400 | 1,292,400 |
| 2023 Bond | - | - | - | - | 439,643 | - | 439,643 |
| Capital projects | - | - | - | - | 375,842 | - | 375,842 |
| Nonmajor governmental | 11,698 | - | - | - | 187,791 | - | 199,489 |
| Water & Sewer | 1,498,469 | 127,462 | - | 145,647 | - | - | 1,771,578 |
| Refuse | 50,000 | - | - | - | - | - | 50,000 |
| **Total** | $ 1,560,167 | $ 127,462 | $ 1,900,000 | $ 145,647 | $ 1,003,276 | $ 1,292,400 | $ 6,028,952 |

Transfers between funds were primarily to support construction projects, debt payments and operation of funds.

The compositions of interfund balances as of the year ended September 30, 2025 were as follows:

| | Due to (payable fund): | | |
|---|---|---|---|
| **Due from (receivable fund):** | **Series 2023 Bond Fund** | **Nonmajor Governmental** | **Total** |
| General | $ - | $ 53,670 | $ 53,670 |
| Debt service | 17,779 | 12,801 | 30,580 |
| **Total** | $ 17,779 | $ 66,471 | $ 84,250 |

Interfund receivables and payables are used to cover operational, debt, and capital expenditures. All balances are expected to be resolved in the subsequent year.

## V. OTHER INFORMATION

### A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Commitments and Contingent Liabilities**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is a defendant in various lawsuits and claims arising in the normal course of operations. The City maintains insurance coverage related to such matters, subject to deductibles. In the opinion of management, after consultation with legal counsel and consideration of available facts, the City cannot reasonably estimate any probable loss or range of loss in excess of insurance coverage and applicable deductibles. Therefore, no accrual has been made in the accompanying financial statements for such matters beyond any amounts associated with the insurance deductible.

**<u>Developer Agreements</u>**

<u>Master Development and Reimbursement Agreement – CMC Railroad, LLC</u>

In December 2018, the City, the City of Dayton Tax Increment Reinvestment Zone No. 1 (the "Zone"), and CMC Railroad, LLC (the "Developer") entered into a Master Development and Reimbursement Agreement (the "Agreement") to provide for the financing and construction of public improvements and associated eligible project costs within the Zone. The Zone was created on May 28, 2018. In order to implement certain plans of the Zone, the City entered into purchase contracts for the necessary right of way for the widening and improvements to Stilson Road from two landowners in the estimated amount of $306,720 plus related survey and closing costs and real estate agent fees. The Developer has agreed to advance funds necessary to pay for the eligible project costs to be reimbursed in accordance with the Agreement. Liberty County (the "County") entered into an interlocal agreement with the Zone and the City to participate in the Zone. The County has agreed to pay the City for deposit into the tax increment fund 50 percent of all taxes collected by the County each year during the term of the Agreement at the then-prevailing County tax rate on the captured appraised values. The term of the Agreement shall end on August 1, 2044, or until 100 percent of the County tax increment participation has been paid.

The City and the County have agreed to reimburse the Developer annually for Zone improvements funded by the Developer based upon 50 percent of the tax increment payments collected within the Zone on the captured appraised values. The other 50 percent of the tax increment shall go into the Zone fund for future projects to be named/approved by the Zone board and City. The Agreement has a reimbursement cap up to $68,200,000 for eligible project costs, plus developer interest (based upon the published prime commercial lending rate in the Wall Street Journal), plus an annual adjustment for the most recently published consumer price index. The agreement shall end upon the expiration of the Zone.

Development Agreement with CMC Railroad, LLC and creation of Municipal District No. 9

On January 25, 2021, the City entered into a development agreement with CMC Railroad, LLC (the "Developer") to develop their approximately 1,156 acres of land for primarily industrial use and the creation of a Municipal Utility District (to be known as Liberty County Municipal Utility District No. 9) to fund certain public infrastructure. The Developer has agreed to advance up to $1 million dollars to build a substation for the police department, fire station, and a training facility. The Developer, as needed, will be responsible for designing and constructing all internal and off-site water and sewer lines and associated facilities and drainage facilities. The Developer advance will be reimbursed from the increment generated within TIRZ No. 1 under the Master Development and Reimbursement Agreement. The Developer will convey these constructed assets to the City. The Agreement is for 30 years.

## C. Defined Benefit Pension Plans

### Texas Municipal Retirement System

### 1. Plan Description

The City of Dayton, Texas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

**2. Benefits Provided**

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

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

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

| | Plan Year 2024 | Plan Year 2023 |
|---|---|---|
| Employee deposit rate | 7% | 7% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% Reporting Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees) | 70% of CPI | 70% of CPI |
| Active Employees | Yes | Yes |
| Supplemental Death Benefit to Retirees | Yes | Yes |

**Employees covered by benefit terms**

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

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 61 |
| Inactive employees entitled to but not yet receiving benefits | 140 |
| Active employees | 86 |
| **Total** | **287** |

## 3. Contributions

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

Employees for the City of Dayton, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dayton, Texas were 18.65% and 18.78% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $1,068,408, and were equal to the required contributions.

## 4. Net Pension Liability

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

**Actuarial assumptions**

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Public Equity | 35.0% | 6.7% |
| Core Fixed Income | 6.0% | 4.7% |
| Non-Core Fixed Income | 20.0% | 8.0% |
| Other Public/Private Markets | 12.0% | 8.0% |
| Real Estate | 12.0% | 7.6% |
| Hedge Funds | 5.0% | 6.4% |
| Private Equity | 10.0% | 11.6% |
| Total | 100.0% | |

**Discount Rate:**

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

**Changes in the Net Pension (Asset) Liability**

| | Total Pension Liability (a) | Plan Fiduciary Net Position | Total Net Pension Liability | Primary Government | Component Units |
|---|---|---|---|---|---|
| **Balance at 12/31/23** | $ 17,205,332 | $ 12,165,657 | $ 5,039,675 | $ 5,009,204 | $ 30,471 |
| Changes for the year: | | | | | |
| Service cost | 1,057,903 | - | 1,057,903 | 1,051,507 | 6,396 |
| Interest | 1,177,628 | - | 1,177,628 | 1,170,508 | 7,120 |
| Change in benefit terms | - | - | - | - | - |
| Difference between expected and actual experience | (120,616) | - | (120,616) | (119,887) | (729) |
| Changes of assumptions | - | - | - | - | - |
| Contributions – employer | - | 1,053,311 | (1,053,311) | (1,046,942) | (6,369) |
| Contributions – employee | - | 401,808 | (401,808) | (399,379) | (2,429) |
| Net investment income | - | 1,261,248 | (1,261,248) | (1,253,622) | (7,626) |
| Benefit payments, including refunds of emp. contributions | (575,888) | (575,888) | - | - | - |
| Administrative expense | - | (8,107) | 8,107 | 8,058 | 49 |
| Other changes | - | (191) | 191 | 190 | 1 |
| Net changes | 1,539,027 | 2,132,181 | (593,154) | (589,568) | (3,586) |
| **Balance at 12/31/24** | $ 18,744,359 | $ 14,297,838 | $ 4,446,521 | $ 4,419,636 | $ 26,885 |

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

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

**Primary Government**

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|---|---|---|
| $ 7,360,776 | $ 4,419,636 | $ 2,051,163 |

**Component Unit**

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|---|---|---|
| $ 44,776 | $ 26,885 | $ 12,477 |

**Total**

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|---|---|---|
| $ 7,405,552 | $ 4,446,521 | $ 2,063,640 |

### Pension Plan Fiduciary Net Position

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

### 5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $962,879. Of this amount, $957,057 is related to the primary government and $5,822 is attributable to discretely presented component units.

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

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| **Primary Government:** | | |
| Difference between projected and actual investment earnings | $ - | $ (147,729) |
| Differences between expected and actual economic experience | - | (48,010) |
| Change in assumptions | - | (13,144) |
| Contributions subsequent to the measurement date | 770,218 | - |
| **Component Units:** | | |
| Difference between projected and actual investment earnings | - | (899) |
| Differences between expected and actual economic experience | - | (292) |
| Change in assumptions | - | (80) |
| Contributions subsequent to the measurement date | 4,685 | - |
| **Total** | $ 774,903 | $ (210,154) |

The primary government and component units reported $770,218 and $4,685, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

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

| Year ended December 31: | Primary Government | Discretely Presented Component Units | Total |
|---|---|---|---|
| 2025 | $ (40,322) | $ (245) | $ (40,567) |
| 2026 | 105,465 | 642 | 106,107 |
| 2027 | (186,549) | (1,135) | (187,684) |
| 2028 | (87,478) | (532) | (88,010) |
| 2029 | - | - | - |
| Thereafter | - | - | - |
| | $ (208,883) | $ (1,271) | $ (210,154) |

## Texas Emergency Services Retirement System

### 1. Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2024, there were 244 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2024, TESRS membership consisted of:

| | |
|---|---|
| Retirees and Beneficiaries Currently Receiving Benefits | 4,122 |
| Terminated Participants Entitled to Benefits but Not Yet Receiving Them | 1,806 |
| Active Participants (Vested and Nonvested) | 3,394 |
| Total | 9,322 |

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**2. Funding Policy**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.
According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2024 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2024, the money-weighted rate of return on pension plan investments was 11.85%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

### 3. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2024, total contributions (dues and prior service) of $4,172,237 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated $1,292,763 for the fiscal year ending August 31, 2024.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The most recently completed biennial actuarial valuation as of August 31, 2024 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $825,000 each year to pay for part of the System's administrative expenses.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

| Valuation Date | August 31, 2020 | August 31, 2022 | August 31, 2024 |
|---|---|---|---|
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age |
| Amortization Method | Level dollar, open | Level dollar, open | Level dollar, open |
| Amortization | 30 years | 30 years | 30 years |
| Asset Valuation Method | Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value | Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value | Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value |
| | | | |
| Actuarial Assumptions: | | | |
| Investment Rate of Return * | 7.50% per year, net of investment expenses | 7.50% per year, net of investment expenses | 7.25% per year, net of investment expenses |
| Projected Salary Increases * | N/A | N/A | N/A |
| * Includes Inflation at | 3.50% | 3.00% | 2.75% |
| Cost-of-Living Adjustments | None | None | None |

The target allocation for each major asset class is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Net Real Rate of Return |
|---|---|---|
| Equities: | | |
| Large cap domestic | 20% | 5.71% |
| Small cap domestic | 10% | 5.98% |
| Developed international | 15% | 6.19% |
| Emerging markets | 5% | 7.38% |
| Global infrastructure | 5% | 6.63% |
| Real Estate | 10% | 4.50% |
| Multi asset income | 5% | 3.75% |
| Fixed income | 30% | 1.97% |
| Cash | 0% | 0% |
| Total | 100.0% | 4.60% |

**Discount Rate:**

The discount rate used to measure the Total Pension Liability was 5.38%. No projection of cash flows was used to determine the discount rate because the August 31, 2024 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## 4. Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|---|---|---|
| **Balance at 8/31/2023** | $ 588,027 | $ 438,890 | $ 149,137 |
| Changes for the year: | | | |
| Service Cost | 5,588 | - | 5,588 |
| Interest (on the Total Pension Liab.) | 43,377 | - | 43,377 |
| Change in benefit terms | 7,375 | - | 7,375 |
| Difference between expected and actual experience | 20,034 | - | 20,034 |
| Changes of assumptions | 213,130 | - | 213,130 |
| Contributions – members | - | 14,375 | (14,375) |
| Contributions – state | - | 4,454 | (4,454) |
| Net investment income | - | 50,929 | (50,929) |
| Benefit payments, including refunds of emp. contributions | (30,509) | (30,509) | - |
| Administrative expense | - | (1,063) | 1,063 |
| Net changes | 258,995 | 38,186 | 220,809 |
| **Balance at 8/31/2024** | $ 847,022 | $ 477,076 | $ 369,946 |

### Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 5.38%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.38%) or 1-percentage-point higher (6.38%) than the current rate:

| 1% Decrease 4.38% | Current Single Rate Assumption 5.38% | 1% Increase 6.38% |
|---|---|---|
| $ 510,562 | $ 369,946 | $ 258,942 |

### Pension Plan Fiduciary Net Position:

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

**5. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources</u>**

For the year ended September 30, 2025, the City recognized pension expense of $122,109.

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

| | | Deferred Outflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ | 12,388 |
| Difference between projected and investment earnings | | 19,866 |
| Change in actuarial assumptions | | 131,783 |
| Changes in pension proportion | | 27,392 |
| **Total** | $ | 191,429 |

The City did not report deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

| **Year ended August 31:** | | |
|---|---|---|
| 2025 | $ | 99,121 |
| 2026 | | 74,294 |
| 2027 | | (497) |
| 2028 | | (2,021) |
| 2029 | | 20,532 |
| Thereafter | | - |
| | $ | 191,429 |

## D. Other Postemployment Benefits

**<u>Supplemental Death Benefits Fund</u>**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

| The City offers supplemental death to: | Plan Year 2024 | Plan Year 2023 |
|---|---|---|
| Active employees (yes or no) | Yes | Yes |
| Retirees (yes or no) | Yes | Yes |

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

**Employees covered by benefit terms**

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

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 40 |
| Inactive employees entitled to but not yet receiving benefits | 19 |
| Active employees | 86 |
| Total | 145 |

The City's contributions to the TMRS SDBF for the years ended 2025 and 2024 were $8,588, and $7,418, respectively, which equaled the required contributions each year.

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

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|---|---|---|---|
| 2023 | 0.13% | 0.13% | 100.0% |
| 2024 | 0.15% | 0.15% | 100.0% |
| 2025 | 0.15% | 0.15% | 100.0% |

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

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

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.6% to 11.85%, including inflation per year |
| Discount rate | 4.08% |
| Retirees' share of benefit-related costs | $0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, 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. 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.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

| 1% Decrease (3.08%) | Current Single Rate Assumption 4.08% | 1% Increase (5.08%) |
|---|---|---|
| $ 279,146 | $ 233,406 | $ 198,480 |

**Changes in the Total OPEB Liability:**

| | Total OPEB Liability |
|---|---|
| **Balance at 12/31/23** | $ 250,033 |
| Changes for the year: | |
| Service Cost | 8,610 |
| Interest | 9,426 |
| Difference between expected and actual experience | (13,010) |
| Changes of assumptions | (13,043) |
| Benefit payments | (8,610) |
| Net changes | (16,627) |
| **Balance at 12/31/24** | $ 233,406 |

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

For the year ended September 30, 2025, the City recognized OPEB expense of $2,026.

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

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| Changes in actuarial assumptions | $ - | $ (48,164) |
| Difference between expected and actual experience | - | (15,107) |
| Contributions subsequent to measurement date | 6,190 | - |
| **Total** | $ 6,190 | $ (63,271) |

The City reported $6,190 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026.

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

| **Year ended December 31:** | |
|---|---|
| 2025 | $ (25,499) |
| 2026 | (28,591) |
| 2027 | (5,687) |
| 2028 | (3,494) |
| 2029 | - |
| Thereafter | - |
| | $ (63,271) |

## E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payments to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions. Employee contributions totaled $61,182 during the year.

### F. Tax Abatements

In accordance with Chapter 312 of the Texas Property Tax Code (the "Tax Code"), the City entered into a tax abatement agreements with two companies. The agreements expire in 2026 and 2030, respectively. During the year Sumiden Wire Products had 40% of their property tax abated, totaling $43,517. Rail Logix had 60% of their property tax abated, totaling $150,835.

### G. Restatements

Due to the issuance of GASB 101, *Compensated* Absences, the City restated beginning net position for governmental activities, business-type activities, and the water and sewer fund. In addition, the City restated beginning fund balance and net position for the Community Development Block Grant fund, a nonmajor governmental fund, and governmental activities due to a correction related to retainage payables. During the year, the Economic Development Admin Grant fund was reclassified from a major to a nonmajor governmental fund. The below is a summary of the restatements:

| | Governmental Activities | Economic Development Admin Grant | Nonmajor Governmental | Business-Type Activities | Water and Sewer |
|---|---|---|---|---|---|
| Prior year ending fund balance/net position as reported | $ 33,195,333 | $ (566,905) | $ 1,024,370 | $ 17,170,502 | $ 16,603,420 |
| Implementation of GASB 101 | (44,201) | - | - | (28,258) | (28,258) |
| Correction to payables | 25,208 | - | 25,208 | - | - |
| Change within financial reporting entity | - | 566,905 | (566,905) | - | - |
| Restated beginning fund balance/net position | $ 33,176,340 | $ - | $ 482,673 | $ 17,142,244 | $ 16,575,162 |

### H. New Accounting Pronouncements

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a "full accrual" basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of $72,459 as of September 30, 2024.

**I. Subsequent Events**

Subsequent to September 30, 2025, the City entered into an Asset Purchase Agreement with Ezee Fiber Texas, LLC (Ezee) to sell the City's fiber system and related assets. The agreement is dated February 9, 2026, and the closing occurred on February 24, 2026. The base purchase price is $5,500,000, subject to purchase price deductions and post closing settlement procedures. In accordance with the agreement, at closing the purchaser was required to pay the purchase price (plus $5,978 of carrying costs) by wire transfer of immediately available funds to the City's designated bank account. The agreement also provides for a $400,000 cash amount to be deposited into a segregated account controlled by the City to facilitate reimbursement of certain specified items, with amounts generally expected to be released after the post closing period, subject to claims.

The City will recognize the disposal of the fiber system and any resulting gain or loss in the fiscal year ending September 30, 2026.

In connection with the transaction, the City also entered into a Ground Lease with Ezee effective February 24, 2026 for the Dayton Fiber Hub facility. The initial lease term is 25 years, with tenant options to extend for up to two additional 25 year terms. Base rent is $1 per year.

There were no additional material subsequent events through March 16, 2026, the date the financial statements were issued.

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## *REQUIRED SUPPLEMENTARY INFORMATION*

# City of Dayton, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 1 of 2)*

**For the Year Ended September 30, 2025**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property tax | $ 4,510,499 | $ 4,510,499 | $ 4,813,252 | $ 302,753 | |
| Sales tax | 2,392,971 | 2,392,971 | 2,658,646 | 265,675 | |
| Franchise and local taxes | 677,723 | 677,723 | 675,482 | (2,241) | |
| Payments in lieu of taxes | 130,561 | 130,561 | 104,490 | (26,071) | |
| License and permits | 629,106 | 629,106 | 908,245 | 279,139 | |
| Charges for services | 110,600 | 110,600 | 102,936 | (7,664) | |
| Fines and forfeitures | 322,900 | 322,900 | 285,458 | (37,442) | |
| Intergovernmental | - | - | 290,690 | 290,690 | |
| Investment income | 156,000 | 156,000 | 331,486 | 175,486 | |
| Other revenues | 249,000 | 249,000 | 432,759 | 183,759 | |
| **Total Revenues** | 9,179,360 | 9,179,360 | 10,603,444 | 1,424,084 | |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Administration | 979,459 | 979,459 | 923,736 | 55,723 | |
| Technology | 866,206 | 866,206 | 696,320 | 169,886 | |
| Office of City Mgr. & Sec. | 850,034 | 850,034 | 638,495 | 211,539 | |
| Planning & Code Enforcement | 877,309 | 877,309 | 813,268 | 64,041 | |
| Animal Control | 145,819 | 145,819 | 138,402 | 7,417 | |
| Human resources | 154,963 | 154,963 | 146,426 | 8,537 | |
| Nondepartmental | 435,433 | 469,735 | 481,193 | (11,458) | * |
| **Total General Government** | 4,309,223 | 4,343,525 | 3,837,840 | 505,685 | |
| Public safety | | | | | |
| Municipal Court | 258,342 | 258,342 | 226,585 | 31,757 | |
| Volunteer Fire | 176,287 | 176,287 | 155,275 | 21,012 | |
| Planning & Code Enforcement | 600 | 600 | 60 | 540 | |
| Police & Dispatch | 3,341,824 | 3,341,824 | 3,115,308 | 226,516 | |
| EMS Services | 75,000 | 75,000 | 75,000 | - | |
| **Total Public Safety** | 3,852,053 | 3,852,053 | 3,572,228 | 279,825 | |

# City of Dayton, Texas

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

*GENERAL FUND (Page 2 of 2)*

**For the Year Ended September 30, 2025**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Expenditures (continued)** | | | | |
| Public works | | | | |
| Fleet Maintenance | 569,335 | 569,335 | 319,907 | 249,428 |
| Streets & Drainage | 828,991 | 1,009,991 | 649,062 | 360,929 |
| **Total Public Works** | 1,398,326 | 1,579,326 | 968,969 | 610,357 |
| Culture and recreation | | | | |
| Library | 266,653 | 266,653 | 223,739 | 42,914 |
| Parks-Maintenance | 52,417 | 79,757 | 67,661 | 12,096 |
| **Total Culture and Recreation** | 319,070 | 346,410 | 291,400 | 55,010 |
| Community enhancement | 918,054 | 918,054 | 868,786 | 49,268 |
| Community center | 340,453 | 340,453 | 312,404 | 28,049 |
| Debt service | | | | |
| Principal | 23,219 | 23,219 | 23,219 | - |
| Interest and fiscal charges | 2,159 | 2,159 | 2,159 | - |
| **Total Expenditures** | 11,162,557 | 11,405,199 | 9,943,566 | 1,461,633 |
| **Revenues Over (Under) Expenditures** | (1,983,197) | (2,225,839) | 659,878 | 2,885,717 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | $ 2,250,000 | $ 2,250,000 | $ 1,560,167 | $ (689,833) |
| Transfers (out) | - | (1,900,000) | (1,900,000) | - |
| Sale of assets | - | - | 34,501 | 34,501 |
| Lease issuance | - | - | 66,561 | 66,561 |
| **Total Other Financing Sources (Uses)** | 2,250,000 | 350,000 | (238,771) | (588,771) |
| **Net Change in Fund Balance** | $ 266,803 | $ (1,875,839) | 421,107 | $ 2,296,946 |
| Beginning fund balance | | | 8,158,972 | |
| **Ending Fund Balance** | | | $ 8,580,079 | |

Notes to Required Supplementary Information

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

* Expenditures exceeded appropriations at the legal level of control.

# City of Dayton, Texas

## *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

## *TEXAS MUNICIPAL RETIREMENT SYSTEM*

**Years Ended:**

| | 12/31/2024 | 12/31/2023 | 12/31/2022 | 12/31/2021 |
|---|---|---|---|---|
| Total pension liability | | | | |
| Service cost | $ 1,057,903 | $ 1,014,732 | $ 959,671 | $ 645,810 |
| Interest | 1,177,628 | 1,075,046 | 990,980 | 683,244 |
| Changes in benefit terms | - | - | 3,801,039 | - |
| Differences between expected and actual experience | (120,616) | 149,723 | (56,883) | (130,230) |
| Changes of assumptions | - | (93,381) | - | - |
| Benefit payments, including refunds of participant contributions | (575,888) | (720,050) | (631,722) | (563,737) |
| **Net change in total pension liability** | 1,539,027 | 1,426,070 | 5,063,085 | 635,087 |
| **Total pension liability - beginning** | 17,205,332 | 15,779,262 | 10,716,177 | 10,081,090 |
| **Total pension liability - ending (a)** | 18,744,359 | 17,205,332 | 15,779,262 | 10,716,177 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 1,053,311 | $ 899,784 | $ 342,524 | $ 341,606 |
| Contributions - members | 401,808 | 384,993 | 381,788 | 363,398 |
| Net investment income | 1,261,248 | 1,200,883 | (810,102) | 1,265,997 |
| Benefit payments, including refunds of participant contributions | (575,888) | (720,050) | (631,722) | (563,737) |
| Administrative expenses | (8,107) | (7,663) | (7,027) | (5,865) |
| Other | (191) | (52) | 8,385 | 40 |
| **Net change in plan fiduciary net position** | 2,132,181 | 1,757,895 | (716,154) | 1,401,439 |
| **Plan fiduciary net position - beginning** | 12,165,657 | 10,407,762 | 11,123,916 | 9,722,477 |
| **Plan fiduciary net position - ending (b)** | $ 14,297,838 | $ 12,165,657 | $ 10,407,762 | $ 11,123,916 |
| **Fund's net pension liability - ending (a) - (b)** | $ 4,446,521 | $ 5,039,675 | $ 5,371,500 | $ (407,739) |
| **Plan fiduciary net position as a percentage of the total pension liability** | 76.28% | 70.71% | 65.96% | 103.80% |
| **Covered payroll** | $ 5,740,115 | $ 5,499,902 | $ 5,443,397 | $ 5,191,397 |
| **Fund's net pension liability as a percentage of covered payroll** | 77.46% | 91.63% | 98.68% | -7.85% |

| | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2015 |
|---|---|---|---|---|---|---|
| | $ 691,091 | $ 654,534 | $ 570,125 | $ 540,698 | $ 490,826 | $ 415,360 |
| | 636,851 | 593,767 | 562,917 | 517,680 | 474,157 | 430,539 |
| | - | - | - | - | - | - |
| | (66,921) | (153,335) | (273,080) | 81,411 | 54,782 | 37,731 |
| | - | 21,131 | - | - | - | 216,362 |
| | (538,444) | (453,744) | (436,505) | (532,131) | (267,708) | (259,770) |
| | 722,577 | 662,353 | 423,457 | 607,658 | 752,057 | 840,222 |
| | 9,358,513 | 8,696,160 | 8,272,703 | 7,665,045 | 6,912,988 | 6,072,766 |
| | 10,081,090 | 9,358,513 | 8,696,160 | 8,272,703 | 7,665,045 | 6,912,988 |
| | $ 382,803 | $ 374,020 | $ 337,358 | $ 313,664 | $ 239,287 | $ 214,234 |
| | 383,331 | 359,634 | 316,736 | 296,309 | 268,002 | 241,488 |
| | 669,208 | 1,143,957 | (221,728) | 892,777 | 393,037 | 8,300 |
| | (538,444) | (453,744) | (436,505) | (532,131) | (267,708) | (259,770) |
| | (4,337) | (6,476) | (4,297) | (4,637) | (4,449) | (5,059) |
| | (170) | (194) | (222) | (235) | (240) | (250) |
| | 892,391 | 1,417,197 | (8,658) | 965,747 | 627,929 | 198,943 |
| | 8,830,086 | 7,412,889 | 7,421,547 | 6,455,800 | 5,827,871 | 5,628,928 |
| | $ 9,722,477 | $ 8,830,086 | $ 7,412,889 | $ 7,421,547 | $ 6,455,800 | $ 5,827,871 |
| | $ 358,613 | $ 528,427 | $ 1,283,271 | $ 851,156 | $ 1,209,245 | $ 1,085,117 |
| | 96.44% | 94.35% | 85.24% | 89.71% | 84.22% | 84.30% |
| | $ 5,476,155 | $ 5,137,633 | $ 4,524,803 | $ 4,230,816 | $ 3,828,596 | $ 3,449,831 |
| | 6.55% | 10.29% | 28.36% | 20.12% | 31.58% | 31.45% |

# City of Dayton, Texas

## *SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN*

## *TEXAS MUNICIPAL RETIREMENT SYSTEM*

**Years Ended:**

| | 9/30/2025 | 9/30/2024 | 9/30/2023 | 9/30/2022 |
|---|---|---|---|---|
| Actuarially determined employer contributions | $ 1,068,408 | $ 1,015,800 | $ 749,569 | $ 340,248 |
| Contributions in relation to the actuarially determined contribution | $ 1,068,408 | $ 1,015,800 | $ 749,569 | $ 340,248 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Annual covered payroll | $ 5,725,699 | $ 5,706,139 | $ 5,409,184 | $ 5,351,329 |
| Employer contributions as a percentage of covered payroll | 18.66% | 17.80% | 13.86% | 6.36% |

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 21 years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.60% to 11.85% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

**Other Information:**

| | |
|---|---|
| Notes | Effective January 1, 2023, the City adopted the Updated Service Credit/Cost of Living Adjustment ordinance. The City's contribution rate increased to 16.65%. |

| 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 |
|---|---|---|---|---|---|
| $ 355,127 | $ 368,161 | $ 364,812 | $ 331,541 | $ 296,886 | $ 244,564 |
| $ 355,127 | $ 368,161 | $ 364,812 | $ 331,541 | $ 296,886 | $ 244,564 |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 5,303,686 | $ 5,215,600 | $ 4,981,259 | $ 4,421,733 | $ 4,150,979 | $ 3,919,546 |
| 6.70% | 7.06% | 7.32% | 7.50% | 7.15% | 6.24% |

# City of Dayton, Texas

## *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*
## *TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM*

**Years Ended:**

| | 8/31/2024 | 8/31/2023 | 8/31/2022 | 8/31/2021 |
|---|---|---|---|---|
| Total pension liability | | | | |
| Service cost | $ 5,588 | $ 4,118 | $ 3,720 | $ 6,103 |
| Interest | 43,377 | 30,986 | 27,476 | 43,611 |
| Changes in benefit terms | 7,375 | - | 5,807 | - |
| Differences between expected and actual experience | 20,034 | - | 5,956 | - |
| Changes of assumptions | 213,130 | - | (787) | - |
| Benefit payments, including refunds of participant contributions | (30,509) | (21,659) | (19,006) | (29,153) |
| **Net change in total pension liability** | 258,995 | 13,445 | 23,166 | 20,561 |
| **Total pension liability - beginning** | $ 588,027 | $ 419,855 | $ 372,136 | $ 589,956 |
| **Total pension liability - ending (a)** | $ 847,022 | $ 433,300 | $ 395,302 | $ 610,517 |
| **Plan fiduciary net position** | | | | |
| Contributions - employer | $ 14,375 | $ 9,486 | $ 9,679 | $ 14,956 |
| Contributions - state | 4,454 | 3,206 | 3,018 | 5,212 |
| Net investment income | 50,929 | 17,573 | (42,413) | 87,448 |
| Benefit payments, including refunds of participant contributions | (30,509) | (21,659) | (19,006) | (29,153) |
| Administrative expenses | (1,063) | (888) | (577) | (1,053) |
| **Net change in plan fiduciary net position** | 38,186 | 7,718 | (49,299) | 77,410 |
| **Plan fiduciary net position - beginning** | 438,890 | 315,688 | 346,525 | 491,091 |
| **Plan fiduciary net position - ending (b)** | $ 477,076 | $ 323,406 | $ 297,226 | $ 568,501 |
| **Fund's net pension liability - ending (a) - (b)** | $ 369,946 | $ 109,894 | $ 98,076 | $ 42,016 |
| Plan fiduciary net position as a percentage of the total pension liability | 56.32% | 74.64% | 75.19% | 93.12% |
| Number of active members | 3,394 | 3,343 | 3,379 | 3,571 |
| Net pension liability per active member | 109 | 33 | 29 | $ 12 |
| City's proportion of the net pension liability | 0.3445% | 0.2539% | 0.2390% | 0.3922% |

**Notes to schedule:**

1) There is no compensation for active members, so number of active members is used instead.

2) The System's net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024.

| 8/31/2020 | 8/31/2019 | 8/31/2018 | 8/31/2017 | 8/31/2016 | 8/31/2015 |
|---|---|---|---|---|---|
| $ 5,013 | $ 4,975 | $ 4,373 | $ 4,732 | $ 4,979 | $ 5,268 |
| 29,553 | 28,137 | 27,181 | 28,119 | 26,162 | 26,340 |
| 8,031 | - | 7,754 | - | 2,122 | - |
| (5,280) | - | (248) | - | 190 | - |
| (182) | - | - | - | 2,616 | - |
| (18,490) | (17,149) | (16,026) | (14,945) | (13,818) | (13,989) |
| 18,645 | 15,962 | 23,034 | 17,906 | 22,250 | 17,619 |
| $ 385,558 | 366,653 | 354,363 | 365,560 | 339,500 | 341,599 |
| [3] $ 404,203 | $ 382,616 | $ 377,397 | $ 383,466 | $ 361,750 | $ 359,219 |
| $ 10,090 | $ 9,280 | $ 11,249 | $ 14,885 | $ 10,179 | $ 10,932 |
| 3,571 | 3,544 | 3,648 | 4,704 | 4,655 | 5,091 |
| 32,757 | 3,041 | 31,050 | 29,034 | 14,567 | (10,239) |
| (18,490) | (17,149) | (16,026) | (14,945) | (13,818) | (13,989) |
| (861) | (605) | (434) | (547) | (490) | (671) |
| 27,067 | (1,889) | 29,486 | 33,130 | 15,093 | (8,877) |
| 309,399 | 308,927 | 288,493 | 279,055 | 261,054 | 285,094 |
| $ 336,467 | $ 307,038 | $ 317,979 | $ 312,185 | $ 276,147 | $ 276,217 |
| $ 67,737 | $ 75,578 | $ 59,418 | $ 71,280 | $ 85,603 | $ 83,002 |
| 83.24% | 80.25% | 84.26% | 81.41% | 76.34% | 76.89% |
| 3,634 | 3,702 | 3,927 | 4,046 | 3,634 | 4,036 [2] |
| $ 19 | $ 20 | $ 15 | $ 18 | $ 100 | $ 89 |
| 0.2687% | 0.2666% | 0.2744% | 0.2970% | 0.2939% | 0.3110% |

# City of Dayton, Texas

## *SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN*
## *TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM*

**Years Ended:**

| | 9/30/2025 | 9/30/2024 | 9/30/2023 | 9/30/2022 |
|---|---|---|---|---|
| Actuarially determined employer contributions | $ 17,784 | $ 12,096 | $ 5,750 | $ 20,236 |
| Contributions in relation to the actuarially determined contribution | $ 17,784 | $ 12,096 | $ 5,750 | $ 20,236 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Active members | 29 | 29 | 29 | 29 |
| Contributions per active member | 613 | 417 | 198 | 698 |

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN**

**Valuation Date:**

| | |
|---|---|
| Notes | Contribution rates are determined by board rule and become effective August 31. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 20 years |
| Asset Valuation Method | 5 Year smoothed market; 20% soft corridor |
| Inflation | 3.00% |
| Salary Increases | n/a |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. |
| Mortality | Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019. |

**Other Information:**

| | |
|---|---|
| Notes | There were no benefit changes during the year. |

| 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 |
|---|---|---|---|---|---|
| $ 18,828 | $ 12,928 | $ 11,948 | $ 13,738 | $ 14,364 | $ 17,342 |
| $ 18,828 | $ 12,928 | $ 11,948 | $ 13,738 | $ 14,364 | $ 17,342 |
| $ - | $ - | $ - | $ - | $ - | $ - |
| 29 | 29 | 29 | 28 | 30 | 30 |
| 649 | 446 | 412 | 491 | 479 | 578 |

# City of Dayton, Texas

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

**Years Ended:**

| | 12/31/2024 | 12/31/2023 | 12/31/2022 | 12/31/2021 |
|---|---|---|---|---|
| Total OPEB liability | | | | |
| Service cost | $ 8,610 | $ 8,800 | $ 20,685 | $ 17,132 |
| Interest | 9,426 | 9,720 | 6,397 | 6,360 |
| Differences between expected and actual experience | (13,010) | (14,064) | 8,869 | (1,566) |
| Changes of assumptions | (13,043) | 13,558 | (131,377) | 11,544 |
| Benefit payments, including refunds of participant contributions | (8,610) | (7,150) | (5,443) | (5,711) |
| **Net change in total OPEB liability** | (16,627) | 10,864 | (100,869) | 27,759 |
| **Total OPEB liability - beginning** | $ 250,033 | $ 239,169 | $ 340,038 | $ 312,279 |
| **Total OPEB liability - ending** | $ 233,406 | $ 250,033 | $ 239,169 | $ 340,038 |
| **Covered-employee payroll** | $ 5,740,115 | $ 5,499,902 | $ 5,443,397 | $ 5,191,397 |
| City's total OPEB liability as a percentage of covered payroll | 4.07% | 4.55% | 4.39% | 6.55% |

**Notes to schedule:**

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

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

| 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 [1] |
|---|---|---|---|
| $ 15,881 | $ 13,872 | $ 11,764 | $ 9,731 |
| 7,081 | 7,174 | 6,841 | 6,621 |
| (4,757) | 1,432 | (16,702) | - |
| 45,608 | 43,021 | (14,056) | 15,885 |
| (2,190) | (2,569) | (1,810) | (1,692) |
| 61,623 | 62,930 | (13,963) | 30,545 |
| $ 250,656 | $ 187,726 | $ 201,689 | $ 171,144 |
| $ 312,279 | $ 250,656 | $ 187,726 | $ 201,689 [2] |
| $ 5,476,155 | $ 5,137,633 | $ 4,524,803 | $ 4,230,816 |
| 5.70% | 4.88% | 4.15% | 4.77% |

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*OTHER SUPPLEMENTARY INFORMATION*

*COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES*

## PUBLIC SAFETY FACILITY FUND

The fund is used for municipal court revenues restricted for public safety and the related expenditures.

## HOTEL & MOTEL FUND

The fund accounts for funds derived from hotel and motel occupancy taxes and is legally restricted to promote tourism within the City.

## POLICE INVESTIGATION & FORFEITURE

The fund accounts for assets seized through law enforcement activities and the related expenditures.

## PD EQUITABLE SHARING JUSTICE

The fund accounts for proceeds received through the U.S. Department of Justice equitable sharing program and the related expenditures.

## PD EQUITABLE SHARING TREASURY

The fund accounts for proceeds received through the U.S. Department of Treasury equitable sharing program and the related expenditures.

## MUNICIPAL COURT BUILDING

The fund accounts for security fees that are restricted by enabling legislation for the use of improving the City's court security.

## MUNICIPAL COURT TECHNOLOGY

The fund accounts for technology fees that are restricted by enabling legislation for the use of improving the City's court technology.

## LIBRARY SPECIAL

The fund accounts for activities that are related to library services, programs, and resources.

## MUNICIPAL COURT JUVENILE

The fund accounts for juvenile fees that are restricted by enabling legislation for the use of improving the City's court juvenile program.

## MUNICIPAL COURT JURY

The fund accounts for jury fees that are restricted by enabling legislation for the use of improving the City's court jury.

## TIRZ

The fund accounts for activities used to finance eligible improvements and development projects within the designated reinvestment zone.

## COMMUNITY DEVELOPMENT BLOCK GRANT

The fund accounts for the funds received from restricted community development block grant funds.

## ECONOMIC DEVELOPMENT ADMIN GRANT

The fund accounts for the funds received from restricted economic development admin grant funds.

## COURT SECURITY AND TECHNOLOGY

The fund accounts for contributions that are restricted by enabling legislation for the use of improving the City's court security and technology.

# City of Dayton, Texas

*COMBINING BALANCE SHEET (Page 1 of 2)*

*NONMAJOR GOVERNMENTAL FUNDS*

**September 30, 2024**

| Assets | Public Safety Facility | Hotel & Motel | Police Investigation & Forfeiture | PD Equitable Sharing Justice |
|---|---|---|---|---|
| Cash and cash equivalents | $ - | $ 531,314 | $ 33,545 | $ 7,464 |
| Receivables, net | - | 28,198 | - | - |
| **Total Assets** | - | 559,512 | 33,545 | 7,464 |
| **Liabilities** | | | | |
| Accounts payable and accrued exp. | $ - | $ 304 | $ - | $ - |
| Due to other funds | - | - | - | - |
| **Total Liabilities** | - | 304 | - | - |
| **Fund Balances** | | | | |
| Restricted for: | | | | |
| Capital projects | - | - | - | - |
| Public safety | - | - | 33,545 | 7,464 |
| Tourism | - | 559,208 | - | - |
| Library | - | - | - | - |
| Unassigned | - | - | - | - |
| **Total Fund Balances** | - | 559,208 | 33,545 | 7,464 |
| **Total Liabilities and Fund Balances** | $ - | $ 559,512 | $ 33,545 | $ 7,464 |

See Notes to Financial Statements.

| PD Equitable Sharing Treasury | Municipal Court Building | Municipal Court Technology | Library Special | Municipal Court Juvenile |
|---|---|---|---|---|
| $ 104 | $ 65,258 | $ 42,039 | $ 22,048 | $ 10,431 |
| - | - | - | - | - |
| 104 | 65,258 | 42,039 | 22,048 | $ 10,431 |
| | | | | |
| $ - | $ - | $ 348 | $ - | $ - |
| - | - | - | - | - |
| - | - | 348 | - | - |
| | | | | |
| - | - | - | - | - |
| 104 | 65,258 | 41,691 | - | 10,431 |
| - | - | - | - | - |
| - | - | - | 22,048 | - |
| - | - | - | - | - |
| 104 | 65,258 | 41,691 | 22,048 | 10,431 |
| $ 104 | $ 65,258 | $ 42,039 | $ 22,048 | $ 10,431 |

# City of Dayton, Texas

*COMBINING BALANCE SHEET (Page 2 of 2)*

*NONMAJOR GOVERNMENTAL FUNDS*

**September 30, 2024**

| Assets | Municipal Court Jury | | TIRZ | | Community Development Block Grant | | Formerly Major Economic Development Admin Grant | |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 511 | $ | 306,883 | $ | - | $ | 170,619 |
| Receivables, net | | - | | - | | - | | 43,631 |
| **Total Assets** | $ | 511 | $ | 306,883 | $ | - | $ | 214,250 |
| **Liabilities** | | | | | | | | |
| Accounts payable and accrued exp. | $ | - | $ | - | $ | - | $ | 223,766 |
| Due to other funds | | - | | 66,471 | | - | | - |
| **Total Liabilities** | | - | | 66,471 | | - | | 223,766 |
| **Fund Balances** | | | | | | | | |
| Restricted for: | | | | | | | | |
| Capital projects | | - | | 240,412 | | - | | - |
| Public safety | | 511 | | - | | - | | - |
| Tourism | | - | | - | | - | | - |
| Library | | - | | - | | - | | - |
| Unassigned | | - | | - | | - | | (9,516) |
| **Total Fund Balances** | | 511 | | 240,412 | | - | | (9,516) |
| **Total Liabilities and Fund Balances** | $ | 511 | $ | 306,883 | $ | - | $ | 214,250 |

See Notes to Financial Statements.

| Court Security & Technology | Total |
|---|---|
| $ 4,139 | $ 1,194,355 |
| - | 71,829 |
| $ 4,139 | 1,266,184 |
| | |
| $ - | $ 224,418 |
| - | 66,471 |
| - | 290,889 |
| | |
| - | 240,412 |
| 4,139 | 163,143 |
| - | 559,208 |
| - | 22,048 |
| - | (9,516) |
| 4,139 | 975,295 |
| $ 4,139 | $ 1,266,184 |

# City of Dayton, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Page 1 of 2)*

*NONMAJOR GOVERNMENTAL FUNDS*

**For the Year Ended September 30, 2024**

| | Public Safety Facility | Hotel & Motel | Police Investigation & Forfeiture | PD Equitable Sharing Justice |
|---|---|---|---|---|
| **Revenues** | | | | |
| Franchise and local taxes | $ - | $ 164,832 | $ - | $ - |
| Property tax | - | - | - | - |
| Service revenue | - | - | - | - |
| Fines and fees | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Investment income | 3,426 | 15,437 | 1,029 | 233 |
| Other revenue | - | 50 | 1,050 | - |
| **Total Revenues** | 3,426 | 180,319 | 2,079 | 233 |
| **Expenditures** | | | | |
| General government | - | 64,677 | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Capital outlay | 361,704 | - | - | - |
| **Total Expenditures** | 361,704 | 64,677 | - | - |
| **Revenues Over (Under) Expenditures** | (358,278) | 115,642 | 2,079 | 233 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers (out) | - | - | - | - |
| **Total Other Financing Sources (Uses)** | - | - | - | - |
| **Net Change in Fund Balances** | (358,278) | 115,642 | 2,079 | 233 |
| Beg. fund balances, as previously reported | 358,278 | 443,566 | 31,466 | 7,231 |
| Change within financial reporting entity (major to nonmajor) | - | - | - | - |
| Error correction | - | - | - | - |
| Beg. fund balance, as adjusted | 358,278 | 443,566 | 31,466 | 7,231 |
| **Ending Fund Balances** | $ - | $ 559,208 | $ 33,545 | $ 7,464 |

See Notes to Financial Statements.

| PD Equitable Sharing Treasury | Municipal Court Building | Municipal Court Technology | Library Special | Municipal Court Juvenile |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - |
| - | - | - | 1,195 | - |
| - | 4,341 | 3,801 | - | - |
| - | - | - | - | - |
| - | 2,026 | 1,329 | 598 | 248 |
| - | - | - | - | 2,517 |
| - | 6,367 | 5,130 | 1,793 | 2,765 |
| | | | | |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 2,927 | 3,221 | - | - |
| - | - | - | - | - |
| - | 2,927 | 3,221 | - | - |
| - | 3,440 | 1,909 | 1,793 | 2,765 |
| | | | | |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 3,440 | 1,909 | 1,793 | 2,765 |
| 104 | 61,818 | 39,782 | 20,255 | 7,666 |
| - | - | - | - | - |
| - | - | - | - | - |
| 104 | 61,818 | 39,782 | 20,255 | 7,666 |
| $ 104 | $ 65,258 | $ 41,691 | $ 22,048 | $ 10,431 |

# City of Dayton, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Page 2 of 2)*

*NONMAJOR GOVERNMENTAL FUNDS*

**For the Year Ended September 30, 2024**

| | Municipal Court Jury | TIRZ | Community Development Block Grant | Formerly Major<br>Economic Development Admin Grant |
|---|---|---|---|---|
| **Revenues** | | | | |
| Franchise and local taxes | $ - | $ - | $ - | $ - |
| Property tax | - | 81,292 | - | - |
| Service revenue | - | - | - | - |
| Fines and fees | 120 | - | - | - |
| Intergovernmental | - | 127,225 | - | 755,432 |
| Investment income | 14 | 2,155 | 185 | 1,350 |
| Other revenue | - | - | 1,894 | - |
| **Total Revenues** | 134 | 210,672 | 2,079 | 756,782 |
| **Expenditures** | | | | |
| General government | - | 39,677 | - | - |
| Culture and recreation | - | - | - | - |
| Public safety | - | - | - | - |
| Capital outlay | - | - | - | 11,601 |
| **Total Expenditures** | - | 39,677 | - | 11,601 |
| **Revenues Over (Under) Expenditures** | 134 | 170,995 | 2,079 | 745,181 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers (out) | - | - | (11,697) | (187,792) |
| **Total Other Financing Sources (Uses)** | - | - | (11,697) | (187,792) |
| **Net Change in Fund Balances** | 134 | 170,995 | (9,618) | 557,389 |
| Beg. fund balances, as previously reported | 377 | 69,417 | (15,590) | - |
| Change within financial reporting entity (major to nonmajor) | - | - | - | (566,905) |
| Error correction | - | - | 25,208 | - |
| Beg. fund balance, as adjusted | 377 | 69,417 | 9,618 | (566,905) |
| **Ending Fund Balances** | $ 511 | $ 240,412 | $ - | $ (9,516) |

See Notes to Financial Statements.

| Court Security & Technology | Total |
|---|---|
| $ - | $ 164,832 |
| - | 81,292 |
| - | 1,195 |
| - | 8,262 |
| 4,115 | 886,772 |
| 24 | 28,054 |
| - | 5,511 |
| 4,139 | 1,175,918 |
| | |
| - | 104,354 |
| - | - |
| - | 6,148 |
| - | 373,305 |
| - | 483,807 |
| 4,139 | 692,111 |
| | |
| - | (199,489) |
| - | (199,489) |
| 4,139 | 492,622 |
| - | 1,024,370 |
| - | (566,905) |
| - | 25,208 |
| - | 482,673 |
| $ 4,139 | $ 975,295 |

# City of Dayton, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*
## *DEBT SERVICE FUND*

**For the Year Ended September 30, 2025**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) | |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property tax | $ 4,130,350 | $ 4,374,526 | $ 244,176 | |
| Investment income | 15,001 | 33,879 | 18,878 | |
| **Total Revenues** | 4,145,351 | 4,408,405 | 263,054 | |
| **Expenditures** | | | | |
| Debt service: | | | | |
| Principal | 3,095,000 | 2,175,000 | 920,000 | |
| Interest | 1,128,412 | 882,274 | 246,138 | |
| **Total Expenditures** | 4,223,412 | 3,057,274 | 1,166,138 | * |
| **Revenues Over (Under)** | (78,061) | 1,351,131 | (903,084) | |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | - | 1,538,581 | 1,538,581 | |
| Transfers (out) | - | (2,703,519) | (2,703,519) | * |
| **Total Other Financing Sources (Uses)** | - | (1,164,938) | (1,164,938) | |
| **Net Change in Fund Balance** | $ (78,061) | 186,193 | $ 264,254 | |
| Beginning fund balance | | 738,129 | | |
| **Ending Fund Balance** | | $ 924,322 | | |

Notes to Other Supplementary Information

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

* 2. Expenditures (including transfers out) exceeded appropriations at the legal level of control.

# City of Dayton, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*
## *CAPITAL PROJECTS FUND*
**For the Year Ended September 30, 2025**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) | |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Contributions and donations | $ - | $ - | $ 3,401,285 | $ 3,401,285 | |
| Investment income | - | - | 34,897 | 34,897 | |
| **Total Revenues** | - | - | 3,436,182 | 3,436,182 | |
| **Expenditures** | | | | | |
| Capital outlay | - | 2,411,320 | 5,284,385 | (2,873,065) | |
| **Total Expenditures** | - | 2,411,320 | 5,284,385 | (2,873,065) | * |
| **Revenues Over (Under) Expenditures** | - | (2,411,320) | (1,848,203) | 563,117 | |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | - | 1,900,000 | 1,900,000 | - | |
| Transfers (out) | - | - | (375,842) | (375,842) | * |
| **Total Other Financing Sources (Uses)** | - | 1,900,000 | 1,524,158 | (375,842) | |
| **Net Change in Fund Balance** | $ - | $ (511,320) | (324,045) | $ 187,275 | |
| Beginning fund balance | | | 1,075,935 | | |
| **Ending Fund Balance** | | | $ 751,890 | | |

Notes to Other Supplementary Information

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

* 2. Expenditures (including transfers out) exceeded appropriations at the legal level of control.

# City of Dayton, Texas

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

### *HOTEL MOTEL TAX*

**For the Year Ended September 30, 2025**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Hotel/Motel taxes | $ 113,200 | $ 113,200 | $ 164,832 | $ 51,632 |
| Investment income | 15,000 | 15,000 | 15,437 | 437 |
| Other revenue | - | - | 50 | 50 |
| **Total Revenues** | 128,200 | 128,200 | 180,319 | 52,119 |
| **Expenditures** | | | | |
| General government | 40,500 | 76,489 | 64,677 | 11,812 |
| **Total Expenditures** | 40,500 | 76,489 | 64,677 | 11,812 |
| **Net Change in Fund Balance** | $ 87,700 | $ 51,711 | 115,642 | $ 63,931 |
| Beginning fund balance | | | 443,566 | |
| **Ending Fund Balance** | | | $ 559,208 | |

Notes to Other Supplementary Information

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

# City of Dayton, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL COURT BUILDING FUND*

**For the Year Ended September 30, 2025**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Fines and fees | $ 6,500 | $ 4,341 | $ (2,159) |
| Investment income | 1,000 | 2,026 | 1,026 |
| **Total Revenues** | 7,500 | 6,367 | (1,133) |
| **Expenditures** | | | |
| Public safety | 6,500 | 2,927 | 3,573 |
| **Total Expenditures** | 6,500 | 2,927 | 3,573 |
| **Net Change in Fund Balance** | $ 1,000 | 3,440 | $ 2,440 |
| Beginning fund balance | | 61,818 | |
| **Ending Fund Balance** | | $ 65,258 | |

Notes to Other Supplementary Information

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

# City of Dayton, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MUNICIPAL COURT TECHNOLOGY FUND*

**For the Year Ended September 30, 2025**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Fines and fees | $ 6,500 | $ 3,801 | $ (2,699) |
| Investment income | 1,500 | 1,329 | (171) |
| **Total Revenues** | 8,000 | 5,130 | (2,870) |
| **Expenditures** | | | |
| Public safety | 4,800 | 3,221 | 1,579 |
| **Total Expenditures** | 4,800 | 3,221 | 1,579 |
| **Net Change in Fund Balance** | $ 3,200 | 1,909 | $ (1,291) |
| Beginning fund balance | | 39,782 | |
| **Ending Fund Balance** | | $ 41,691 | |

Notes to Other Supplementary Information

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

## *STATISTICAL SECTION*

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Contents** **Page**

# City of Dayton, Texas

*NET POSITION BY COMPONENT*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Governmental activities** | | | | |
| Net investment in capital assets | $ 29,346,772 | $ 25,014,940 | $ 13,279,349 | 9,094,997 |
| Restricted | 4,256,421 | 2,495,746 | 1,156,656 | 2,876,058 |
| Unrestricted | 5,777,628 | 5,665,654 | 6,166,028 | 5,163,133 |
| **Total governmental activities net position** | $ 39,380,821 | $ 33,176,340 | $ 20,602,033 | $ 17,134,188 |
| **Business-type activities** | | | | |
| Net investment in capital assets | $ 12,401,266 | $ 10,818,823 | $ 8,750,429 | $ 6,329,921 |
| Restricted | 3,835,032 | - | - | - |
| Unrestricted | 6,308,568 | 6,323,421 | 4,210,139 | 4,370,285 |
| **Total business-type activities net position** | $ 22,544,866 | $ 17,142,244 | $ 12,960,568 | $ 10,700,206 |
| **Primary government** | | | | |
| Net investment in capital assets | $ 41,748,038 | $ 35,833,763 | $ 22,029,778 | $ 15,424,918 |
| Restricted | 8,091,453 | 2,495,746 | 1,156,656 | 2,876,058 |
| Unrestricted | 12,086,196 | 11,989,075 | 10,376,167 | 9,533,418 |
| **Total primary government net position** | $ 61,925,687 | $ 50,318,584 | $ 33,562,601 | $ 27,834,394 |

Source: City of Dayton, Texas Audited Financial Statements

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $ 6,500,449 | $ 6,932,976 | $ 7,571,936 | $ 8,539,396 | $ 9,583,333 | $ 6,558,718 |
| 3,894,129 | 2,942,343 | 2,826,394 | 2,546,588 | 2,158,771 | 6,344,697 |
| 2,027,142 | 1,694,652 | 2,406,425 | 2,563,218 | 2,944,518 | 2,112,589 |
| $ 12,421,720 | $ 11,569,971 | $ 12,804,755 | $ 13,649,202 | $ 14,686,622 | $ 15,016,004 |
| | | | | | |
| $ 7,668,996 | $ 8,381,337 | $ 8,245,345 | $ 7,862,730 | $ 8,404,755 | $ 8,972,226 |
| - | - | - | - | - | - |
| 1,013,591 | 3,021,092 | 5,154,684 | 5,140,508 | 4,321,533 | 3,385,631 |
| $ 8,682,587 | $ 11,402,429 | $ 13,400,029 | $ 13,003,238 | $ 12,726,288 | $ 12,357,857 |
| | | | | | |
| $ 14,169,445 | $ 15,314,313 | $ 15,817,281 | $ 16,402,126 | $ 17,988,088 | $ 15,530,944 |
| 3,894,129 | 2,942,343 | 2,826,394 | 2,546,588 | 2,158,771 | 6,344,697 |
| 3,040,733 | 4,715,744 | 7,561,109 | 7,703,726 | 7,266,051 | 5,498,220 |
| $ 21,104,307 | $ 22,972,400 | $ 26,204,784 | $ 26,652,440 | $ 27,412,910 | $ 27,373,861 |

# City of Dayton, Texas

*CHANGES IN NET POSITION*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Governmental activities: | | | | |
| General government | $ 4,021,405 | $ 4,229,401 | $ 4,743,053 | $ 3,662,865 |
| Public safety | 4,023,590 | 3,853,119 | 5,611,115 | 3,338,443 |
| Public works | 1,910,194 | 1,895,454 | 1,642,192 | 1,700,444 |
| Culture and recreation | 455,889 | 548,430 | 747,499 | 597,666 |
| Community enhancement | 1,245,125 | 1,098,850 | 1,319,716 | 990,028 |
| Interest and fiscal charges | 829,053 | 904,943 | 808,779 | 656,038 |
| **Total governmental activities expenses** | 12,485,256 | 12,530,197 | 14,872,354 | 10,945,484 |
| Business-type activities: | | | | |
| Water & Sewer | 4,681,012 | 4,350,347 | 5,214,932 | 4,536,882 |
| Refuse | 761,713 | 702,543 | 754,218 | 868,519 |
| Fiber | 1,293,481 | 886,246 | 720,447 | 791,238 |
| **Total business-type activities expenses** | 6,736,206 | 5,939,136 | 6,689,597 | 6,196,639 |
| **Total primary government expenses** | $ 19,221,462 | $ 18,469,333 | $ 21,561,951 | $ 17,142,123 |
| **Program Revenues** | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Public safety | $ 293,720 | $ 319,423 | $ 289,578 | $ 328,214 |
| Public works | 908,245 | 684,574 | 486,362 | 292,046 |
| Culture and recreation | 104,131 | 111,110 | 112,680 | 93,912 |
| Operating grants and contributions | 294,805 | 153,760 | 1,557,676 | 3,632,138 |
| Capital grants and contributions | 3,716,267 | 11,670,080 | 2,994,013 | 2,167,240 |
| **Total governmental activities program revenues** | 5,317,168 | 12,938,947 | 5,440,309 | 6,513,550 |
| Business-type activities: | | | | |
| Water & Sewer | 9,921,413 | 8,025,906 | 8,204,024 | 5,737,350 |
| Refuse | 852,014 | 819,296 | 791,324 | 713,198 |
| Fiber | 256,982 | 159,354 | 112,279 | 58,999 |
| **Total business-type activities program revenues** | 11,030,409 | 9,004,556 | 9,107,627 | 6,509,547 |
| **Total primary government program revenues** | $ 16,347,577 | $ 21,943,503 | $ 14,547,936 | $ 13,023,097 |

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $ 3,906,125 | $ 3,266,516 | $ 2,696,118 | $ 2,574,650 | $ 2,292,956 | $ 1,550,223 |
| 3,357,233 | 3,223,331 | 4,344,552 | 4,461,434 | 2,338,072 | 2,792,742 |
| 1,758,786 | 2,543,613 | 1,359,432 | 841,397 | 1,407,482 | 1,437,126 |
| 598,732 | 579,022 | 535,907 | 670,821 | 656,111 | 522,139 |
| 1,096,823 | 1,165,072 | 926,551 | 824,133 | 1,034,674 | 860,409 |
| 735,337 | 734,643 | 744,569 | 656,507 | 669,298 | 708,990 |
| 11,453,036 | 11,512,197 | 10,607,129 | 10,028,942 | 8,398,593 | 7,871,629 |
| 4,751,669 | 4,766,288 | 3,889,503 | 3,683,436 | 3,431,061 | 3,625,937 |
| 797,706 | 1,004,761 | 1,049,004 | 1,001,909 | 1,040,464 | 932,668 |
| 751,807 | 596,103 | - | - | - | - |
| 6,301,182 | 6,367,152 | 4,938,507 | 4,685,345 | 4,471,525 | 4,558,605 |
| $ 17,754,218 | $ 17,879,349 | $ 15,545,636 | $ 14,714,287 | $ 12,870,118 | $ 12,430,234 |
| | | | | | |
| $ 341,574 | $ 586,875 | $ 651,207 | $ 519,874 | $ 374,383 | $ 429,698 |
| 246,303 | 248,728 | 291,555 | 157,153 | 63,733 | 94,027 |
| 109,662 | - | - | - | - | - |
| 140,516 | 493,443 | 649,110 | 313,512 | 438,513 | 140,542 |
| 1,236,056 | - | - | - | - | - |
| 2,074,111 | 1,329,046 | 1,591,872 | 990,539 | 876,629 | 664,267 |
| 3,546,087 | 3,975,491 | 3,872,285 | 4,154,525 | 3,724,552 | 3,363,188 |
| 606,949 | 1,049,720 | 1,241,372 | 1,337,205 | 1,201,259 | 1,091,873 |
| - | - | - | - | | - |
| 4,153,036 | 5,025,211 | 5,113,657 | 5,491,730 | 4,925,811 | 4,455,061 |
| $ 6,227,147 | $ 6,354,257 | $ 6,705,529 | $ 6,482,269 | $ 5,802,440 | $ 5,119,328 |

# City of Dayton, Texas

*CHANGES IN NET POSITION (Continued)*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Net (Expenses) Revenue** | | | | |
| Governmental activities | $ (7,168,088) | $ 408,750 | $ (9,432,045) | $ (4,431,934) |
| Business-type activities | 4,294,203 | 3,065,420 | 2,418,030 | 312,908 |
| **Total primary government net expense** | $ (2,873,885) | $ 3,474,170 | $ (7,014,015) | $ (4,119,026) |
| | | | | |
| **General Revenues and Other Changes in Net Position** | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | $ 9,245,658 | $ 8,404,387 | $ 7,970,597 | $ 6,591,855 |
| Sales taxes | 2,658,646 | 2,477,987 | 2,284,398 | 2,152,426 |
| Franchise and local taxes | 944,804 | 961,305 | 840,372 | 1,072,516 |
| Investment income | 670,435 | 616,941 | 96,406 | 15,297 |
| Other revenues | 472,771 | 348,811 | 824,463 | 918,669 |
| Transfers | (619,745) | (624,881) | 838,936 | (1,604,606) |
| **Total governmental activities** | 13,372,569 | 12,184,550 | 12,855,172 | 9,146,157 |
| Business-type activities: | | | | |
| Investment earnings | 348,184 | 320,968 | 61,962 | 43,956 |
| Miscellaneous | 140,490 | 198,665 | 532,736 | 56,149 |
| Transfers | 619,745 | 624,881 | (838,936) | 1,604,606 |
| **Total business-type activities** | 1,108,419 | 1,144,514 | (244,238) | 1,704,711 |
| **Total primary government** | $ 14,480,988 | $ 13,329,064 | $ 12,610,934 | $ 10,850,868 |
| | | | | |
| **Change in Net Position** | | | | |
| Governmental activities | $ 6,204,481 | $ 12,593,300 | $ 3,423,127 | $ 4,714,223 |
| Business-type activities | 5,402,622 | 4,209,934 | 2,173,792 | 2,017,619 |
| **Total primary government** | $ 11,607,103 | $ 16,803,234 | $ 5,596,919 | $ 6,731,842 |

Source: City of Dayton, Texas Audited Financial Statements

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $ (9,378,925) | $ (10,183,151) | $ (9,015,257) | $ (9,038,403) | $ (7,521,964) | $ (7,207,362) |
| (2,148,146) | (1,341,941) | 175,150 | 806,385 | 454,286 | (103,544) |
| $ (11,527,071) | $ (11,525,092) | $ (8,840,107) | $ (8,232,018) | $ (7,067,678) | $ (7,310,906) |
| | | | | | |
| $ 6,222,546 | $ 5,850,732 | $ 5,399,604 | $ 4,828,060 | $ 4,503,923 | $ 5,123,388 |
| 1,913,865 | 1,755,169 | 1,638,096 | 1,657,378 | 1,455,191 | 1,428,294 |
| 1,127,538 | 871,920 | 914,205 | 901,297 | 844,839 | 816,409 |
| 42,112 | 115,436 | 180,597 | 54,284 | 59,747 | 52,876 |
| 314,329 | 10,281 | 101,609 | 147,162 | 152,086 | 122,032 |
| 603,653 | 776,482 | (63,301) | 582,659 | 176,796 | 693,928 |
| 10,224,043 | 9,380,020 | 8,170,810 | 8,170,840 | 7,192,582 | 8,236,927 |
| | | | | | |
| 37,727 | 64,138 | 60,599 | 39,535 | 17,968 | 11,529 |
| 40,842 | 56,685 | 97,741 | 13,689 | 72,973 | 34,907 |
| (603,653) | (776,482) | 63,301 | (582,659) | (176,796) | (693,928) |
| (525,084) | (655,659) | 221,641 | (529,435) | (85,855) | (647,492) |
| $ 9,698,959 | $ 8,724,361 | $ 8,392,451 | $ 7,641,405 | $ 7,106,727 | $ 7,589,435 |
| | | | | | |
| $ 845,118 | $ (803,131) | $ (844,447) | $ (867,563) | $ (329,382) | $ 1,029,565 |
| (2,673,230) | (1,997,600) | 396,791 | 276,950 | 368,431 | (751,036) |
| $ (1,828,112) | $ (2,800,731) | $ (447,656) | $ (590,613) | $ 39,049 | $ 278,529 |

# City of Dayton, Texas

## *FUND BALANCES OF GOVERNMENTAL FUNDS*

### Last Ten Fiscal Years (Unaudited)

**(modified accrual basis of accounting)**

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **General Fund** | | | | |
| Nonspendable | $ 111,467 | $ 47,176 | $ 57,061 | $ 68,184 |
| Restricted | 149,767 | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | 8,318,845 | 8,111,796 | 7,524,751 | 4,663,935 |
| **Total general fund** | $ 8,580,079 | $ 8,158,972 | $ 7,581,812 | $ 4,732,119 |
| **All Other Governmental Funds** | | | | |
| Restricted | $ 9,764,134 | $ 10,692,381 | $ 9,591,842 | $ 3,321,067 |
| Assigned | - | - | - | - |
| Unassigned | (9,516) | (582,495) | (2,030,168) | - |
| **Total all other governmental funds** | $ 9,754,618 | $ 10,109,886 | $ 7,561,674 | $ 3,321,067 |

Source: City of Dayton, Texas Audited Financial Statements

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $ 24,993 | $ 11,853 | $ 46,994 | $ 9,899 | $ 8,404 | $ 98,181 |
| - | 94,467 | 220,468 | 97,313 | 82,218 | 97,707 |
| - | - | - | - | - | 1,232 |
| 2,062,766 | 1,940,810 | 2,664,081 | 2,799,973 | 3,443,365 | 6,926,272 |
| $ 2,087,759 | $ 2,047,130 | $ 2,931,543 | $ 2,907,185 | $ 3,533,987 | $ 7,123,392 |
| | | | | | |
| $ 4,313,881 | $ 4,763,293 | $ 6,085,047 | $ 7,710,019 | $ 2,076,553 | $ 6,246,990 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| $ 4,313,881 | $ 4,763,293 | $ 6,085,047 | $ 7,710,019 | $ 2,076,553 | $ 6,246,990 |

# City of Dayton, Texas

## *CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS*

**Last Ten Fiscal Years (Unaudited)**

**(modified accrual basis of accounting)**

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property tax | $ 9,269,070 | $ 8,312,727 | $ 7,940,976 | $ 6,565,354 |
| Sales tax | 2,658,646 | 2,477,987 | 2,284,398 | 2,152,426 |
| Franchise and Local taxes | 840,314 | 831,720 | 805,360 | 760,351 |
| Payments in lieu of taxes | 104,490 | 129,585 | 35,012 | 312,165 |
| License and permits | 908,245 | 684,574 | 486,362 | 292,046 |
| Charges of services | 104,131 | 111,110 | 112,680 | 93,912 |
| Fines and forfeitures | 293,720 | 319,423 | 289,578 | 328,214 |
| Intergovernmental | 1,177,462 | 5,298,478 | 68,871 | 3,837,632 |
| Contribution from property owners | 3,401,285 | 7,492,127 | 2,948,378 | 1,961,746 |
| Investment income | 670,435 | 616,941 | 96,406 | 15,297 |
| Contributions and grants | - | - | - | - |
| Other revenues | 438,270 | 348,811 | 703,656 | 920,433 |
| **Total Revenues** | 19,866,068 | 26,623,483 | 15,771,677 | 17,239,576 |
| **Expenditures** | | | | |
| General government | 3,942,194 | 4,141,431 | 3,661,484 | 3,580,053 |
| Public safety | 3,578,376 | 3,641,412 | 3,461,170 | 3,069,395 |
| Public works | 968,969 | 1,257,575 | 884,987 | 988,742 |
| Culture & Recreation | 291,400 | 302,045 | 252,517 | 223,798 |
| Community enhancement | 868,786 | 779,114 | 756,898 | 703,965 |
| Community center | 312,404 | 258,808 | 283,888 | 244,384 |
| Tourism promotion | - | - | - | - |
| Capital outlay | 6,236,765 | 9,661,239 | 6,004,293 | 2,825,492 |
| Debt Service: | | | | |
| Principal | 2,198,219 | 1,954,514 | 1,738,533 | 1,806,872 |
| Interest and fiscal charges | 884,433 | 902,300 | 644,119 | 690,138 |
| Bond issuance costs | - | - | 196,618 | - |
| **Total Expenditures** | 19,281,546 | 22,898,438 | 17,884,507 | 14,132,839 |
| **Excess of Revenues Over (Under) Expenditures** | 584,522 | 3,725,045 | (2,112,830) | 3,106,737 |
| **Other financing sources (uses)** | | | | |
| Transfers in | 4,998,748 | 3,967,414 | 3,312,487 | 4,206,949 |
| Transfers (out) | (5,618,493) | (4,592,295) | (2,473,551) | (5,811,455) |
| Sale of assets | 34,501 | - | 125,958 | 40,432 |
| Bond issuance | - | - | 7,855,000 | - |
| Bond premium | - | - | 338,518 | - |
| Lease issuance | 66,561 | - | | 108,883 |
| Payment to Refunded Bond Escrow Agent | - | - | - | - |
| Debt issuance | - | - | - | - |
| **Total Other Financing Sources (Uses)** | (518,683) | (624,881) | 9,158,412 | (1,455,191) |
| **Net Change in Fund Balances** | $ 65,839 | $ 3,100,164 | $ 7,045,582 | $ 1,651,546 |
| **Debt service as percentage of noncapital expenditures** | 23.2% | 21.9% | 19.9% | 21.6% |

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| $ 6,218,829 | $ 5,816,650 | $ 5,368,423 | $ 4,791,193 | $ 4,469,511 | $ 5,112,737 |
| 1,913,865 | 1,755,169 | 1,638,096 | 1,657,378 | 1,455,191 | 1,428,294 |
| 693,605 | 663,653 | 621,468 | 609,489 | 510,962 | 493,833 |
| 433,933 | 208,267 | 292,737 | 291,808 | 333,877 | 322,576 |
| 246,303 | 248,728 | 291,555 | 157,153 | 63,733 | 94,027 |
| 109,662 | 156,609 | 206,807 | 147,286 | 90,253 | 108,065 |
| 341,574 | 430,266 | 444,400 | 372,588 | 284,130 | 321,633 |
| 1,376,572 | 489,894 | 626,128 | 306,897 | 430,898 | 135,451 |
| - | - | - | - | - | - |
| 118,056 | 115,198 | 180,229 | 53,981 | 59,621 | 52,770 |
| - | - | 18,278 | 1,911 | 2,960 | 9,205 |
| 132,361 | 37,798 | 113,437 | 147,162 | 152,086 | 112,827 |
| 11,584,760 | 9,922,232 | 9,801,558 | 8,536,846 | 7,853,222 | 8,191,418 |
| | | | | | |
| 3,498,146 | 3,363,845 | 2,676,418 | 2,475,116 | 2,300,082 | 1,653,271 |
| 2,925,225 | 3,111,012 | 3,178,110 | 4,831,280 | 9,667,966 | 5,206,802 |
| 948,825 | 902,595 | 1,031,984 | 890,614 | 1,143,594 | 1,381,066 |
| 226,457 | 281,732 | 409,234 | 407,351 | 396,328 | 549,252 |
| 780,402 | 657,897 | 416,357 | 296,491 | 486,135 | 305,327 |
| 266,393 | 317,271 | 390,442 | 371,490 | 398,446 | 365,995 |
| - | 125,284 | 77,408 | 78,035 | 54,173 | 147,087 |
| 1,497,682 | 5,036,161 | 4,349,819 | - | - | - |
| | | | | | |
| 1,951,250 | 1,719,333 | 1,622,507 | 1,255,764 | 1,379,103 | 1,347,519 |
| 774,690 | 668,525 | 686,628 | 467,520 | 593,523 | 782,300 |
| - | 68,743 | 106,930 | 129,672 | 119,327 | - |
| 12,869,070 | 16,252,398 | 14,945,837 | 11,203,333 | 16,538,677 | 11,738,619 |
| | | | | | |
| (1,284,310) | (6,330,166) | (5,144,279) | (2,666,487) | (8,685,455) | (3,547,201) |
| | | | | | |
| 1,406,925 | 1,084,378 | 956,212 | 1,590,846 | 5,778,447 | 693,928 |
| (1,021,141) | (200) | (17,777) | (745,867) | (5,412,417) | - |
| 512,197 | - | - | - | - | - |
| - | 3,015,000 | 2,500,000 | 6,595,000 | 8,045,000 | - |
| - | 456,874 | 105,230 | 233,172 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | (8,060,417) | - |
| - | - | - | - | 575,000 | - |
| 897,981 | 4,556,052 | 3,543,665 | 7,673,151 | 925,613 | 693,928 |
| $ (386,329) | $ (1,774,114) | $ (1,600,614) | $ 5,006,664 | $ (7,759,842) | $ (2,853,273) |
| | | | | | |
| 23.0% | 15.3% | 15.9% | 15.8% | 12.3% | 18.6% |

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# City of Dayton, Texas

*ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*

**Last Ten Fiscal Years**

| Fiscal Year | Real Property | Personal Property | Less: Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|---|---|---|---|---|---|
| 2016 | $ 500,240,393 | $ 455,802,530 | $ 205,471,153 | $ 750,571,770 | 0.680000 |
| 2017 | 539,828,569 | 330,292,050 | 215,046,297 | 655,074,322 | 0.680000 |
| 2018 | 649,521,513 | 361,440,650 | 275,709,415 | 735,252,748 | 0.655700 |
| 2019 | 668,559,506 | 420,131,837 | 292,589,698 | 796,101,645 | 0.682100 |
| 2020 | 739,162,917 | 438,560,484 | 298,477,884 | 879,245,517 | 0.664500 |
| 2021 | 841,005,903 | 393,107,113 | 336,694,829 | 897,418,187 | 0.706000 |
| 2022 | 885,552,206 | 443,573,148 | 347,424,444 | 981,700,910 | 0.666900 |
| 2023 | 1,068,622,657 | 594,576,340 | 452,882,430 | 1,210,316,567 | 0.663700 |
| 2024 | 1,198,915,132 | 582,666,600 | 489,300,741 | 1,292,280,991 | 0.660798 |
| 2025 | 1,304,774,212 | 659,821,540 | 510,984,628 | 1,453,611,124 | 0.648586 |

Note: Tax rates per $100 of assessed valuation.

Source: City of Dayton Budget Document.
Liberty County Appraisal District

# City of Dayton, Texas

## *PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS*

**Last Ten Fiscal Years**

| | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| **Direct Rates:** | | | | |
| City of Dayton - Operating | 0.45100 | 0.40940 | 0.41520 | 0.42490 |
| City of Dayton - Debt Service | 0.22900 | 0.27060 | 0.24050 | 0.25720 |
| **Total Direct Rate** | 0.68000 | 0.68000 | 0.65570 | 0.68210 |
| **Overlapping Rates:** | | | | |
| Liberty County | 0.57880 | 0.57880 | 0.57880 | 0.57880 |
| Hospital District | 0.09000 | 0.09000 | 0.09000 | 0.09000 |
| Dayton ISD | 1.43170 | 1.42170 | 1.39000 | 1.37000 |
| Drainage District #1 (2) | 0.08903 | 0.08900 | 0.07760 | 0.06970 |
| **Total Direct and Overlapping Rates (1)** | 2.18953 | 2.17950 | 2.13640 | 2.10850 |
| **Total Assessed Valuation** | 750,571,770 | 655,074,322 | 735,252,748 | 796,101,645 |

1) The basis for property tax rates is per $100 of the assessed valuation

2) Drainage District #1 has a partial overlapping area

Source: Liberty County Appraisal District

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| 0.42040 | 0.42940 | 0.40970 | 0.34600 | 0.34524 | 0.33873 |
| 0.24410 | 0.27660 | 0.25720 | 0.31770 | 0.31556 | 0.30986 |
| 0.66450 | 0.70600 | 0.66690 | 0.66370 | 0.66080 | 0.64859 |
| | | | | | |
| 0.57880 | 0.55430 | 0.55430 | 0.47990 | 0.47000 | 0.47000 |
| 0.09000 | 0.09000 | 0.09000 | 0.07770 | 0.07915 | 0.08636 |
| 1.27000 | 1.19960 | 1.17200 | 1.15460 | 0.99260 | 0.96690 |
| 0.06720 | 0.06720 | 0.06580 | 0.05850 | 0.05719 | 0.05585 |
| 2.00600 | 1.91110 | 1.88210 | 1.77070 | 1.59894 | 1.57911 |
| | | | | | |
| 879,245,517 | 897,418,187 | 981,700,910 | 1,210,316,567 | 1,292,280,991 | 1,453,611,124 |

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# City of Dayton, Texas

*PRINCIPAL PROPERTY TAXPAYERS*

**Current Year and Nine Years Ago**

| | 2025 | | | 2016 | | |
|---|---|---|---|---|---|---|
| **Property Tax Payer** | **Taxable Assessed Value** | **Rank** | **% of Taxable Assessed Value** | **Taxable Assessed Value** | **Rank** | **% of Taxable Assessed Value** |
| Kinder Morgan Texas | $ 50,910,310 | 1 | 3.50% | $ - | | 0.00% |
| Exxon Chemical Ameri | 49,516,720 | 2 | 3.41% | 122,544,690 | 1 | 16.33% |
| Global Tubing | 46,798,950 | 3 | 3.22% | 39,373,350 | 4 | 5.25% |
| Oxy Vinyls LP | 45,947,400 | 4 | 3.16% | 21,460,360 | 5 | 2.86% |
| Total Petrochemicals | 45,240,950 | 5 | 3.11% | 89,355,290 | 2 | 11.90% |
| Braskem America Inc | 32,007,810 | 6 | 2.20% | - | | 0.00% |
| Rail Logix Dayton LLC | 42,920,610 | 7 | 2.95% | - | | 0.00% |
| TRT LeaseCo LLC | 26,164,700 | 8 | 1.80% | 13,316,050 | 7 | 1.77% |
| Insteel Wire Product | 24,104,110 | 9 | 1.66% | 20,051,660 | 6 | 2.67% |
| Formosa Transrail Co | 23,106,420 | 10 | 1.59% | | | 0.00% |
| Equistar Chemicals | - | | 0.00% | 57,242,220 | 3 | 7.63% |
| Sam's East Inc | - | | 0.00% | 9,981,910 | 8 | 1.33% |
| Entergy Texas | - | | 0.00% | 6,978,580 | 9 | 0.93% |
| Wells Fargo Bank Nor | - | | 0.00% | 6,142,200 | 10 | 0.82% |
| **Total** | $ 386,717,980 | | 29.93% | $ 386,446,310 | | 54.31% |
| Total Assessed Valuation | $ 1,292,280,991 | | 100% | $ 711,502,171 | | 100% |

Source: Liberty County Appraisal District

# City of Dayton, Texas

## *PROPERTY TAX LEVIES AND COLLECTIONS*

**Last Ten Fiscal Years**

| Tax Year | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Tax levy | $ 5,085,992 | $ 4,421,145 | $ 4,773,023 | $ 5,358,462 |
| Current tax collected | $ 4,968,991 | $ 4,294,524 | $ 4,636,238 | $ 5,186,893 |
| Percent of current tax collections | 97.70% | 97.14% | 97.13% | 96.80% |
| Delinquent tax collections | $ 83,005 | $ 94,298 | $ 96,231 | $ 134,102 |
| Total tax collections | $ 5,051,996 | $ 4,388,822 | $ 4,732,469 | $ 5,320,995 |
| Total collections as a percentage of levy | 99.3% | 99.3% | 99.2% | 99.3% |

Source: Liberty County Tax Office

| 2020 | | 2021 | | 2022 | | 2023 | | 2024 | | 2025 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $ | 5,766,156 | $ | 6,209,304 | $ | 6,424,006 | $ | 7,869,417 | $ | 8,309,818 | $ | 9,155,406 |
| $ | 5,623,946 | $ | 6,025,163 | $ | 6,249,423 | $ | 7,666,926 | $ | 8,071,772 | $ | 8,933,230 |
| | 97.53% | | 97.03% | | 97.28% | | 97.43% | | 97.14% | | 97.57% |
| $ | 114,390 | $ | 151,552 | $ | 131,351 | $ | 115,239 | $ | 105,482.00 | $ | - |
| $ | 5,738,335 | $ | 6,176,714 | $ | 6,380,774 | $ | 7,782,164 | $ | 8,177,254 | $ | 8,933,230 |
| | 99.5% | | 99.5% | | 99.3% | | 98.9% | | 98.4% | | 97.6% |

# City of Dayton, Texas

*RATIOS OF OUTSTANDING DEBT BY TYPE*

**Last Ten Fiscal Years (Unaudited)**

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **General Obligation Bonds** | **Tax Notes** | **Certificates of Obligation** | **Premium** | **Leases** |
| 2016 | $ 11,025,000 | $ 355,000 | $ 6,860,000 | $ 274,667 | $ 187,957 |
| 2017 | 10,285,000 | 815,000 | 6,680,000 | 148,032 | 153,854 |
| 2018 | 9,480,000 | 585,000 | 13,090,000 | 351,374 | 118,090 |
| 2019 | 8,645,000 | 350,000 | 15,075,000 | 430,312 | 80,583 |
| 2020 | 7,775,000 | 235,000 | 17,395,000 | 841,933 | 41,250 |
| 2021 | 6,880,000 | 120,000 | 16,495,000 | 796,680 | 14,956 |
| 2022 | 5,960,000 | - | 15,740,000 | 751,427 | 111,967 |
| 2023 | 5,020,000 | - | 22,820,000 | 1,043,282 | 88,434 |
| 2024 | 4,060,000 | - | 21,850,000 | 981,103 | 63,920 |
| 2025 | 3,080,000 | - | 20,655,000 | 918,924 | 107,262 |

Notes: Details regarding the City's outstanding debt can be found in the notes to financial statements.

| Business-type Activities | | | | | | |
|---|---|---|---|---|---|---|
| Certificates of Obligation | General Obligation Bonds | Leases | Premium | Total Primary Government | Percentage of Personal Income | Per Capita |
| $ 195,000 | $ 6,880,000 | $ - | $ 559,648 | $ 26,337,272 | 14.72% | 3,425 |
| - | 6,880,000 | - | 512,846 | 25,474,732 | 7.49% | 3,225 |
| - | 6,335,000 | - | 466,224 | 30,425,688 | 14.93% | 3,729 |
| - | 5,770,000 | - | 419,602 | 30,770,497 | 11.71% | 3,667 |
| 15,305,000 | 5,195,000 | - | 1,560,185 | 48,348,368 | 17.60% | 5,509 |
| 24,185,000 | 4,605,000 | - | 1,932,900 | 55,029,536 | 19.24% | 6,025 |
| 23,300,000 | 4,005,000 | 319,527 | 1,801,723 | 51,989,644 | 17.70% | 5,541 |
| 22,355,000 | 3,390,000 | 4,461 | 1,670,545 | 56,391,722 | 18.58% | 5,818 |
| 20,960,000 | 2,755,000 | 1,526 | 1,539,367 | 52,210,916 | 16.71% | 5,232 |
| 19,600,000 | 2,105,000 | - | 1,408,191 | 47,874,377 | 14.70% | 4,664 |

# City of Dayton, Texas

*RATIOS OF GENERAL BONDED DEBT OUTSTANDING*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | General Bonded Debt | Less: Amounts Available in Debt Service Fund | Total | Percentage of Actual Taxable Value[1] of Property | Per Capita[2] |
|---|---|---|---|---|---|
| 2016 | $ 18,514,667 | $ 1,732,522 | $ 16,782,145 | 2.24% | 2,183 |
| 2017 | 17,928,032 | 1,823,147 | 16,104,885 | 2.46% | 2,039 |
| 2018 | 23,506,374 | 2,146,435 | 21,359,939 | 2.91% | 2,618 |
| 2019 | 24,500,312 | 2,363,616 | 22,136,696 | 2.78% | 2,638 |
| 2020 | 26,246,933 | 2,544,196 | 23,702,737 | 2.70% | 2,701 |
| 2021 | 24,291,680 | 2,584,759 | 21,706,921 | 2.42% | 2,376 |
| 2022 | 22,451,427 | 1,627,054 | 20,824,373 | 2.12% | 2,219 |
| 2023 | 28,883,282 | 664,552 | 28,218,730 | 2.33% | 2,911 |
| 2024 | 26,891,103 | 721,120 | 26,169,983 | 2.03% | 2,623 |
| 2025 | 24,653,924 | 924,322 | 23,729,602 | 1.63% | 2,312 |

[1]See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.
[2]Population data can be found in the Schedule of Demographic and Economic Statistics.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

# City of Dayton, Texas

## *DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT*

**September 30, 2025**

| Governmental Unit | Gross Bonded Debt Outstanding (a) | Estimated Percentage Applicable (b) | Estimated Share of Overlapping Debt (a * b) |
|---|---|---|---|
| **Debt repaid with property taxes** | | | |
| Dayton ISD | $ 62,595,000 | 40.53% | $ 25,367,171 |
| Liberty County | 22,085,000 | 11.04% | 2,437,383 |
| Subtotal, overlapping debt | 84,680,000 | | 27,804,554 |
| **City direct debt** | | | 24,761,186 |
| **Total direct and overlapping debt** | | | $ 52,565,740 |

Sources: (a)Texas BRB Data Center (data.brb.texas.gov) (b) Liberty CAD Tax Roll Summary

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

b The Estimated Percentage Application is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

# City of Dayton, Texas

*LEGAL DEBT MARGIN INFORMATION*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | Tax Rate Limit | Tax Rate | Available Tax Rate |
|---|---|---|---|
| 2016 | 2.5000 | 0.6800 | 1.8200 |
| 2017 | 2.5000 | 0.6800 | 1.8200 |
| 2018 | 2.5000 | 0.6557 | 1.8443 |
| 2019 | 2.5000 | 0.6821 | 1.8179 |
| 2020 | 2.5000 | 0.6645 | 1.8355 |
| 2021 | 2.5000 | 0.7060 | 1.7940 |
| 2022 | 2.5000 | 0.6669 | 1.8331 |
| 2023 | 2.5000 | 0.6637 | 1.8363 |
| 2024 | 2.5000 | 0.6608 | 1.8392 |
| 2025 | 2.5000 | 0.6486 | 1.8514 |

Note: The City Charter of the City of Dayton does not provide for a debt limit. Under the provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation.

# City of Dayton, Texas

### *DEMOGRAPHIC AND ECONOMIC STATISTICS*

**Last Ten Fiscal Years**

| Year | Estimated Population (1) | Personal Income | Per Capita Personal Income (2) | Median Age (3) | School Enrollment (4) | Unemployment Rate (5) | Level in Years of Formal Schooling (6) |
|---|---|---|---|---|---|---|---|
| | | | | | Dayton ISD | Liberty County | |
| **2016** | 7,689 | 178,915,341 | 23,269 | 33.1 | 5,193 | 7.5% | 16.6% |
| **2017** | 7,899 | 340,091,445 | 43,055 | 32.5 | 5,310 | 7.2% | 31.4% |
| **2018** | 8,159 | 203,819,979 | 24,981 | 33.6 | 5,281 | 5.9% | 30.4% |
| **2019** | 8,391 | 262,697,037 | 31,307 | 33.1 | 5,308 | 5.0% | 24.8% |
| **2020** | 8,777 | 274,781,539 | 31,307 | 31.6 | 5,415 | 10.5% | 27.6% |
| **2021** | 9,134 | 285,958,138 | 31,307 | 32.6 | 5,290 | 9.0% | 25.5% |
| **2022** | 9,383 | 293,753,581 | 31,307 | 32.4 | 5,511 | 5.9% | 16.3% |
| **2023** | 9,693 | 303,458,751 | 31,307 | 32.0 | 5,636 | 5.5% | 9.7% |
| **2024** | 9,979 | 312,412,553 | 31,307 | 32.4 | 5,682 | 5.3% | 11.2% |
| **2025** | 10,265 | 325,708,450 | 31,730 | 34.2 | 5,815 | 4.8% | 11.0% |

Sources: 1 World Population Review
2 Dayton ISD
3 Data Commons
4 U.S. Bureau of Labor Statistics
5 U.S. Census Bureau

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# City of Dayton, Texas

*PRINCIPAL EMPLOYERS*

**Current Fiscal Year and Nine Years Ago**

| | 2025 | | | 2016 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percentage of Total City Employment** | **Employees** | **Rank** | **Percentage of Total City Employment** |
| Dayton ISD | 804 | 1 | 21.49% | 765 | 1 | 21.10% |
| TDCJ | 335 | 2 | 8.95% | - | n/a | - |
| Sam's Club Dist. | 100 | 3 | 2.67% | 66 | 6 | 1.82% |
| Insteel Wire | 93 | 4 | - | 103 | 4 | 2.84% |
| City of Dayton | 88 | 5 | 2.35% | 99 | 5 | 2.73% |
| Brookshire Brothers | 85 | 6 | 2.27% | - | n/a | - |
| Texas Rotating Equipment | 50 | 7 | 1.34% | - | n/a | - |
| Dayton Nursing & Rehab | 49 | 8 | 1.31% | - | n/a | - |
| Thrif-Tee | 35 | 9 | 0.94% | - | 0 | 0.00% |
| McCoys | 33 | 10 | 0.88% | - | n/a | - |
| Global Tubing | - | n/a | - | 150 | 2 | 4.14% |
| Dayton Leasing and Supply | - | n/a | - | 140 | 3 | 3.86% |
| Huntsman Chemical | - | n/a | - | 62 | 7 | 1.71% |
| Harris Rebar LLC | - | n/a | - | 50 | 8 | 1.38% |
| Fabrication and Construction Se | - | n/a | - | 46 | 9 | 1.27% |
| Amico - Klemp | - | n/a | - | 32 | 10 | 0.88% |
| **Total** | 1,672 | | 42.20% | 1,513 | | 41.74% |
| | | | | | | |
| Total City Employment | 3,742 | | | 3,625 | | |

Source: Texas Labor Market Information & Various HR Departments

# City of Dayton, Texas

## *OPERATING INDICATORS BY FUNCTION/PROGRAM*

**Last Ten Fiscal Years**

| Function/Program | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Public safety | | | | |
| Police | | | | |
| Number of employees | 27 | 27 | 26 | 28 |
| Number of violations (citations including | 3,177 | 7,136 | 9,474 | 12,284 |
| Fire | | | | |
| Number of volunteers | 28 | 30 | 23 | 23 |
| Number of fire runs | 412 | 485 | 415 | 504 |
| Number of EMS runs | 284 | 315 | 415 | 470 |
| Public works | | | | |
| Streets (miles) | 90 | 90 | 60 | 71 |
| Building permits issued | 64 | 71 | 85 | 71 |
| Library | | | | |
| Volumes in collection | 32,289 | 32,417 | 18,120 | 19,064 |
| Water and sewer | | | | |
| Number of water connections | 2,573 | 2,774 | 2,730 | 2,423 |
| Number of sewer connections | 2,297 | 2,380 | 2,365 | 2,370 |
| Average daily water consumption[a] | 1,627,354 | 1,345,516 | 1,560,733 | 1,663,066 |

Sources: Various City departments.

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| 26 | 26 | 26 | 26 | 26 | 25 |
| 3,933 | 4,161 | 5,097 | 4,533 | 2,939 | 3,935 |
| 25 | 25 | 27 | 28 | 31 | 50 |
| 441 | 515 | 624 | 651 | 787 | 935 |
| 469 | 1,201 | 1,231 | 1,512 | 1,687 | 1,594 |
| 72 | 72 | 69 | 72 | 74 | 149 |
| 121 | 90 | 71 | 150 | 105 | 1,905 |
| 20,014 | 20,876 | 20,999 | 21,396 | 21,972 | 22,507 |
| 2,889 | 2,909 | 3,005 | 3,132 | 3,196 | 3,326 |
| 2,854 | 2,546 | 2,655 | 2,740 | 2,835 | 2,986 |
| 1,561,813 | 1,416,226 | 1,369,567 | 1,528,344 | 1,356,097 | 1,183,415 |

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# City of Dayton, Texas

## *FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM*

**Last Ten Fiscal Years**

| Function/Program | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| General government and administration | 13 | 14 | 26 | 27 | 29 | 26 | 25 | 28 | 27 | 28 |
| Public safety | 29 | 29 | 28 | 30 | 28 | 28 | 28 | 28 | 28 | 28 |
| Public works | 14 | 14 | 10 | 14 | 13 | 11 | 8 | 7 | 8 | 8 |
| Culture and recreation | 9 | 9 | 5 | 4 | 2 | 3 | 4 | 4 | 4 | 3 |
| Water and sewer | 19 | 19 | 15 | 17 | 23 | 20 | 14 | 12 | 13 | 14 |
| Community development | 11 | 11 | 6 | 8 | 7 | 6 | 5 | 6 | 6 | 7 |
| Economic development | 2 | 2 | 3 | 4 | 2 | 2 | - | - | - | - |
| **Total** | 97 | 98 | 93 | 104 | 104 | 96 | 84 | 85 | 86 | 88 |

Sources: Various City departments.

# City of Dayton, Texas

*CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM*

**Last Ten Fiscal Years**

| Function/Program | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Public safety | | | | |
| Police stations | 1 | 1 | 1 | 1 |
| Police patrol units | 23 | 21 | 21 | 20 |
| Fire stations | 2 | 2 | 2 | 2 |
| Public works | | | | |
| Streets-paved (miles) | 90.10 | 90.10 | 60.00 | 71.20 |
| Cultural and recreational | | | | |
| Parks (acres) | 49.96 | 49.96 | 49.96 | 49.96 |
| Playgrounds (1) | 5 | 5 | 5 | 5 |
| Library | 1 | 1 | 1 | 1 |
| Senior center | 1 | 1 | 1 | 1 |
| Water and sewer | | | | |
| Fire hydrants | n/a | n/a | 312 | 317 |
| Ground storage facilities | 3 | 3 | 3 | 3 |
| Elevated storage facilities | 4 | 4 | 4 | 4 |
| Lift stations | 19 | 19 | 19 | 19 |

Sources: Various City departments.

(1) Does not include HOA playgrounds.

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| | | | | | |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 19 | 18 | 18 | 20 | 19 | 19 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| | | | | | |
| 71.80 | 71.80 | 69.33 | 72.27 | 73.91 | 74.15 |
| | | | | | |
| 49.96 | 49.96 | 49.96 | 49.96 | 49.96 | 49.96 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| | | | | | |
| 328 | 424 | 439 | 453 | 465 | 465 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 19 | 19 | 19 | 19 | 19 | 21 |

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