OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM

and

PRELIMINARY OFFICIAL STATEMENT

CITY OF DEVINE, TEXAS

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

$2,750,000*

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

(THE "CERTIFICATES")

To be Designated by the City as "QUALIFIED TAX-EXEMPT OBLIGATIONS"

Bids due
Tuesday, September 1, 2026
at
11:00 A.M., Central Time

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

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

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OFFICIAL NOTICE OF SALE

$2,750,000*
CITY OF DEVINE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the "City Council") of the City of Devine, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its $2,750,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates").

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 Tuesday, September 1, 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 Tuesday, September 1, 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 Certificates 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 Tuesday, September 1, 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 Certificates as described in the section entitled "AWARD AND SALE OF THE CERTIFICATES" below.

AWARD AND SALE OF THE CERTIFICATES: 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 tentatively award the Certificates 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 Certificates or will reject all bids promptly at a scheduled meeting to commence at 6:00 P.M. Central Time on Tuesday, September 1, 2026. The City reserves the right to reject any or all bids in its sole discretion and to waive any irregularities, except time of filing.

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

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated September 1, 2026 (the "Dated Date") with interest to accrue from the Dated Date and be payable initially on February 1, 2027, and semiannually on each February 1 and August 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates 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 Certificates 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 Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.) The Certificates 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	Stated Maturity	Principal Amount
2027	$80,000	2037	$135,000
2028	85,000	2038	140,000
2029	95,000	2039	150,000
2030	100,000	2040	155,000
2031	105,000	2041	165,000
2032	110,000	2042	170,000
2033	115,000	2043	180,000
2034	120,000	2044	190,000
2035	125,000	2045	195,000
2036	130,000	2046	205,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed $2,750,000*. 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.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the "Term Certificates").

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption "MATURITY SCHEDULE". Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1 , 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1 , 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

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

AUTHORITY OF ISSUANCE: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council on September 1, 2026.

USE OF PROCEEDS: Proceeds from the sale of the Certificates 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, acquiring, constructing, renovating, improving, and equipping, various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (4) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects.

SECURITY FOR PAYMENT: The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and a lien on a pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the System, not to exceed $1,000 during the entire period of the Certificates or interest thereon remain outstanding.

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 Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized 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 Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

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 Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates 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 Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 104% 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 Certificates, 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 Certificates (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 Certificates 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 Certificates 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 Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates 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 Certificates, relating to the excludability of interest on the Certificates 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 Certificates) a certification as to their initial offering prices of the Certificates (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:

The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal Certificates), which require, among other things, that the City receives bids from at least three underwriters of municipal Certificates who have established industry reputations for underwriting new issuances of municipal Certificates (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Certificates (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Certificates that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Certificates under the Code, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, SAMCO Capital Markets, Inc. (the "City's Financial Advisor") the appropriate certification as to the Certificates' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) "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 Certificates 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 Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that 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

(iv) "Sale Date" means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Certificates 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.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Certificates, as specified in the bid and, if so stated, in the Official Bid Form.

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 Certificates 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, (A) to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity, (B) to promptly notify the winning bidder of any sales of Certificates that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the Underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each Underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity. Sales of any Certificates to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity 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 (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-

Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

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

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Devine, Texas" in the amount of $55,000, which is 2% of the proposed par value of the Certificates (the "Good Faith Deposit"), is required to accompany any bid. The Good Faith Deposit of the Purchaser will be retained uncashed by the City pending the Purchaser's compliance with the terms of its bid and this Notice of Sale. In the event the Purchaser should fail or refuse to take up and pay for the Certificates in accordance with its bid then said check shall be cashed and accepted by the City and shall constitute full and complete liquidated damages; however, if it is determined after the acceptance of the bid the City that the Purchaser was found not to satisfy the requirements described under "Covered Verifications" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then said check shall be cashed and accepted by the City but shall not be sole or exclusive remedy available to the City. The Good Faith Deposit may accompany the Official Bid Form 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 authorizes its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. The Good Faith Deposit of the Purchaser will be returned to the Purchaser on the date of Initial Delivery. No Interest will be allowed on the Good Faith Deposit. Checks accompanying bids other than the winning bid will be returned promptly after the bids are opened, and an award of the Certificates has been made by the City.

ADDITIONAL CONDITION 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 Certificates 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 Certificates 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 Devine, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Devine CO2026) and description of the goods or services (Purchase of the City of Devine, Texas Combination Tax and Revenue Certificates of Obligation, 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/main/file.htm, 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 mmccliney@samcocapital.com and to the City's Bond Counsel at cbinford@mphlegal.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

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 Certificates 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 Certificates 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/filinginfo/1295.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS:

The City will not award the Certificates to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Covered Verifications"), are included in the bid. As used in such verifications, "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. Liability for breach of any such Covered Verifications during the terms of the Official Bid Form 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 this Official Notice of Sale, notwithstanding anything in the Official Bid Form or this Official Notice of Sale to the contrary.

(i) No Boycott of Israel (Chapter 2271, Texas Government Code, as amended): A bidder must verify 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 Official Bid Form. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Texas Government Code, as amended.

(ii) Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended): A bidder must represent 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, Texas Government Code, as amended. The foregoing representation excludes a 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.

(iii) No Discrimination Against Firearm Entities or Firearm Trade Associations (Chapter 2274, Texas Government Code, as amended): A bidder must verify 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 agreement to purchase the Certificates. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.

(iv) No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended): A bidder must verify 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 agreement to purchase the Certificates. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT:

Each prospective bidder must have a standing letter on file with the Texas Attorney General's Office in the form required by the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (collectively, the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the City that it has filed a standing letter in the form included in the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Certificates. If requested by the City, the bidder agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Delivery Date or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE CITY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER FOR ANY REASON. BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. Unless otherwise publicly available on the Municipal Advisory Council of Texas' website, the bidder shall submit a courtesy copy of its standing letter in connection with the submission of its bid.

To the extent the bidder and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE - Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH THE COVERED VERIFICATIONS SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THIS OFFICIAL NOTICE OF SALE OR THE OFFICIAL BID FORM. ADDITIONALLY, THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. 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 Certificates, 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 Certificates.

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 Certificates.

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 Certificates, 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 Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, 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 Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates 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 Certificates 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 Certificates, 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 Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates 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 Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (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 Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the 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) except as otherwise disclosed in the official statement 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 Certificates 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 Certificates, 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 Certificates 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 CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of $2,750,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate 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 Certificate"), signed by manual, electronic, or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually or electronically signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate 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 Certificate 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 Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about September 29, 2026, but if for any reason the City is unable to make delivery by September 29, 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 Certificates. 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 Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates 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 Certificates 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 Certificate, 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 Certificate and delivery of registered definitive Certificates 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 Certificates, but neither the failure to print such number on any Certificate 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 Certificates 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 Certificates 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 Certificates 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 Certificate, 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 Certificates 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 Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, 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 Certificates 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).

QUALIFIED TAX-EXEMPT OBLIGATIONS: The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" in the Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates 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.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificates surrendered for exchange or transfer.

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

RATING: 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 - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the 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 Certificates.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Certificates remain outstanding could undertake such an evaluation process.

BOND INSURANCE: The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy and will consider the purchaser of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement.)

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates 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 Certificates 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 Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, 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 Certificates are offered for sale.

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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 Certificates, 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 Certificates by the Purchaser.

/s/

Mayor,
City of Devine, Texas

ATTEST:
/s/

City Secretary,
City of Devine, Texas

August 25, 2026

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Devine
303 S Teel Drive
Devine, Texas 78009

September 1, 2026

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated August 25, 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 $2,750,000 (preliminary, subject to change) CITY OF DEVINE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026, dated September 1, 2026 (the "Certificates").

For said legally issued Certificates, we will pay you $__________ (being a price of no less than 104% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2027	$80,000		2037*	$135,000	
2028	85,000		2038*	140,000	
2029	95,000		2039*	150,000	
2030	100,000		2040*	155,000	
2031	105,000		2041*	165,000	
2032	110,000		2042*	170,000	
2033	115,000		2043*	180,000	
2034	120,000		2044*	190,000	
2035	125,000		2045*	195,000	
2036*	130,000		2046*	205,000	

**Maturities available for Term Certificates.*

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

We are (are not) having the Certificates 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.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed $2,750,000 (preliminary, subject to change). 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 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.

Of the eligible principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates). For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date February 1	**Year of First Mandatory Redemption**	**Principal Amount of Term Certificate**	**Interest Rate**
____________	____________	____________	____________
____________	____________	____________	____________
____________	____________	____________	____________
____________	____________	____________	____________
____________	____________	____________	____________

The Initial Certificate shall be registered in the name of ______________________________, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates 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 $55,000, 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 Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Tuesday, September 29, 2026, or thereafter on the date the Certificates 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 Certificates 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 Certificates 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 Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

As used in the following verifications, "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. Liability for breach of any such verification during the term of this Official Bid Form shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or Official Notice of Sale, notwithstanding anything in this Official Bid Form or Official Notice of Sale to the contrary.

(i) No Boycott of Israel Verification (Chapter 2271, Texas Government Code, as amended). The Purchaser 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 this Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Texas Government Code, as amended.

(ii) Not a Sanctioned Company (Chapter 2252, Texas Government Code, as amended). The Purchaser 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, Texas Government Code, as amended. The foregoing representation excludes a 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.

(iii) No Boycott of Energy Companies (Chapter 2276, Texas Government Code, as amended). The Purchaser 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 this Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Texas Government Code, as amended.

(iv) <u>No Discrimination Against Firearm Entities or Firearm Trade Associations (Chapter 2274, Texas Government Code, as amended).</u> The Purchaser 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 this Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Texas Government Code, as amended.

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the Certificates in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the City. IF THE CITY CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the Covered Verifications shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Official Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Texas Attorney General's Office in the form included to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (collectively, the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the City that it has filed a standing letter in the form included in the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Delivery Date or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter. Unless otherwise publicly available on the Municipal Advisory Council of Texas' website, the Purchaser is submitting a courtesy copy of its standing letter in connection with the submission of its bid.

The Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on this Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE - Good Faith Deposit" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THE AGREEMENT OF THE PURCHASER TO PURCHASE THE CERTIFICATES UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. 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 cbinford@mphlegal.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 Devine, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 1st day of September 2026.

/s/ ______________________________
Mayor
City of Devine, Texas

ATTEST:

/s/ ______________________________
City Secretary
City of Devine, Texas

$2,750,000*
CITY OF DEVINE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2026

ISSUE PRICE CERTIFICATE

(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, SERIES 2026 issued by the City of Devine, Texas ("Issuer") in the principal amount of $______ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Certificates by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates.

(b) The Purchaser had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Certificates.

(d) The Purchaser has [___]/has not [___] purchased bond insurance for the Certificates. The bond insurance has been purchased from ___________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a 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 Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

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 Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates 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 Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this ______________.

________________________, as Purchaser
By:_____________________________________
Name:___________________________________

*Preliminary, subject to change.

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SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

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NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For" (Insured)
"Applied For" (Underlying)
(See "BOND INSURANCE", "BOND INSURANCE GENERAL RISKS" AND "OTHER PERTINENT INFORMATION - Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT
August 25, 2026

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

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$2,750,000*
CITY OF DEVINE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

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

The $2,750,000* City of Devine, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Devine, Texas (the "City" or the "Issuer") on September 1, 2026. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. The Certificates are additionally secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Prior Lien Obligations and any Additional Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. (See "THE CERTIFICATES – Security for Payment" herein).

Interest on the Certificates will accrue from September 1, 2026 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for public purposes to-wit: (1) designing, acquiring, constructing, renovating, improving, and equipping, various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (4) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The City has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy and will consider the purchaser of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about September 29, 2026.

BIDS DUE TUESDAY, SEPTEMBER 1, 2026, BY 11:00 A.M., CENTRAL TIME

** Preliminary, subject to change.*

$2,750,000*
CITY OF DEVINE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

MATURITY SCHEDULE*

CUSIP Prefix No. 251759 (1)

Stated Maturity February 1	Principal Amount ($)	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix(1)
2027	$80,000	_____	_____	_____
2028	85,000	_____	_____	_____
2029	95,000	_____	_____	_____
2030	100,000	_____	_____	_____
2031	105,000	_____	_____	_____
2032	110,000	_____	_____	_____
2033	115,000	_____	_____	_____
2034	120,000	_____	_____	_____
2035	125,000	_____	_____	_____
2036	130,000	_____	_____	_____
2037	135,000	_____	_____	_____
2038	140,000	_____	_____	_____
2039	150,000	_____	_____	_____
2040	155,000	_____	_____	_____
2041	165,000	_____	_____	_____
2042	170,000	_____	_____	_____
2043	180,000	_____	_____	_____
2044	190,000	_____	_____	_____
2045	195,000	_____	_____	_____
2046	205,000	_____	_____	_____

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as one or more “Term Certificates” and such “Term Certificates” would also be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES – Redemption Provisions of the Certificates” herein.)

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** Preliminary, subject to change.*

CITY OF DEVINE, TEXAS
303 S. Teel Drive
Devine, Texas 78016
Telephone: (830) 663-2804

ELECTED OFFICIALS

Name	On Council Since	Term Expires (May)
Butch Cook Mayor	2023	2027
Ray Gonzales Councilmember, District 1	2024	2028
Michael Hernandez Councilmember, District 2	2023	2027
Jeff Miller Councilmember, District 3	2023	2028
Adrian Valle Councilmember, District 4	2026	2028
Harold Lance Junior Councilmember, District 5	2025	2027

ADMINISTRATION

Name	Position	Length of Service With the City (years)
David L. Jordan	City Administrator	2
Cassandra Maldonado	City Treasurer/Accountant	1
Michelle Martin	City Secretary	1

CONSULTANTS AND ADVISORS

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

Certified Public Accountants .... Coleman, Horton & Company, LLP
Uvalde, Texas

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

For Additional Information Please Contact:

Mr. David L. Jordan
City Administrator
City of Devine
303 S. Teel Drive
Devine, Texas 78016
Phone: (830) 663-2804
cityadministrator@cityofdevine.com

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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 Certificates 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 is 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.

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

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Devine, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas, located in Medina County 25 miles southwest of San Antonio on Interstate 35. The City operates under a Council/Manager from of government with a Mayor and a five member City Council. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by the City Council, and appointing heads of the various departments. The City's 2026 estimated population is 5,000. (See "APPENDIX B – General Information Regarding the City of Devine, Texas and Medina County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code and an ordinance (the "Ordinance") to be adopted by the City Council of the City, on September 1, 2026. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding. (See "THE CERTIFICATES – Security for Payment" herein).
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, including the alternative minimum tax on certain corporations. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein).
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, acquiring, constructing, renovating, improving, and equipping, various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (4) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects.

	(See “THE CERTIFICATES – Use of Certificate Proceeds” 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 Certificates insured by a municipal bond insurance policy. (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings (“S&P”), a division of S&P Global Ratings Inc. The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.) No representation is hereby made that the City will use municipal bond insurance in connection with the issuance of the Certificates. (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
Book-Entry-Only System	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method and timing of payment and the method and transfer relating to the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Delivery	When issued, anticipated on or about September 29, 2026.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.

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PRELIMINARY OFFICIAL STATEMENT
relating to

$2,750,000*
CITY OF DEVINE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Devine, Texas (the "City" or the "Issuer") of its $2,750,000* Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates") identified on the cover page.

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated September 1, 2026 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page ii of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2027, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on September 1, 2026.

** Preliminary, subject to change.*

Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. (See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). In addition, and solely to comply with State law allowing the Certificates to be sold for cash, the Certificates are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the System, not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

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

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) designing, acquiring, constructing, renovating, improving, and equipping, various City streets, drainage, and sidewalk improvements, including necessary capital maintenance, utilities relocation, landscaping, wayfinding, and monumentation necessary or incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, (3) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (4) the payment of professional services related to the acquisition, design, construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	$__________
Accrued Interest on the Certificates	__________
[Net] Reoffering Premium	__________
Total Sources of Funds	__________
Uses	
Project Fund Deposit	$__________
Purchaser's Discount	__________
Interest and Sinking Fund Deposit	__________
Costs of Issuance	__________
Total Uses	__________

Payment Record

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

Amendments

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

Defeasance

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

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

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

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

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

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

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

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

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

BOND INSURANCE

The Certificates, or a portion thereof, may be insured by municipal bond insurance. No representation is hereby made that municipal bond insurance will be used in connection with the issuance of the Certificates. The Purchaser shall notify the City upon receipt of a commitment from a municipal bond insurance company (the "Bond Insurer") concerning the Certificates. 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 the Bond Insurer and the Policy.

BOND INSURANCE GENERAL RISKS

The Purchaser may require a Policy to guarantee the scheduled payment of principal and interest on all or some of the Certificates. It has yet to be determined whether any insurance will be purchased with the Certificates, but the payment of the premium associated therewith, if any, will be the Purchaser's obligation.

If a Policy is purchased for some or all the Certificates, 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 Certificates when all or some become due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with the mandatory or optional prepayment of the Certificates by the City, which is recovered by the City from the Certificate 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 exercise and the Bond Insurer's consent may be required in connection with amendments to any applicable Certificate documents. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. If a Policy is acquired, the long-term ratings of the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time.

No assurance is given that the long-term ratings of the Bond Insurer and the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the price of the Certificates or the marketability (liquidity) for the Certificates. 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 and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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 Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (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; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 256.011, Texas Government Code, as amended.

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.

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

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code, as amended, expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

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Current Investments [1] **TABLE 1**

As of July 1, 2026, the City held investments as follows:

Type of Security	Market Value	Percentage of Total
All Cash in Bank Accounts	$ 18,535,395	84%
Certificates of Deposit	1,375,620	6%
Lone Star Investment Pool	2,164,445	10%
Total	$22,075,460	100%

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 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 Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the 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. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, 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.

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 – Chapter 380 Economic Development Agreement

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.

The City currently has no abatement agreements.

Chapter 380 Agreement

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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

TAX RATE LIMITATIONS

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.

"effective 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).

"foregone revenue amount" means the grater 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 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).

"rollback 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 1.08, plus the debt service tax rate.

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years prior to the current tax year divided by the current total.

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

The State Constitution provides that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $1.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $1.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Certificates, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.00 of the foregoing $1.50 maximum tax rate calculated at 90% collections. The issuance of the Certificates does not result in the City's violation of the foregoing.

The Property Tax Code as Applied to the City

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

The City does tax nonbusiness personal property; and Medina County Tax Office does collect taxes for the City.

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

The City does tax Freeport Property.

The City does participate in tax increment financing zones, payable from M&O taxes.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any certificateholder 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 will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Table 1 hereof, Tables 1 through 11 of Appendix A to this Official Statement, and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year of the City beginning in the year 2026. The City will provide updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

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

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

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City 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 Certificates nor the Ordinance make provision for credit enhancement (except for the applications to Bond Insurers), liquidity enhancement, or debt service reserves.

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

Availability of Information

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

Limitations and Amendments

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

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

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

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

Litigation

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

At the time of the initial delivery of the Certificates, 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 Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

Ratings

A municipal bond rating application for the Certificates 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 Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial conditions or operation. Any of the rating agencies at any time while the Certificates remain outstanding could undertake such an evaluation process.

Authenticity of Financial Information

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

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of _____________ (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page ii 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 Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

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

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the Rule.

CITY OF DEVINE, TEXAS

/s/ ____________________________________

Mayor
City of Devine, Texas

ATTEST:

/s/ ____________________________

City Secretary
City of Devine, Texas

APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF DEVINE, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2026 Certified Market Value of Taxable Property (100% of Market Value)…	$	399,231,003
Less Exemptions:		
Over 65 or Disabled…	$	6,409,096
Productivity Loss…	$	17,081,429
Veterans' Exemptions…	$	25,268,911
Exemptions Misc…	$	1,422,012
Homestead Cap…	$	9,103,740
TOTAL EXEMPTIONS …	$	59,285,188
2026 Certified Assessed Value of Taxable Property…	$	339,945,815

Source: Medina County Appraisal District

GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2026)

General Obligation Debt Principal Outstanding			
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	$	350,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021		760,000	
Combination Tax and Revenue Certificates of Obligation, Series 2024		2,340,000	
Combination Tax ans Surplus Revenue Certificates of Obligation, Taxable Series 2025A		70,000	
Combination Tax ans Surplus Revenue Certificates of Obligation, Taxable Series 2025B		5,530,000	
Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates")		2,750,000	*
Total Gross General Obligation Debt	$	11,800,000	*
Less: Self Supporting Debt			
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019 (100%)		350,000	
Combination Tax and Revenue Certificates of Obligation, Series 2024 (100%)		2,340,000	
Combination Tax ans Surplus Revenue Certificates of Obligation, Taxable Series 2025A (TWDB) (100%)		75,000	
Combination Tax ans Surplus Revenue Certificates of Obligation, Taxable Series 2025B (TWDB) (100%)		5,590,000	
The Certificates (100%)		2,750,000	*
Total Self-Supporting Debt	$	11,105,000	*
Total Net General Obligation Debt Outstanding	$	695,000	*
2026 Net Assessed Valuation	$	339,945,815	
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		3.47%	
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		0.20%	

Population: 2000 - 4,140; 2010 - 4,350; 2020 - 4,324; est. 2026 - 5,000
Per Capita Certified Net 2026 Taxable Assessed Valuation - $67,989.16
Per Capita Gross General Obligation Debt Principal - $2,360.00
Per Capita Net General Obligation Debt Principal - $139.00

**Preliminary; subject to change.*

OTHER DEBT OBLIGATIONS **TABLE 2**

NONE

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2025.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Total Outstanding Debt	The Certificates* Principal	Interest [1]	Total	Combined Debt Service*	Less: Self-Supporting Debt*	Total Net Debt Service*
2026	$ 697,350	$ -	$ -	$ -	$ 697,350	$ 617,455	$ 79,895
2027	702,031	80,000	130,625	210,625	912,656	833,541	79,115
2028	700,912	85,000	126,825	211,825	912,737	829,467	83,270
2029	704,080	95,000	122,788	217,788	921,867	839,647	82,220
2030	583,070	100,000	118,275	218,275	801,345	720,315	81,030
2031	577,993	105,000	113,525	218,525	796,518	716,748	79,770
2032	582,531	110,000	108,538	218,538	801,068	717,628	83,440
2033	581,264	115,000	103,313	218,313	799,577	717,674	81,903
2034	579,479	120,000	97,850	217,850	797,329	717,039	80,290
2035	582,718	125,000	92,150	217,150	799,868	716,228	83,640
2036	580,988	130,000	86,213	216,213	797,200	715,360	81,840
2037	498,795	135,000	80,038	215,038	713,832	713,832	-
2038	502,915	140,000	73,625	213,625	716,540	716,540	-
2039	501,520	150,000	66,975	216,975	718,495	718,495	-
2040	499,725	155,000	59,850	214,850	714,575	714,575	-
2041	492,510	165,000	52,488	217,488	709,998	709,998	-
2042	489,548	170,000	44,650	214,650	704,198	704,198	-
2043	496,088	180,000	36,575	216,575	712,663	712,663	-
2044	491,949	190,000	28,025	218,025	709,974	709,974	-
2045	311,089	195,000	19,000	214,000	525,089	525,089	-
2046	308,445	205,000	9,738	214,738	523,182	523,182	-
2047	310,597	-	-	-	310,597	310,597	-
2048	307,385	-	-	-	307,385	307,385	-
2049	308,967	-	-	-	308,967	308,967	-
2050	310,159	-	-	-	310,159	310,159	-
2051	310,984	-	-	-	310,984	310,984	-
2052	306,416	-	-	-	306,416	306,416	-
2053	306,637	-	-	-	306,637	306,637	-
2054	306,490	-	-	-	306,490	306,490	-
2055	305,945	-	-	-	305,945	305,945	-
Total	$ 14,238,571	$ 2,750,000	$ 1,571,063	$ 4,321,063	$ 18,559,633	$ 17,663,221	$ 896,412

*Preliminary, subject to change.

[1] *Interest calculated at an assumed rate for illustrative purposes.*

TAX ADEQUACY

2026 Certified Assessed Value of Taxable Property	$ 339,945,815	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2029)	921,867	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.2767	*

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

TAX ADEQUACY (NET OF SELF-SUPPORTING)

2026 Certified Assessed Value of Taxable Property	$ 339,945,815	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2035)	83,640	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.0251	*

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

**Preliminary, subject to change.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE
(as of August 1, 2026)

	Principal Repayment Schedule				
Fiscal Year Ending 9-30	Currently Outstanding	The Certificates*	Total*	Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
2026	$ 130,000	-	$ 130,000	$ 11,770,000	1%
2027	390,000	80,000	470,000	11,300,000	5%
2028	400,000	85,000	485,000	10,815,000	9%
2029	415,000	95,000	510,000	10,305,000	13%
2030	305,000	100,000	405,000	9,900,000	17%
2031	310,000	105,000	415,000	9,485,000	20%
2032	325,000	110,000	435,000	9,050,000	24%
2033	335,000	115,000	450,000	8,600,000	28%
2034	345,000	120,000	465,000	8,135,000	32%
2035	360,000	125,000	485,000	7,650,000	36%
2036	370,000	130,000	500,000	7,150,000	40%
2037	300,000	135,000	435,000	6,715,000	44%
2038	315,000	140,000	455,000	6,260,000	47%
2039	325,000	150,000	475,000	5,785,000	51%
2040	335,000	155,000	490,000	5,295,000	56%
2041	340,000	165,000	505,000	4,790,000	60%
2042	350,000	170,000	520,000	4,270,000	64%
2043	370,000	180,000	550,000	3,720,000	69%
2044	380,000	190,000	570,000	3,150,000	74%
2045	210,000	195,000	405,000	2,745,000	77%
2046	215,000	205,000	420,000	2,325,000	80%
2047	225,000	-	225,000	2,100,000	82%
2048	230,000	-	230,000	1,870,000	84%
2049	240,000	-	240,000	1,630,000	86%
2050	250,000	-	250,000	1,380,000	88%
2051	260,000	-	260,000	1,120,000	91%
2052	265,000	-	265,000	855,000	93%
2053	275,000	-	275,000	580,000	95%
2054	285,000	-	285,000	295,000	98%
2055	295,000	-	295,000	-	100%
Total	$ 9,150,000	$ 2,750,000	$ 11,900,000		

**Preliminary; subject to change.*

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

		Change From Preceding Year	
Tax Year	Net Taxable Assessed Valuation	Amount ($)	Percent
2017	184,364,359	5,986,297	3.36%
2018	189,032,068	4,667,709	2.53%
2019	200,996,282	11,964,214	6.33%
2020	207,891,221	6,894,939	3.43%
2021	228,788,580	20,897,359	10.05%
2022	276,979,478	48,190,898	21.06%
2023	308,865,575	31,886,097	11.51%
2024	324,283,810	15,418,235	4.99%
2025	338,726,999	14,443,189	4.45%
2026	339,945,815	14,443,189	4.26%

Source: Medina County Appraisal District.

PRINCIPAL TAXPAYERS 2025* **TABLE 4**

Name	Type of Business/ Property	2025 Net Taxable Assessed Valuation	% of Total 2025 Assessed Valuation [(1)]
AEP Texas Inc.	Utility	$ 7,509,710	2.21%
Wal-Mart Real Estate Business Trust	Retail Store	7,263,180	2.14%
Wal-Mart Stores East Inc.	Retail Store	4,670,830	1.37%
QT South LLC	Gas Station/Convenience Store	3,777,510	1.11%
Quick Trip	Gas Station/Convenience Store	2,402,110	0.71%
Devine Place Partners LLC	Apartments	2,284,110	0.67%
Security State Bank	Financial/Banking	2,200,020	0.65%
Electric Transmission Texas	Electricity Supplier	1,898,080	0.56%
Pay and Save Inc	Commercial Building	1,748,690	0.51%
Realty Income Texas Properties LP	Retail Store	1,736,060	0.51%
		$ 35,490,300	10.44%

Source: Medina County Appraisal District.

(1) As shown in the table above, the top ten taxpayers in the City account for in excess of 10% 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 taxpayers, 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 Certificates may be dependent on its ability to enforce and liquidated its tax lien, which is a time consuming process that may only occur annually.
** The 2026 Principal Taxpayers were not available at the time of posting this Official Statement.*

CLASSIFICATION OF ASSESSED VALUATION* TABLE 5

	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	$ 263,557,958	66.53%	$ 261,336,158	66.92%	$ 247,408,505	66.28%
Real, Residential, Multi-Family	8,034,288	2.03%	8,800,084	2.25%	9,887,210	2.65%
Real, Vacant Lots/Tracts	6,391,480	1.61%	11,155,729	2.86%	10,274,623	2.75%
Real, Acreage (Land Only)	1,214,379	0.31%	1,482,920	0.38%	1,572,850	0.42%
Real, Farm and Ranch Improvements	6,086,610	1.54%	2,482,280	0.64%	2,180,890	0.58%
Real, Commercial & Industrial	60,774,138	15.34%	60,005,295	15.37%	59,859,846	16.04%
Real & Tangible, Personal Utilities	12,779,140	3.23%	8,787,930	2.25%	7,571,690	2.03%
Tangible Personal, Commercial	16,784,700	4.24%	16,488,660	4.22%	16,079,790	4.31%
Tangible Personal, Industrial	571,290	0.14%	503,880	0.13%	515,410	0.14%
Tangible Personal, Mobile Homes	1,723,150	0.43%	1,669,090	0.43%	1,693,760	0.45%
Personal, Other	113,310	0.03%	142,940	0.04%	161,260	0.04%
Special Inventory	37,310	0.01%	54,560	0.01%	66,140	0.02%
Total Exempted Property	18,091,421	4.57%	17,604,610	4.51%	15,994,690	4.29%
Total Market Value	$ 396,159,174	100.00%	$ 390,514,136	100.00%	$ 373,266,664	100.00%
Less:						
Over 65 or Disabled	$ 6,301,901		$ 6,134,396		$ 6,083,927	
Veterans' Exemptions	14,570,901		11,407,296		7,692,345	
Exemptions Misc.	17,235,769		17,021,212		15,994,690	
Productivity Loss	1,194,321		1,405,180		1,489,500	
Homestead Cap	18,129,283		30,262,242		33,140,627	
Total Exemptions	$ 57,432,175		$ 66,230,326		$ 64,401,089	
Net Taxable Assessed Valuation	$ 338,726,999		$ 324,283,810		$ 308,865,575	

Source: Medina County Appraisal District
**The 2026 Classification Values were not available at the time of posting this Official Statement*

TAX DATA TABLE 6

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Total	Year Ended
2017	184,364,359	0.511000	942,102	99.78%	9/30/2018
2018	189,032,068	0.501300	947,618	100.90%	9/30/2019
2019	200,996,282	0.529800	1,064,878	98.64%	9/30/2020
2020	207,891,221	0.529800	1,101,408	100.01%	9/30/2021
2021	228,788,580	0.529800	1,212,122	100.55%	9/30/2022
2022	276,979,478	0.491300	1,360,800	97.19%	9/30/2023
2023	308,865,575	0.555300	1,715,131	100.01%	9/30/2024
2024	324,283,810	0.590000	1,913,274	102.74%	9/30/2025
2025	338,726,999	0.590000	1,998,489	94.57%	9/30/2026*
2026	339,945,815	*[to be adopted]*			9/30/2027

** Collections as July 16, 2026.*
Source: Medina County Appraisal District, Texas Municipal Reports and the Issuer.

TAX RATE DISTRIBUTION TABLE 7

	2025	2024	2023	2022	2021
General Fund	$ 0.4864	$ 0.4864	$ 0.4509	$ 0.3964	$ 0.4417
I & S Fund	0.1036	0.1036	0.1044	0.0949	$ 0.0881
Total Tax Rate	$ 0.5900	$ 0.5900	$ 0.5553	$ 0.4913	$ 0.5298

Source: Medina County Appraisal District

The City has adopted the provisions of Chapter 321.103(a), as amended, Texas Tax Code which provides for the maximum levy of a two percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Certificates or other indebtedness.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2017	1,145,666	121.61%	0.621
2018	1,247,661	131.66%	0.660
2019	1,235,974	116.07%	0.615
2020	1,324,628	120.27%	0.637
2021	1,524,989	125.81%	0.667
2022	1,662,357	122.16%	0.600
2023	1,817,013	105.94%	0.588
2024	1,816,743	94.95%	0.560
2025	1,773,326	88.73%	0.524
2026	1,085,634	*(As of July 2026)*	

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

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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 8/1/26)	% Overlapping	Amount Overlapping	
Medina County	$ 22,945,000	4.40%	$ 1,009,580	
Devine ISD	17,205,000	50.80%	8,740,140	
Total Gross Overlapping Debt	$ 40,150,000	55.20%	$ 9,749,720	
City of Devine			$ 11,800,000	*
Total Gross Direct and Overlapping Debt			$ 21,549,720	*
Ratio of Gross Direct and Overlapping Debt to 2026 Net Assessed Valuation			6.34%	
Per Capita Gross Direct and Overlapping Debt			$ 4,309.94	
Ratio of Net Direct and Overlapping Debt to 2026 Net Assessed Valuation			3.07%	*
Per Capita Net Direct and Overlapping Debt			$ 2,088.94	*

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

**Preliminary; subject to change. Includes the Certificates.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	Valuation	% of Actual	2025 Tax Rate
Medina County	$ 7,693,299,977	100%	$ 0.360000
Devine Independent School District	666,735,070	100%	0.889000

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
Medina County	None		-	-	-
Devine Independent School District	None		-	-	-
Devine, City of	None		-	-	-

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES* TABLE 9

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

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Fund Balance - Beginning of Year	$ 2,778,906	$ 1,883,886	$ 2,292,573	$ 2,352,383	$ 1,048,055
Revenues	5,202,747	4,771,149	4,367,253	4,162,163	4,252,857
Expenditures	5,405,256	3,784,129	3,617,309	4,094,887	4,330,919
Excess (Deficit) of Revenues Over Expenditures	$ (202,509)	$ 987,020	$ 749,944	$ 67,276	$ (78,062)
Other Financing Sources (Uses):					
Proceeds from Right-to-Use-Leases	$ -	$ -	$ -	$ 34,548	$ -
Issuance of Tax Notes & CO	-	-	-		1,475,000
Transfer In	-	-	-	-	-
Transfers Out	(138,372)	(92,000)	(39,270)	(161,634)	(92,610)
Capital Outlay	-	-	(1,119,361) (1)	-	-
Total Other Financing Sources (Uses)	(138,372)	(92,000)	(1,158,631)	(127,086)	1,382,390
Net Change in Fund Balance	(340,881)	895,020	(408,687)	(59,810)	1,304,328
Fund Balances at the End of Year	$ 2,438,025	$ 2,778,906	$ 1,883,886	$ 2,292,573	$ 2,352,383

Source: City's audited financial reports.

**City management currently estimates the FYE 9/30/26 general fund balance will be $3,000,000.*

(1) The capital outlay consists of $924,000 for the purchase or airport hangars and $99,000 of street equipment. The City has since voted to obtain an appraisal on the airport to evaluate its economics prospectively.

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

Information pertaining to the City's Pension plan and other post-employment benefits can be found within the City's Audit under "NOTE 7 - PENSION PLAN".

WATER AND WASTEWATER/SEWER OPERATING SYSTEM TABLE 11

Fiscal Year Ended:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Revenues	$ 4,481,671	$ 3,043,169	$ 3,322,652	$ 2,857,225	$ 2,645,299
Expenses(1)	2,515,935	2,369,423	2,054,878	2,010,179	1,909,694
Net Revenue Available for Debt Service	$ 1,965,736	$ 673,746	$ 1,267,774	$ 847,046	$ 735,605
Utility System Supported Debt Service	$ 737,504	$ 543,503	$ 551,679	$ 543,852	$ 540,713
Utility System Debt Service Coverage Ratio	2.67X	1.24X	2.30X	1.56X	1.36X
Customer Count:					
Water	1,735	1,717	1,745	1,751	1,750
Sewer	1,622	1,619	1,647	1,648	1,647

(1) Excludes depreciation and debt service.

Source: The Issuer's Annual Comprehensive Financial Reports.

The following are the current rates for residential water and wastewater/sewer.
(Ordinance No. 1-25A - January 28, 2025, effective February 28, 2025.)

WATER
Rates:

Base Rate	Current	Inside City January 2025	Outside City January 2025
3/4 & 5/8" Meter	$ 38.14	$ 47.33	$ 82.82
1" Meter	$ 48.01	$ 59.58	
2" Meter	$ 102.30	$ 126.96	$190.44
3" Meter	$ 270.09	$ 335.18	
4" Meter	$ 319.44	$ 396.43	
6" Meter	$ 640.21	$ 794.50	
8" Meter	$ 911.64	$1,131.35	

Water Residential & Commercial Inside City Limits

Base Rate	Current	January 2025
3/4 & 5/8" Meter	$38.14	$47.33
Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

Water Residential & Commercial Outside City Limits

Base Rate	Current	January 2025
3/4" & 5/8" Meter	$38.14	$82.82
Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$7.75
6,000 – 10,000	$5.06	$8.25
11,000 – 20,000	$5.06	$8.75
21,000 – 30,000	$5.06	$9.25
31,000 – 55,000	$5.06	$9.75
56,000 – 80,000	$5.06	$10.25
81,000 – 130,000	$5.06	$10.75
Over 130,000	$5.06	$11.25

Water Residential & Commercial Inside City Limits

Base Rate	Current	January 2025
1" Meter	$48.01	$59.58
Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

Water Residential & Commercial Inside City Limits

Base Rate	Current	January 2025
2" Meter	$102.30	$126.96
Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

The following are the current rates for residential water and wastewater/sewer. (CONTINUED)
(Ordinance No. 1-25A - January 28, 2025, effective February 28, 2025.)

Water Commercial Outside City Limits

Base Rate	Current	January 2025
2" Meter	$102.30	$190.44

Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$7.75
6,000 – 10,000	$5.06	$8.25
11,000 – 20,000	$5.06	$8.75
21,000 – 30,000	$5.06	$9.25
31,000 – 55,000	$5.06	$9.75
56,000 – 80,000	$5.06	$10.25
81,000 – 130,000	$5.06	$10.75
Over 130,000	$5.06	$11.25

Water Commercial Inside City Limits

Base Rate	Current	January 2025
3" Meter	$270.09	$335.18

Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

Water Commercial Inside City Limits

Base Rate	Current	January 2025
4" Meter	$319.44	$396.43

Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

Water Commercial Inside City Limits

Base Rate	Current	January 2025
6" Meter	$640.21	$794.50

Tiers Usage per 1,000 gallons		
1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

The following are the current rates for residential water and wastewater/sewer. (CONTINUED)
(Ordinance No. 1-25A - January 28, 2025, effective February 28, 2025.)

Water Commercial Inside City Limits

Base Rate	Current	January 2025
8" Meter	$911.64	$1,131.35

Tiers Usage per 1,000 gallons

1,000 – 5,000	$5.06	$5.50
6,000 – 10,000	$5.06	$6.00
11,000 – 20,000	$5.06	$6.50
21,000 – 30,000	$5.06	$7.00
31,000 – 55,000	$5.06	$7.50
56,000 – 80,000	$5.06	$8.00
81,000 – 130,000	$5.06	$8.50
Over 130,000	$5.06	$9.00

Water Contractor

Base Rate	Current	January 2025
2" Meter	$102.30	$190.44

Tiers Usage per 1,000 gallons

1,000 – 5,000	$5.06	$10.12
6,000 – 10,000	$5.06	$10.62
11,000 – 20,000	$5.06	$11.12
21,000 – 30,000	$5.06	$11.87
31,000 – 55,000	$5.06	$12.62
56,000 – 80,000	$5.06	$13.62
81,000 – 130,000	$5.06	$14.62
Over 130,000	$5.06	$16.12

SEWER RATES:

Sewer Inside City Limits

Base Rate	Current	January 2025
Included 1st 1,000	$23.57	$34.34

Tiers Usage per 1,000 gallons

Each 1,000	$3.25	$4.04

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF DEVINE AND MEDINA COUNTY, TEXAS

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CITY OF DEVINE

The City of Devine, Texas (the "City") is located approximately 25 miles southwest of downtown San Antonio on Interstate 35 and State Highway 173. The City has a total area of 3.1 square miles.

The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, City Attorney and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curb-side recycling, streets, storm water drainage, community development (planning, code enforcement, and building inspection), and general administrative services.

Population Trends

US Census Report	City of Devine	Medina County
2000	4,140	39,304
2010	4,350	46,006
2020	4,324	50,748
Current Estimate	5,000	56,881

Sources: U.S. Census Bureau and the Issuer.

MEDINA COUNTY, TEXAS

Medina County (the "County") is a political subdivision of the State of Texas and was formed on February 12, 1848 and named after the river that flows through it. The County is traversed by Interstate Highway 35, U.S. Highway 90, State Highway 172, and six farm-to-market-roads. The extreme northern part of the county lies within the Edwards Plateau, which elevates into the Texas Hill Country. The Medina Dam, the fourth largest in the nation when completed in 1913, is listed on the National Register of Historic Places. The irrigation project creating Medina Lake, was built by 1500 skilled workers who worked the County was the fifth largest producing county of oats in Texas in 2016. Hondo serves as the county seat to a county population of approximately 56,881 citizens.

Historically, the County's economic environment has been characterized by steady, yet modest growth. This has been in part because of the diverse nature of the business sectors making up the local economy, without an overwhelming dominance by any one industry. Similarly, local real estate values have demonstrated steady yet modest increases over the past decade.

Medina County Labor Force Statistics

	Labor Force Statistics (1)				
	2026 (2)	2025 (3)	2024 (3)	2023 (3)	2022(3)
Civilian Labor Force	24,195	24,222	23,941	23,395	22,753
Total Employed	23,009	23,211	22,964	22,491	21,872
Total Unemployed	1,186	1,011	977	904	881
% Unemployment	4.9	4.2	4.1	4.0	3.9
Texas Unemployment	4.4	4.0	5.7	7.6	3.5

(1) Source: Texas Workforce Commission, Texas Labor Market Information.
(2) June 2026.
(3) Average Annual Statistics.

Principal 2025 Taxpayers Medina County

Name	Type of Business/Property	2025 Net Taxable Assessed Valuation	2025 Assessed Valuation[1]
Microsoft Corporation	Data Center	$ 319,950,000	4.16%
Microsoft Corporation	Data Center	97,587,460	1.27%
Martin Marietta Materials SW, Inc.	Aggregate Supplier	65,734,750	0.85%
Vulcan Materials Company	Aggregate Supplier	63,746,330	0.83%
Union Pacific Railroad Comp	Railroad	58,496,390	0.76%
Martin Marietta Materials Inc	Aggregate Supplier	30,130,300	0.39%
Electric Transmission Texas	Electric Utility	28,126,320	0.37%
Medina Electric COOP Inc	Electric Utility	19,090,080	0.25%
Volta Belting USA	Automative/Industrial	17,365,290	0.23%
North Park Chevrolet Castroville	Auto Dealer	15,498,910	0.20%
		$715,725,830	9.30%

[1] As shown in the table above, the total combined top ten taxpayers in the County currently account for over 9% of the County's tax base, thereby creating a concentration risk for the County. Any adverse development related to the taxpayers and their ability to continue to conduct business at their respective locations within the County's boundaries may result in significantly less local tax revenue, thereby severely affecting the County's finances and its ability to repay its outstanding indebtedness. Accordingly, the County makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom.

Source: Medina County Appraisal District.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September 29, 2026

CITY OF DEVINE, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2026
DATED AS OF SEPTEMBER 1, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____________

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

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein

Respectfully,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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City of Devine

"The Name Says it All"

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2025

THE CITY OF

Devine

TEXAS

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025

CITY OFFICIALS

MAYOR	BUTCH COOK
CITY COUNCIL	RAY GONZALES MICHAEL HERNANDEZ JEFF MILLER JOSH RITCHEY HAROLD LANCE
CITY ADMINISTRATOR	DAVID JORDAN
FINANCE DIRECTOR	SOPHIA BENAVIDES
CITY SECRETARY/HUMAN RESOURCES	MICHELLE MARTIN
ATTORNEY	THOMAS CATE

CITY OF DEVINE, TEXAS
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SEPTEMBER 30, 2025

INTRODUCTORY SECTION

FINANCIAL SECTION

THE CITY OF

Devine

TEXAS

Armstrong, Vaughan & Associates, P. C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Devine, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Devine 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 13 to the financial statements, in 2025, the City adopted new accounting guidance in GASB Statement 101 related to compensated absences. Our opinion is not modified with respect to these matters.

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Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avacpa.com • www.avacpa.com

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Devine'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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of Devine'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Devine's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes – Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes – Other Post Employment Benefits (OPEB) as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Devine, Texas', basic financial statements as a whole. The combining nonmajor statements and budget to actual financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These 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, these statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 10, 2026

MANAGEMENT DISCUSSION AND ANALYSIS

This section of City of Devine's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

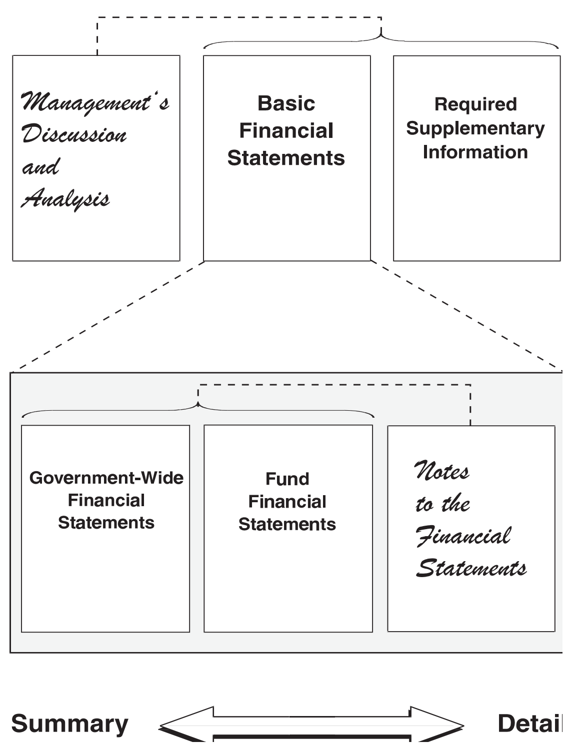
- The City's total combined net position was $15.0 million at September 30, 2025.
- During the year, the City's governmental operating expenses were $1.4 million less than the $6.0 million generated in program and general revenues for the governmental activities.
- The total cost of the City's programs (governmental activities) increased from $3.6 million to $4.4 million and no new programs were added this year.
- The general fund reported a fund balance this year of $2.4 million of which $2.4 million was unassigned.
- The Water/Wastewater Utility Fund issued a new bond for $5.7 million. The City issued Certificates of Obligation to finance the construction of water system improvements, including lead service line replacement and related infrastructure improvements. In connection with this project, the City received loan forgiveness from the Texas Water Development Board (TWDB) totaling up to $5,818,163.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, *and required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statement*s*.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as water services.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

		Fund Statements	
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditur & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position •Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net Position—the difference between the City's assets plus deferred outflows and liabilities plus deferred inflows—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental Activities*. Most of the City's basic services are included here, such as public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The proprietary fund consists of the City utility fund.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position was $15.0 million at September 30, 2025. (See Table A-1).

TABLE A-1
City of Devine Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current Assets	$ 4,005,559	$ 4,166,355	$ 19,425,981	$ 9,253,565	$ 23,431,540	$ 13,419,920
Capital and Other Assets	4,556,921	3,417,755	14,439,918	13,078,379	18,996,839	16,496,134
Total Assets	8,562,480	7,584,110	33,865,899	22,331,944	42,428,379	29,916,054
Deferred Outflows of Resources	187,138	264,785	145,761	181,485	332,899	446,270
Liabilities						
Current Liabilities	601,884	704,193	1,491,909	1,647,219	2,093,793	2,351,412
Noncurrent Liabilities	2,410,572	2,575,707	23,081,732	12,609,460	25,492,304	15,185,167
Total Liabilities	3,012,456	3,279,900	24,573,641	14,256,679	27,586,097	17,536,579
Deferred Inflows of Resources	122,878	74,305	95,708	36,697	218,586	111,002
Net Position						
Net Investment in Capital Assets	3,761,921	2,557,755	8,802,249	7,638,012	12,564,170	10,195,767
Restricted	910,978	639,968	470,238	479,939	1,381,216	1,119,907
Unrestricted	941,385	1,296,967	69,824	102,102	1,011,209	1,399,069
Total Net Position	$ 5,614,284	$ 4,494,690	$ 9,342,311	$ 8,220,053	$ 14,956,595	$ 12,714,743

Changes in Net Position

The City's total governmental revenues were $6.0 million, of which 63.4% of the City's revenue came from taxes compared to 71.5% in the prior year. A total of 21.3% of the revenues are from those who directly received the service. The total cost of all governmental programs and services was $4.4 million and charges for these services were $1.3 million. Table A-2 reports the summarized changes in net position.

TABLE A-2
Changes in City of Devine's Net Position

	Governmental Activities		Business-Type Activities		Total	
Revenues:	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	$ 1,281,281	$ 1,274,912	$ 2,638,369	$ 2,448,190	$ 3,919,650	$ 3,723,102
Operating Grants and Contributions	444,670	147,893	-	-	444,670	147,893
Capital Grants	412,461	-	965,864	-	1,378,325	-
General Revenues						
Property Taxes	1,821,480	1,661,577	-	-	1,821,480	1,661,577
Sales Taxes	1,791,317	1,801,694	-	-	1,791,317	1,801,694
Franchise Taxes	184,815	187,464	-	-	184,815	187,464
Occupancy Taxes	16,136	19,051	-	-	16,136	19,051
Payments in Lieu of Property Tax	5,520	4,880	-	-	5,520	4,880
Interest Income	47,219	17,020	438,719	268,073	485,938	285,093
Miscellaneous	21,906	23,589	-	88,833	21,906	112,422
Total Revenues	6,026,805	5,138,080	4,042,952	2,805,096	10,069,757	7,943,176
Expenses:						
Administration	691,270	378,677	-	-	691,270	378,677
Municipal Court	86,315	73,253	-	-	86,315	73,253
Street	483,493	315,026	-	-	483,493	315,026
Police	1,286,391	1,048,759	-	-	1,286,391	1,048,759
Health and Sanitation	942,897	919,786	-	-	942,897	919,786
Animal Control	209,777	173,406	-	-	209,777	173,406
Parks and Recreation	54,319	16,052	-	-	54,319	16,052
Golf Course	86,340	69,048	-	-	86,340	69,048
Library	202,614	154,472	-	-	202,614	154,472
Airport	173,124	233,103	-	-	173,124	233,103
Community Center	22,743	16,056	-	-	22,743	16,056
Code Enforcement	159,132	145,264	-	-	159,132	145,264
Emergency Management	1,058	18,533	-	-	1,058	18,533
Water/Wastewater Utilities	-	-	3,055,598	2,444,998	3,055,598	2,444,998
Interest Expense	15,722	14,907		-	15,722	14,907
Total Expenses	4,415,195	3,576,342	3,055,598	2,444,998	7,470,793	6,021,340
INCREASE IN NET POSITION BEFORE TRANSFERS	1,611,610	1,561,738	987,354	360,098	2,598,964	1,921,836
Transfers In (Out)	(200,000)	(92,000)	200,000	92,000	-	-
CHANGE IN NET POSITION	1,411,610	1,469,738	1,187,354	452,098	2,598,964	1,921,836
BEGINNING NET POSITION	4,494,690	3,024,952	8,220,053	7,767,955	12,714,743	10,792,907
Prior Period Adjustment	(292,016)	-	(65,096)	-	(357,112)	-
ENDING NET POSITION	$ 5,614,284	$ 4,494,690	$ 9,342,311	$ 8,220,053	$ 14,956,595	$ 12,714,743

Governmental Activities

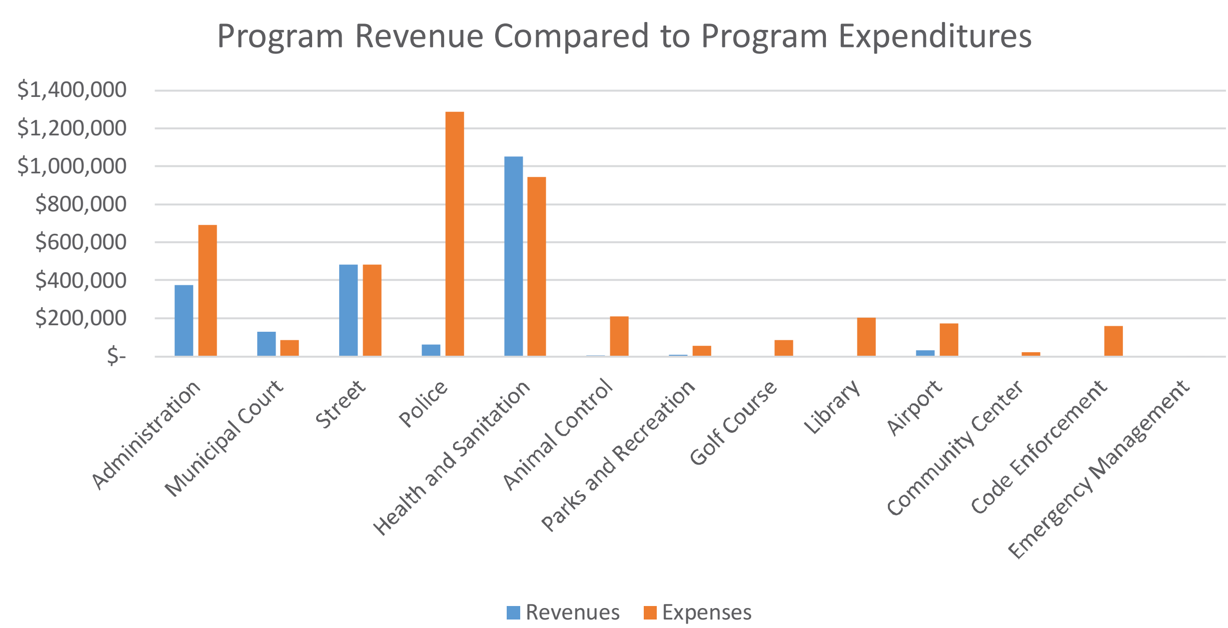
Property tax rates increased to .5900 per $100 of assessed value. Property tax revenue increased $160 thousand from fiscal year 2024. Charges for services increased by $6.4 thousand.

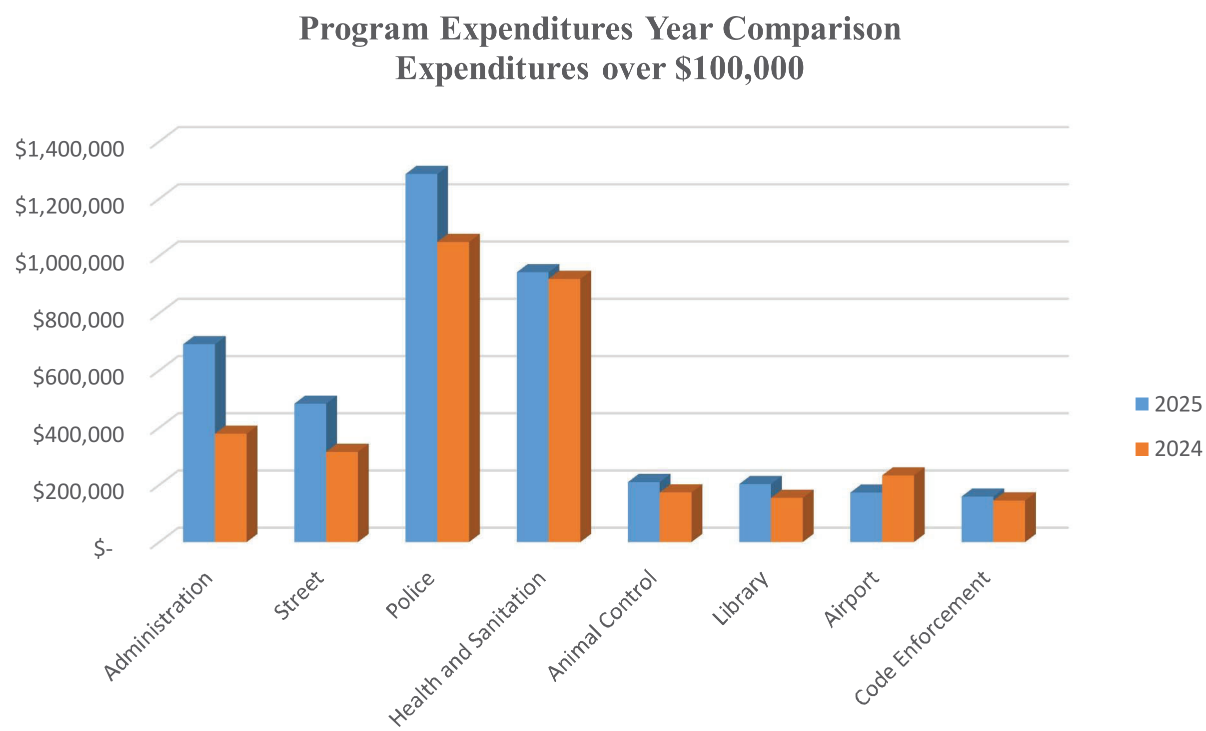
Revenues and Expenditures-Governmental Activities (Continued)

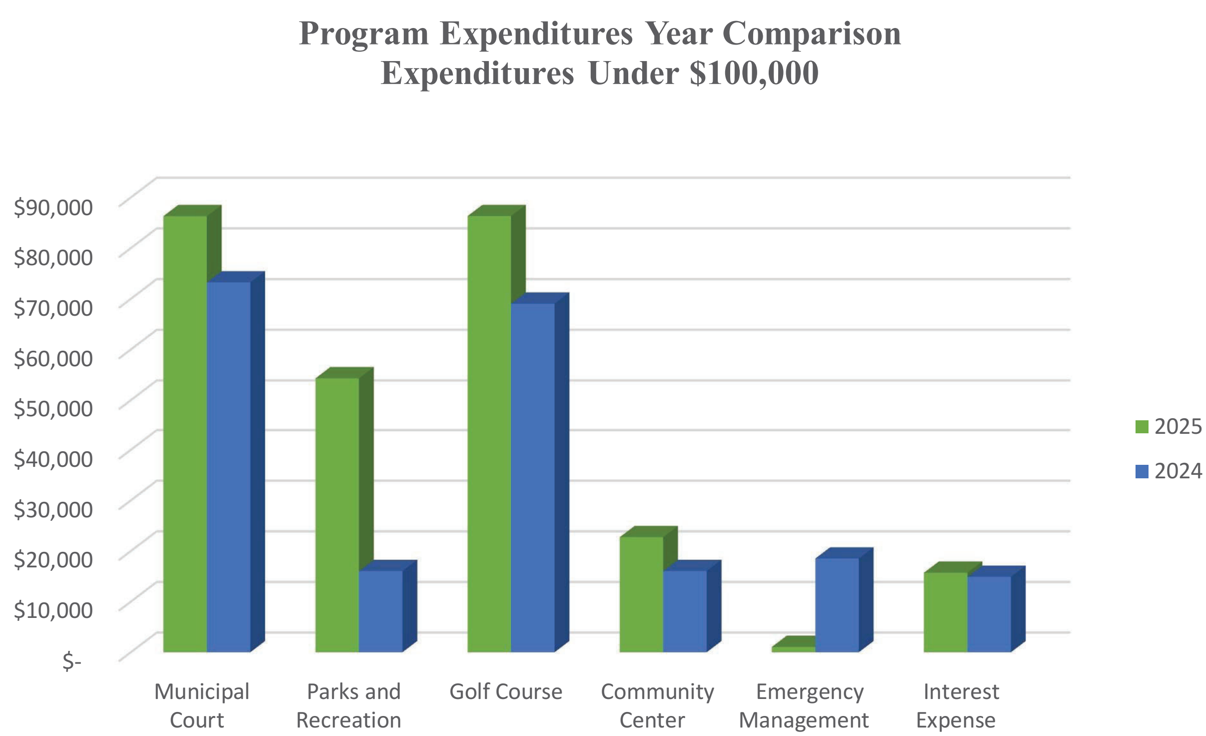
Table A-3 presents the cost of each of the City’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

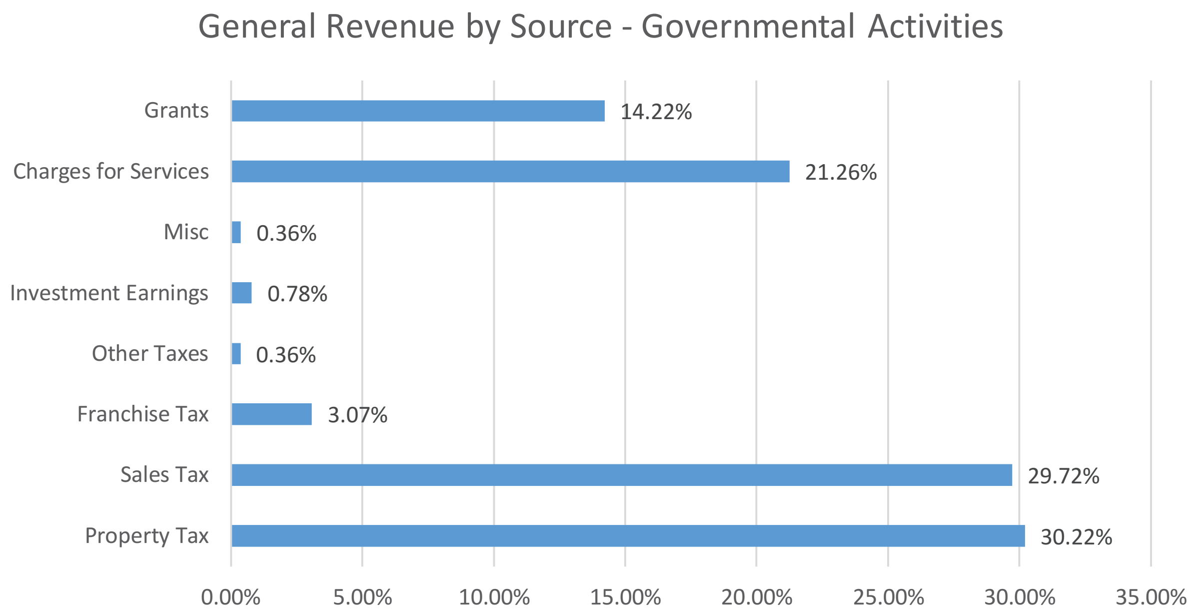
Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost of Services		Total Percentage Change
	2025	2024	% Change	2025	2024	2025-2024
Administration	$ 691,270	$ 378,677	82.5%	$ 316,967	$ 378,677	-16.3%
Municipal Court	86,315	73,253	17.8%	(41,626)	(12,567)	231.2%
Street	483,493	315,026	53.5%	2,378	259,801	-99.1%
Police	1,286,391	1,048,759	22.7%	1,225,144	995,252	23.1%
Health and Sanitation	942,897	919,786	2.5%	(106,786)	(207,306)	-48.5%
Animal Control	209,777	173,406	21.0%	204,912	173,406	18.2%
Parks and Recreation	54,319	16,052	238.4%	45,139	9,277	386.6%
Golf Course	86,340	69,048	25.0%	86,340	69,048	25.0%
Library	202,614	154,472	31.2%	202,614	154,472	31.2%
Airport	173,124	233,103	-25.7%	143,046	138,717	3.1%
Community Center	22,743	16,056	41.6%	22,743	16,056	41.6%
Code Enforcement	159,132	145,264	9.5%	159,132	145,264	9.5%
Emergency Management	1,058	18,533	-94.3%	1,058	18,533	-94.3%
Water/Wastewater Utilities	3,055,598	2,444,998	25.0%	(548,635)	(3,192)	17087.8%
Interest Expense	15,722	14,907	5.5%	15,722	14,907	5.5%




Program Expenditures Year Comparison
Expenditures over $100,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$-
Administration
Street
Police
Health and Sanitation
Animal Control
Library
Airport
Code Enforcement
2025
2024

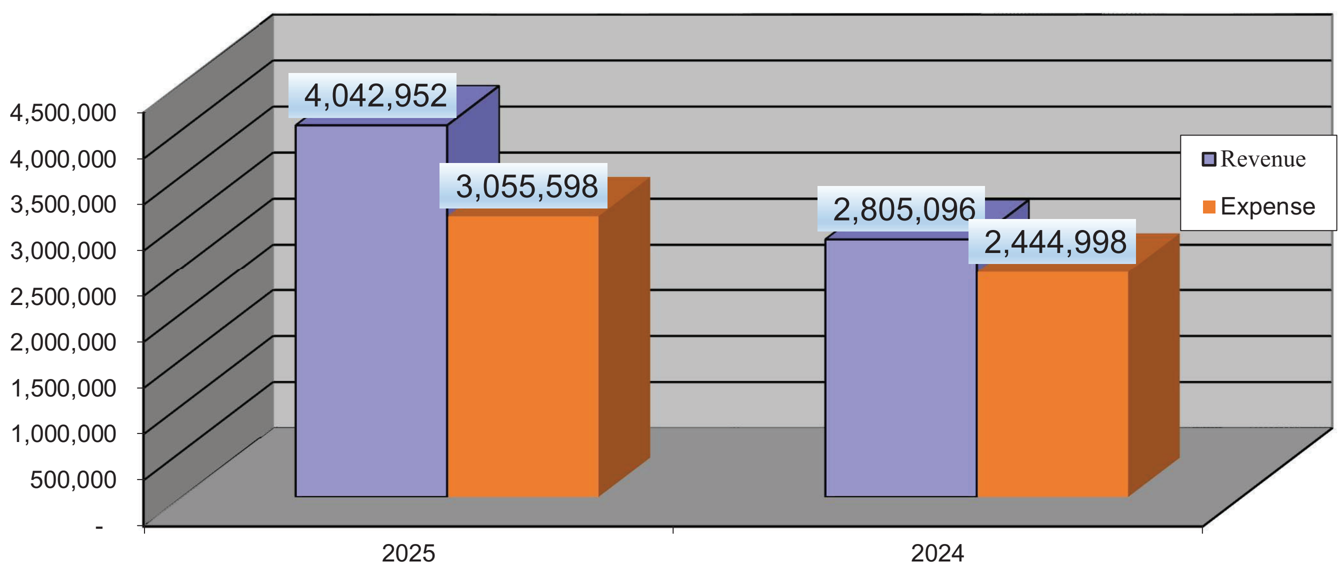

Program Expenditures Year Comparison
Expenditures Under $100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$-
Municipal Court
Parks and Recreation
Golf Course
Community Center
Emergency Management
Interest Expense
2025
2024

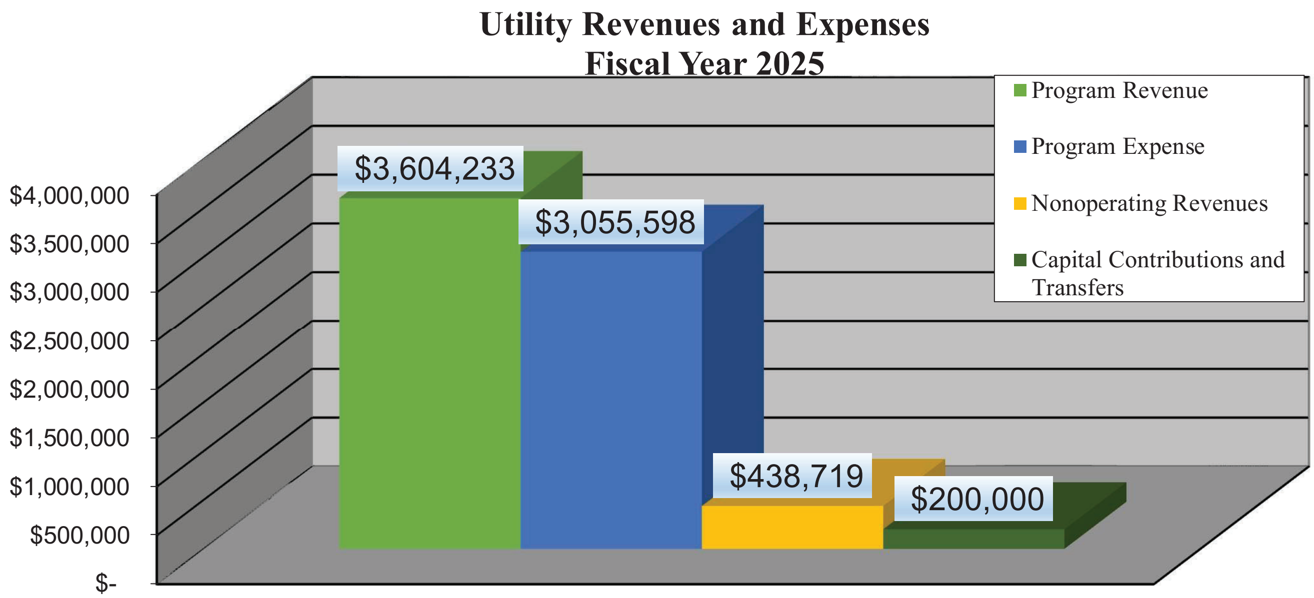


Business-Type Activities

Business-Type activities increased net position by $1.2 million or 13.7%. The increase was caused by an increase in charges for services. The City increased their utility rates in Fiscal year 2024.

Water/Sewer Utility Revenues and Expenditures Year Comparison





Financial Analysis of the Government's Funds

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

Governmental Funds - Activities of the primary government's general fund, special revenue funds and debt service funds are considered general government functions. The general fund is the City's general operating fund. Special revenue funds are used to account for proceeds of specific sources that are legally restricted as to expenditures. The debt service funds are used to account for financial activity related to the City's general bonded indebtedness, as well as long-term obligations.

As September 30, 2025, the City's governmental funds reported combined ending fund balances of $3.3 million, a decrease of $76 thousand in comparison with fiscal year 2024.

For the fiscal year ended September 30, 2025, the fund balance of the City's general fund decreased by $341 thousand. The decrease largely relates to increased expenditures of 1.6 million compared to fiscal year 2024. Capital outlay increased $998 thousand for the completion of street improvements in the current fiscal year. Revenues increased from the prior year by $432 thousand. The City recognized the remaining American Rescue Plan Act grant revenues related to street improvements for $413 thousand.

The City created special revenue funds to account for airport, court technology and security, child safety, and police forfeiture

The debt service fund has a total fund balance of $505 thousand, all of which is restricted for the payment of debt service. The net increase in the fund balance during the current year in the debt service fund was $30.5 thousand.

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

Net position for the water sewer fund was $9.4 million. Unrestricted net position of the water and sewer fund at the end of the year amounted to $70 thousand. The total increase in net position for the water and sewer fund was $1.2 million. There was an increase in operating income of $1.2 which is primarily due to an increase in rates charged for services. Expenditures increased $610 thousand which was a result of increased depreciation for the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised its budget for an increase in revenues and expenditures of $1.3 million, resulting in a net $0 increase in fund balance. As mentioned previously, the general fund balance decreased by $341 thousand at year end. Revenues were under budget by $751 thousand. The largest negative variance was miscellaneous revenue of $1.3 million. Grant revenues exceeded budgeted amounts by $483 thousand. Expenditures did not exceed the budget in total. However, the City exceeded its budget for code enforcement by $26 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business- type activities as of September 30, 2025 amounted to $19 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and construction in progress. The City's investment in capital assets for the current fiscal year increased by $2.5 million from fiscal year 2024.

TABLE A-4
CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 531,361	$ 531,361	$ 142,693	$ 142,693	$ 674,054	$ 674,054
Water Rights	-	-	402,500	402,500	402,500	402,500
Buildings	2,730,612	2,730,612	-	-	2,730,612	2,730,612
Utility Improvements	4,785,676	3,607,901	25,232,752	15,317,533	30,018,428	18,925,434
Equipment	1,993,523	1,847,517	-	-	1,993,523	1,847,517
Construction in Progress	-	-	488,389	8,633,043	488,389	8,633,043
Accumulated Depreciation	(5,484,251)	(5,299,636)	(11,826,416)	(11,417,390)	(17,310,667)	(16,717,026)
TOTALS	$ 4,556,921	$ 3,417,755	$ 14,439,918	$ 13,078,379	$ 18,996,839	$ 16,496,134

Additional information of the City of Devine's capital assets can be found in Note 5 of this report.

Long-Term Debt - For the fiscal year ended September 30, 2025, the City had total bonded debt outstanding of $23.1 million. Additional information of the City of Devine's long term debt can be found in Note 6 of this report.

TABLE A-5
LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds	$ 795,000	$ 860,000	$ 22,316,198	$ 11,685,000	$ 23,111,198	$ 12,545,000
TOTALS	$ 795,000	$ 860,000	$ 22,316,198	$ 11,685,000	$ 23,111,198	$ 12,545,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2025 Taxable Value for the City of Devine was $396 million
- The City's 2025 adopted a tax rate of $0.5900, which did not increase from the 2024 tax rate.
- General Fund Revenues for the 2025-2026 Fiscal Year are expected to decrease by $141 thousand compared to 2024-2025 actual revenues. The decrease is predominately due to a presumed decrease in grants.
- The City's budgeted general fund balance for 2026 is not expected to change appreciably by the close of the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Finance Director, 303 S. Teel Dr., Devine, Texas 78016.

THE CITY OF

Devine

TEXAS

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
    - Governmental funds
    - Proprietary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

THE CITY OF

Devine
TEXAS

CITY OF DEVINE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	$ 2,944,184	$ 1,701,626	$ 4,645,810
Restricted for Capital Projects	-	16,816,820	16,816,820
Restricted for Debt	-	470,238	470,238
Restricted for Customer Deposits	-	193,701	193,701
Receivables (net of allowances):			
Taxes	487,218	-	487,218
Other	315,172	495,963	811,135
Prepaid Items	6,212	308	6,520
Due from Other Governments	98	-	98
Internal Balances	252,675	(252,675)	-
Total Current Assets	4,005,559	19,425,981	23,431,540
Noncurrent Assets:			
Capital Assets:			
Land	531,360	142,693	674,053
Water Rights	-	402,500	402,500
Buildings	2,730,613	21,391,427	24,122,040
Utility Improvements	4,785,677	-	4,785,677
Equipment	1,993,522	3,841,325	5,834,847
Construction in Progress	-	488,389	488,389
Less: Accumulated Depreciation	(5,484,251)	(11,826,416)	(17,310,667)
Total Noncurrent Assets:	4,556,921	14,439,918	18,996,839
TOTAL ASSETS	8,562,480	33,865,899	42,428,379
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	186,408	145,192	331,600
Deferred OPEB Related Outflows	730	569	1,299
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 187,138	$ 145,761	$ 332,899

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 412,612	$ 607,438	$ 1,020,050
Accrued Expenses	96,019	55,003	151,022
Accrued Interest Payable	1,224	21,858	23,082
Unapplied Customer Credits	-	5,042	5,042
Payable from Restricted Assets:			
Customer Deposits Payable	-	193,701	193,701
Current Portion of Long-Term Debt	65,000	602,278	667,278
Current Portion of Compensated Absences	27,029	6,589	33,618
Total Current Liabilities	601,884	1,491,909	2,093,793
Noncurrent Liabilities:			
Compensated Absences	243,259	110,008	353,267
Net Pension Liability	1,362,339	1,061,117	2,423,456
OPEB Liability	74,974	58,396	133,370
Long-Term Debt	730,000	21,852,211	22,582,211
Total Noncurrent Liabilities	2,410,572	23,081,732	25,492,304
TOTAL LIABILITIES	3,012,456	24,573,641	27,586,097
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	109,612	85,376	194,988
Deferred OPEB Related Inflows	13,266	10,332	23,598
TOTAL DEFERRED INFLOWS OF RESOURCES	122,878	95,708	218,586
NET POSITION			
Net Investment In Capital Assets	3,761,921	8,802,249	12,564,170
Restricted For:			
Debt Service	534,486	470,238	1,004,724
Lodging	82,121	-	82,121
Texas Commission on Law Enforcement	3,204	-	3,204
Unclaimed Property	2	-	2
Airport	67,420	-	67,420
Court Technology & Security	61,482	-	61,482
Child Safety	9,026	-	9,026
Police Forfeiture	2,763	-	2,763
Tax Increment Financing	148,291	-	148,291
Home Program	2,183	-	2,183
Unrestricted	941,385	69,824	1,011,209
TOTAL NET POSITION	$ 5,614,284	$ 9,342,311	$ 14,956,595

See accompanying notes to basic financial statements.

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

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Administration	$ 691,270	$ -	$ 374,303	$ -
Municipal Court	86,315	127,941	-	-
Street	483,493	68,654	-	412,461
Police	1,286,391	-	61,247	-
Health and Sanitation	942,897	1,049,683	-	-
Animal Control	209,777	-	4,865	-
Parks and Recreation	54,319	4,925	4,255	-
Golf Course	86,340	-	-	-
Library	202,614	-	-	-
Airport	173,124	30,078	-	-
Community Center	22,743	-	-	-
Code Enforcement	159,132	-	-	-
Emergency Management	1,058	-	-	-
Interest Expense	15,722	-	-	-
Total Governmental Activities	4,415,195	1,281,281	444,670	412,461
Business-Type Activities				
Water/Wastewater Utilities	3,055,598	2,638,369	-	965,864
Total Business-Type Activities	3,055,598	2,638,369	-	965,864
Total Primary Government	$ 7,470,793	$ 3,919,650	$ 444,670	$ 1,378,325
General Revenues:				
Taxes:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Occupancy Taxes				
Payments in Lieu of Property Tax				
Interest income				
Miscellaneous				
Total General Revenues				
Transfers In (Out)				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (316,967)	$ -	$ (316,967)
41,626	-	41,626
(2,378)	-	(2,378)
(1,225,144)	-	(1,225,144)
106,786	-	106,786
(204,912)	-	(204,912)
(45,139)	-	(45,139)
(86,340)	-	(86,340)
(202,614)	-	(202,614)
(143,046)	-	(143,046)
(22,743)	-	(22,743)
(159,132)	-	(159,132)
(1,058)	-	(1,058)
(15,722)	-	(15,722)
(2,276,783)	-	(2,276,783)
-	548,635	548,635
-	548,635	548,635
(2,276,783)	548,635	(1,728,148)
1,821,480	-	1,821,480
1,791,317	-	1,791,317
184,815	-	184,815
16,136	-	16,136
5,520	-	5,520
47,219	438,719	485,938
21,906	-	21,906
3,888,393	438,719	4,327,112
(200,000)	200,000	-
1,411,610	1,187,354	2,598,964
4,494,690	8,220,053	12,714,743
(292,016)	(65,096)	(357,112)
$ 5,614,284	$ 9,342,311	$ 14,956,595

CITY OF DEVINE
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 2,330,632	$ 263,580	$ 349,972	$ 2,944,184
Accounts Receivables (net of allowances):				
Taxes	455,972	31,246	-	487,218
Other	160,359	-	154,813	315,172
Prepaid Items	6,212	-	-	6,212
Due from Other Governments	-	98	-	98
Due from Other Funds	11,889	240,786	28,122	280,797
TOTAL ASSETS	$ 2,965,064	$ 535,710	$ 532,907	$ 4,033,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 256,197	$ -	$ 156,415	$ 412,612
Accrued Expenditures	96,019	-	-	96,019
Due to Other Funds	28,122	-	-	28,122
Total Liabilities	380,338	-	156,415	536,753
Deferred Inflows of Resources:				
Unavailable Revenues - Taxes	146,701	31,246	-	177,947
Total Deferred Inflows of Resources	146,701	31,246	-	177,947
Fund Balances:				
Restricted for:				
Debt Service	-	504,464	-	504,464
Lodging	-	-	82,121	82,121
Texas Commission on Law Enforcement	-	-	3,204	3,204
Unclaimed Property	-	-	2	2
Airport	-	-	67,420	67,420
Court Technology & Security	-	-	61,482	61,482
Child Safety	-	-	9,026	9,026
Police Forfeiture	-	-	2,763	2,763
Tax Increment Financing	-	-	148,291	148,291
Home Program	-	-	2,183	2,183
Unassigned	2,438,025	-	-	2,438,025
Total Fund Balances	2,438,025	504,464	376,492	3,318,981
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,965,064	$ 535,710	$ 532,907	$ 4,033,681

See accompanying notes to basic financial statements.

CITY OF DEVINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 3,318,981
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,556,921
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds.		177,947
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(270,288)
Long-term liabilities, including bonds payable and related premiums, are not due and payable in the current period and therefore, not reported in the funds:		
Bonds Payable	(795,000)	
Accrued Interest Payable	(1,224)	(796,224)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
Net Pension Asset (Liability)	(1,362,339)	
Pension Related Deferred Inflows	(109,612)	
Pension Related Deferred Outflows	186,408	(1,285,543)
OPEB Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources are not reported in governmental funds:		
OPEB Liability	(74,974)	
OPEB Related Deferred Inflows	(13,266)	
OPEB Related Deferred Outflows	730	(87,510)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 5,614,284

See accompanying notes to basic financial statements.

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

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 1,375,647	$ 309,512	$ 91,734	$ 1,776,893
Sales Taxes	1,791,317	-	-	1,791,317
Occupancy Taxes	-	-	16,136	16,136
Franchise Taxes	184,815	-	-	184,815
Payment in Lieu of Property Tax	5,520	-	-	5,520
Licenses and Permits	68,654	-	-	68,654
Rent	4,925	-	-	4,925
Fines and Forfeitures	126,308	-	1,633	127,941
Charges for Services	-	-	30,078	30,078
Health and Sanitation Fees	1,049,683	-	-	1,049,683
Grants	533,288	-	323,843	857,131
Interest Income	40,684	1,722	4,813	47,219
Miscellaneous	21,906	-	-	21,906
TOTAL REVENUES	$ 5,202,747	$ 311,234	$ 468,237	$ 5,982,218

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES				
Current:				
Administration	$ 460,836	$ -	$ 367,597	$ 828,433
Municipal Court	105,796	-	-	105,796
Street	476,201	-	-	476,201
Police	1,312,078	-	4,687	1,316,765
Health and Sanitation	942,897	-	-	942,897
Animal Control	210,407	-	-	210,407
Parks and Recreation	36,712	-	-	36,712
Golf Course	67,555	-	-	67,555
Library	202,178	-	-	202,178
Airport	84,850	-	-	84,850
Community Center	21,776	-	-	21,776
Code Enforcement	159,132	-	-	159,132
Emergency Management	1,058	-	-	1,058
Capital Outlay	1,323,780	-	-	1,323,780
Debt Service:				
Principal	-	65,000	-	65,000
Interest and Fiscal Charges	-	15,778	-	15,778
TOTAL EXPENDITURES	5,405,256	80,778	372,284	5,858,318
Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,509)	230,456	95,953	123,900
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	138,372	138,372
Transfers Out	(138,372)	(200,000)	-	(338,372)
TOTAL OTHER FINANCING SOURCES (USES)	(138,372)	(200,000)	138,372	(200,000)
Net Change in Fund Balance	(340,881)	30,456	234,325	(76,100)
Fund Balances at Beginning of Year	2,778,906	474,008	142,167	3,395,081
Fund Balances at End of Year	$ 2,438,025	$ 504,464	$ 376,492	$ 3,318,981

See accompanying notes to basic financial statements.

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CITY OF DEVINE
RECONCILIATION OF THE STATEMENT OF REVENUES,
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (76,100)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	1,323,781	
Depreciation Expense	(184,615)	1,139,166
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		44,586
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal Repayments		65,000
Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension contributions exceeded expenses.		104,041
Governmental funds report required contributions to OPEB as expenditures. However, in the Statement of Activities the cost of the expense is recorded based on the actuarially determined cost of the plan. This is the amount that OPEB expense exceeded actuarially determined contributions.		(2,751)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences	137,612	
Accrued Interest	56	137,668
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 1,411,610

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-Type Activity
	Water and Wastewater
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Unrestricted	$ 1,701,626
Restricted for Capital Projects	16,816,820
Restricted for Debt	470,238
Restricted for Customer Deposits	193,701
Accounts Receivable, Net of Allowance:	
Customer Accounts	458,462
Accounts Receivable - Grants	37,501
Prepaid Items	308
Total Current Assets	19,678,656
Noncurrent Assets:	
Capital Assets:	
Land	142,693
Water Rights	402,500
Buildings and Utility Improvements	21,391,427
Equipment	3,841,325
Construction in Progress	488,389
Less: Accumulated Depreciation	(11,826,416)
Total Noncurrent Assets	14,439,918
TOTAL ASSETS	34,118,574
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	145,192
Deferred OPEB Related Outflows	569
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 145,761

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)
SEPTEMBER 30, 2025

	Business-Type Activity
	Water and Wastewater
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 607,438
Accrued Expenses	55,003
Accrued Interest Payable	21,858
Current Portion of Long-Term Debt	602,278
Current Portion of Compensated Absences	6,589
Unapplied Customer Credits	5,042
Due To Other Funds	252,675
Payable from Restricted Assets:	
Customer Deposits Payable	193,701
Total Current Liabilities	1,744,584
Noncurrent Liabilities:	
Compensated Absences	110,008
Net Pension liability	1,061,117
OPEB Liability	58,396
Long-Term Debt	21,852,211
Total Noncurrent Liabilities	23,081,732
TOTAL LIABILITIES	24,826,316
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	85,376
Deferred OPEB Related Inflows	10,332
TOTAL DEFERRED INFLOWS OF RESOURCES	95,708
NET POSITION	
Net Investment in Capital Assets	8,802,249
Restricted	470,238
Unrestricted	69,824
TOTAL NET POSITION	$ 9,342,311

See accompanying notes to basic financial statements.

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

	Business-Type Activities
	Water and Sewer System
OPERATING REVENUES	
Metered Water Sales	$ 2,060,071
Wastewater Sales Charges	988,764
Connection and Platting	28,253
Grant Revenue	965,864
TOTAL OPERATING REVENUES	4,042,952
OPERATING EXPENSES	
Water and Wastewater System:	
Personnel Costs	1,451,979
Supplies	183,765
Professional and Property Services	710,143
Other Expenses	170,048
Depreciation	409,026
TOTAL OPERATING EXPENSES	2,924,961
OPERATING INCOME (LOSS)	1,117,991
NONOPERATING REVENUES (EXPENSES)	
Bond Issuance Costs	(352,957)
Interest Income	438,719
Interest Expense	(216,399)
TOTAL NONOPERATING REVENUES (EXPENSES)	(130,637)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	987,354
TRANSFERS AND CONTRIBUTIONS	
Transfers In	200,000
TOTAL TRANSFERS AND CONTRIBUTIONS	200,000
CHANGE IN NET POSITION	1,187,354
NET POSITION AT BEGINNING OF YEAR	8,220,053
Prior Period Adjustment	(65,096)
NET POSITION AT END OF YEAR	$ 9,342,311

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activities
	Water and Sewer System
Cash Flows From Operating Activities:	
Cash Received From Customers	$ 3,909,893
Cash Paid to Supplier for Goods & Services	(789,240)
Cash Paid for Employee Salaries and Benefits	(1,495,530)
Net Cash Provided (Used) by Operating Activities	1,625,123
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(1,770,565)
Customer Deposits	(5,918)
Proceeds from Bond Issuance	5,553,940
Loan Forgivness Payable	5,896,224
Bond Issue Costs	(352,957)
Interest Paid on Long-Term Debt	(207,503)
Principal Paid on Long-Term Debt/Loan Forgiveness	(937,304)
Net Cash Provided (Used) by Capital and Related Financing Activities	8,175,917
Cash Flows From Non Capital Related Financing Activities:	
Transfers to/from Other Funds & Due to/from changes	(418,036)
Net Cash Provided (Used) by Financing Activities	(418,036)
Cash Flows From Investing Activities	
Interest Income	438,719
Net Cash Provided (Used) by Investing Activities	438,719
Net Increase (Decrease) in Cash and Cash Equivalents	9,821,723
Cash and Cash Equivalents at Beginning of Year:	
Cash and Cash Equivalents	2,285,218
Restricted Cash and Cash Equivalents	7,075,444
	9,360,662
Cash and Cash Equivalents at End of Year:	
Cash and Cash Equivalents	1,701,626
Restricted Cash and Cash Equivalents	17,480,759
	$ 19,182,385

See accompanying notes to basic financial statements.

CITY OF DEVINE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-Type Activity
	Water and Wastewater
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	$ 1,117,991
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	409,026
Decrease (Increase) in Assets:	
Accounts Receivable (net)	(132,349)
Prepaid Items	(308)
Deferred Pension Related Outflows	33,452
Deferred OPEB Related Outflows	2,272
Increase (Decrease) in Liabilities:	
Accounts Payable	275,024
Accrued Expenses	6,869
Unapplied Customer Credits	(710)
Compensated Absences	797
Net Pension Liability	(145,894)
OPEB Liability	(58)
Deferred Pension Related Inflows	57,493
Deferred OPEB Related Inflows	1,518
Net Cash Provided (Used) by Operating Activities	$ 1,625,123
Noncash Capital and Related Financing Transactions:	
TWDB Loan Origination Fees on Bond	$ 111,038

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Devine was established in 1881 as a result of the rail extension of the International-Great Northern Railroad from San Antonio to Laredo.The town was named after Judge Thomas Jefferson Devine from San Antonio, who was a jurist and an attorney for the railroad. Devine was incorporated on October 15, 1907. The town's close proximity to San Antonio has made it a choice location for those wishing to live near the city, but who still want to enjoy the peaceful atmosphere that a rural community can bring. The City operates under a council-administrator form of government and provides the following services as authorized by its charter: police protection, maintenance of streets, culture and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations and APB Opinions. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, *The Financial Reporting Entity and* GASB Statement 39 *Determining Whether Certain Organizations are Component Units.* The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of these criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The values of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services. The City has no fiduciary funds.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds and proprietary funds. The general fund, and debt service fund meet the criteria as major governmental funds. The combined amounts for all nonmajor funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. General revenues include all taxes, payments in lieu of taxes, grants not restricted to specific programs, interest income, and miscellaneous income.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflow of resources. Property taxes which are levied prior to September 30, 2024, and became due October 1, 2024 have been assessed to finance the budget of the fiscal year beginning October 1, 2024 and, accordingly, have been reflected as deferred inflow of resources and taxes receivable in the fund financial statement at September 30, 2025.

Sales taxes, franchise taxes, lodging taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General Fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

Debt Service Fund accounts for financial resources to be used for the payment of long term debt.

Nonmajor funds include special revenue funds.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary fund is the water/wastewater fund (used to account for the provisions of water and sewer services to residents).

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund (water and wastewater fund) considers all highly liquid investments including cash in banks, cash on hand, and money market accounts to be cash equivalents.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S, Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost.

F. Receivables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred inflows of resources in the fund statements. Receivables are shown net of an allowance for uncollectibles.

G. Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds" or “due to other funds” on fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventories and Prepaid Items

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid Items of governmental funds are recorded as expenditures when consumed rather than when purchased.

I. Budget

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

J. Restricted Assets

Certain enterprise fund revenues are collected for a specific purpose by state law and city ordinances such as impact fees for infrastructure improvements and the purchase of future water rights. These funds are classified as restricted assets on the statement of net position and balance sheet because their use is limited by law.

Deposits of water/sewer customers and performance bond deposits pending refund to the customer are considered restricted assets.

K. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more. Infrastructure assets include city-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets, donated works of art and capital assets received in a service concession arrangement are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Useful Lives (Years)
Buildings	7-27
Utility Improvements	4-40
Equipment	3-25
Water Rights	50

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Full-time employees earn sick and vacation leave at varying rates depending on length of service. Unused sick leave is not paid upon termination however an estimate of sick leave to be used has been accrued in these financial statements under the implementation of GASB 101. Vacation leave is paid upon termination; however, only up to 240hours will be paid upon termination.

Effective October 1, 2024, the City implemented the provisions of GASB Statement No. 101, Compensated Absences. The implementation of GASB 101 resulted in a material change to the City's compensated absences liability. Under GASB 101, compensated absences are recognized based on an estimate of leave that is more likely than not to be paid or taken as leave. The City uses the first-in, first-out flow assumption to determine the liability.

Vested or accumulated compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay them. In proprietary funds and in the government-wide statements, vested or accumulated compensated absences are accrued as earned and reported as an expense and liability as the benefits accrue to employees. At September 30, 2025, accumulated compensated absences of $270,288 and $116,597 have been recorded in accrued liabilities of the Governmental Activities and the Business-Type Activities, respectively.

M. Unearned Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

N. Deferred Inflows/Outflows 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 position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has pension and OPEB related deferred outflows of resources.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resources in the period the amounts become available. The City also has OPEB related deferred inflows.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

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

P. OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and OPEB expense, information about the Total OPEB Liability of the Texas Municipal Retirement System (TMRS) and additions to/deduction from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The general fund has typically been used in the prior year to liquidate OPEB liabilities.

Q. Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. In the current year, the City adopted a new GASB standard that establishes new note disclosure requirements for long-term debt, including direct borrowings and placement. See additional detail in Note 6.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts are deferred and amortized over the life of the term of the related debt.

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

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net position of its business type activity. Such appropriations reflect the intended use of the net position.

S. Fund Balance Classification Policies

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions.* The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes.

Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- **Non-spendable** – These funds are not available for expenditures based on legal or contractual requirements. An example might by inventories and prepaid expenditures.

- **Restricted** – These funds are governed by externally enforceable restrictions.

- **Committed** - Fund balances in this category are limited by the government’s highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.

- **Assigned** – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the Council, such as a City Administrator or Finance Director. Assigned fund balance is delegated by the City Council to the City Administrator.

- **Unassigned** - This classification is the default for all funds that do not fit into the other categories. The general fund is the only fund that reports a positive fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for a specific purposes, it may be necessary to report a negative unassigned fund balance in that particular fund.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

T. Inter-fund Transactions

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both governmental and proprietary funds.

U. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water and sewer services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as non-operating.

V. Use of 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash

At September 30, 2025, the City's cash was fully collateralized.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investments pools, (9) guaranteed investment contracts, and (10) commercial paper.

Fair Value Measurement is measured by the City using the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City's investments carried at fair value are valued using quoted markets prices (Level 1 inputs).

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. City investment policy follows state guidelines. The City policy allows investments in certificates of deposit with banks in Texas, investments in U.S. Treasuries and Agencies, and investment pools that invest in obligations of the United States or its agencies and instrumentalities to name a few. Currently, the City has $16,660,998 invested in LoneStar, BoK and UMB. See Note 2E E for more information.

At September 30, 2025, the City's investments were in Lonestar Investment Pool, a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service.

Custodial Credit Risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name.

At year end and per City policy all funds were in the City's name and collateralized with securities that maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. The City was not exposed to custodial credit risk.

Concentration of Credit Risk. This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. All City funds are in the external investment pool as allowed by the City’s investment policy, and the investment pool invests in hundreds of authorized securities that minimize concentrations of credit risk. At year end, the City was not exposed to concentration of credit risk.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk due to investment in an external investment pool as authorized by the City’s investment policy.

Foreign Currency Risk. This is the risk that exchange rates will adversely affect the fair value of an investment. The City’s policy does not allow investment in foreign currency. At year end the City was not exposed to foreign currency risk.

NOTE 2 -- CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

D. Investment Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts as amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

E. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. As of September 30, 2025 the City had investments in local government investment pools as follows:

			Ratings	
Investment Type	Fair Value	Weighted Average Maturity in Days	MOODY'S	S&P
LoneStar Investment Pool	$ 2,122,204	120	Aaa	AAAM
GS Financial Square Treasury Instruments (BOK Sweep)	$ 11,349,628	49	Aaa	AAAM
UMB Fidelity Treasury Fund	$ 3,189,166	30	Aaa	AAAM
Total	16,660,998	66		

NOTE 3 -- RECEIVABLES

A. Receivables

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

	Governmental Funds			Proprietary Fund
	General	Debt Service	Nonmajor Funds	Water and Sewer Fund
Receivables:				
Property Taxes	$ 163,001	$ 31,246	$ -	$ -
Sales Taxes	288,136	-	-	-
Occupancy Taxes	-	-	154,813	-
Customers	-	-	-	469,184
Franchise Taxes	21,135	-	-	-
Sanitation and Other	160,359	-	-	37,501
Gross Receivables	632,631	31,246	154,813	506,685
Less: Allowance for Uncollectibles	(16,300)	-	-	(10,722)
Net Total Receivables	$ 616,331	$ 31,246	$ 154,813	$ 495,963

NOTE 4 -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Frio County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was $322,931,975 (market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to $1.50 per $100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2025 was $0.59 per $100 of assessed value, which means that the City has a tax margin of $1.91 for each $100 value.

Property taxes are recorded as receivables and deferred inflows of resources at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the 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. In the government wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date. The current delinquent property tax is $80.4 thousand.

NOTE 5 -- CAPITAL ASSETS

Governmental and Business-type capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 531,361	$ -	$ -	$ 531,361
Total Capital Assets Not Being Depreciated	531,361	-	-	531,361
Capital Assets, Being Depreciated:				
Buildings	2,730,612	-	-	2,730,612
Utility Improvements	3,607,901	1,177,775	-	4,785,676
Equipment	1,847,517	146,006	-	1,993,523
Total Capital Assets Being Depreciated	8,186,030	1,323,781	-	9,509,811
Accumulated Depreciation:				
Buildings	(904,186)	(89,213)	-	(993,399)
Utility Improvements	(2,822,561)	(52,896)	-	(2,875,457)
Equipment	(1,572,889)	(42,506)	-	(1,615,395)
Total Accumulated Depreciation	(5,299,636)	(184,615)	-	(5,484,251)
Total Capital Assets Being Depreciated, Net	2,886,394	1,139,166	-	4,025,560
Governmental Activities Capital Assets, Net	$ 3,417,755	$ 1,139,166	$ -	$ 4,556,921

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 142,693	$ -	$ -	$ 142,693
Water Rights	402,500	-	-	402,500
Construction in Progress	8,633,043	871,846	(9,016,500)	488,389
Total Assets Not Being Depreciated	9,178,236	871,846	(9,016,500)	1,033,582
Capital Assets, Being Depreciated:				
Plant and Equipment	15,317,533	898,719	9,016,500	25,232,752
Total Capital Assets Being Depreciated	15,317,533	898,719	9,016,500	25,232,752
Accumulated Depreciation:				
Plant and Equipment	(11,417,390)	(409,026)	-	(11,826,416)
Total Accumulated Depreciation	(11,417,390)	(409,026)	-	(11,826,416)
Total Capital Assets Being Depreciated, Net	3,900,143	489,693	9,016,500	13,406,336
Business-Type Activities Capital Assets, Net	$ 13,078,379	$ 1,361,539	$ -	$ 14,439,918

NOTE 5 -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental and business type functions as follows:

Governmental Activities:		
Animal Control	$	2,057
Airport		88,274
Community Center		967
Golf Course		18,785
Library		1,594
Police		39,896
Parks and Recreation		16,869
Streets		16,173
Total Depreciation Expense - Governmental Activities	$	184,615
Business-Type Activities:		
Water & Sewer	$	409,026
Total Depreciation Expense - Business Type Activities	$	409,026

NOTE 6 -- LONG-TERM DEBT

Compensated absences and other postemployment benefit obligations for governmental activities are generally liquidated by the general fund.

Long-term debt and obligations payable at September 30, 2025 were comprised of the following individual issues:

	Issue Amount	Maturity	Rate	Balance
Primary Government				
Governmental Activities:				
Certificates of Obligation:				
2021 General Obligation				
Combination Tax & Limited Pledge Revenue	$ 1,000,000	2036	.75% - 2.3%	$ 795,000
Total Governmental Long-Term Obligations				$ 795,000

	Issue Amount	Maturity	Rate	Balance
Business Type:				
Certificates of Obligation				
2019 General Obligation				
Combination Tax & Limited Pledge Revenue	$ 1,075,000	2029	1.80%-2.45%	$ 460,000
2024 General Obligation				
Combination Tax & Limited Pledge Revenue	2,465,000	2044	4%-5%	2,420,000
2025 General Obligation				
Combination Tax & Surplus Revenue	5,665,000	2055	2.76-3.71%	5,665,000
Revenue Bonds				
2018A Revenue Bonds				
Utility System	2,755,000	2048	.61%-2.37%	2,250,000
2018B Revenue Bonds				
Utility System	6,645,000	2048	0.00%	6,025,000
Total Business-Type Long-Term Obligations				$ 16,820,000

NOTE 6 -- LONG-TERM DEBT (Continued)

On April 1, 2025, the City issued $5,665,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2025A and 2025B, in connection with financial assistance provided by the Texas Water Development Board (TWDB) pursuant to the constitution and general laws of the State of Texas, including Subchapter C of Chapter 271 of the Texas Local Government Code, and an ordinance adopted by the City Council. The Certificates constitute direct and general obligations of the City payable from ad valorem taxes levied against all taxable property within the City and a pledge of certain net revenues of the City's water and sewer system. The Series 2025B certificates bear interest at stated rates ranging from approximately 2.76% to 3.71% over the term of the issue.

The Certificates were issued to finance water system improvements, including planning, design, and construction activities associated with the City's lead service line replacement and related drinking water infrastructure projects, as well as costs of issuance.

The financing also includes principal forgiveness provided through the Texas Water Development Board Drinking Water State Revolving Fund program. Total financial assistance approved for the project was $11,561,224, of which $5,665,000 represents repayable Certificates of Obligation and $5,896,224 represents principal forgiveness provided as additional subsidization. The principal forgiveness consists of $5,818,163 and $78,061 associated with the project represents subsidy funding with no repayment obligation, provided the City complies with the terms and conditions of the Principal Forgiveness Agreement. Loan proceeds and principal forgiveness funds are disbursed by the Texas Water Development Board as eligible project costs are incurred. Principal forgiveness is recognized as eligible project costs are incurred and the City becomes entitled to the subsidy under the terms of the financing agreement.

Changes in long-term debt, bonds, notes and certificates were as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Governmental Activities:					
Certificates of Obligation:					
2021 General Obligation	$ 860,000	$ -	$ (65,000)	$ 795,000	$ 65,000
Net Pension liability (Asset)	1,587,922	-	(225,583)	1,362,339	-
Total OPEB Liability	76,901	-	(1,927)	74,974	-
Compensated Absences**	407,900	-	(137,612)	270,288	27,029
	$ 2,932,723	$ -	$ (430,122)	$ 2,502,601	$ 92,029

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Business-Type Activities:					
Certificates of Obligation					
Series 2019	$ 570,000	$ -	$ (110,000)	$ 460,000	$ 110,000
Series 2024	2,465,000	-	(45,000)	2,420,000	80,000
Premiums	145,569	-	(7,278)	138,291	7,278
Series 2025 TWDB (PP)	-	5,665,000	-	5,665,000	65,000
Loan Forgivness Payable LF 1001775	-	5,896,224	(400,026)	5,496,198	-
2013 General Obligation	185,000	-	(185,000)	-	-
2018A Revenue Bonds TWDB (PP)	2,325,000	-	(75,000)	2,250,000	75,000
2018B Revenue Bonds TWDB (PP)	6,140,000	-	(115,000)	6,025,000	265,000
Net Pension Liability (Asset)	1,207,011	-	(145,894)	1,061,117	-
Total OPEB Liability	58,454	-	(58)	58,396	-
Compensated Absences**	115,800	797	-	116,597	6,589
	$ 13,211,834	$ 11,562,021	$ (1,083,256)	$ 23,690,599	$ 608,867

*PP is Private Placement

** Beginning balances have been restated for prior period adjustments

NOTE 6 -- LONG-TERM DEBT (Continued)

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, net pension liability and total OPEB Liability, as of September 30, 2025, including interest payments, are as follows:

Governmental Activities:

Fiscal Year	Public Offering		
Ending September 30	Principal	Interest	Total
2026	$ 65,000	$ 14,895	$ 79,895
2027	65,000	14,115	79,115
2028	70,000	13,270	83,270
2029	70,000	12,220	82,220
2030	70,000	11,030	81,030
2031-2035	375,000	34,043	409,043
2036	80,000	1,840	81,840
	$ 795,000	$ 101,413	$ 896,413

Business -Type Activities:

Fiscal Year	Public Offering		
Ending September 30	Principal	Interest	Total
2026	190,000	113,070	$ 303,070
2027	200,000	106,554	306,554
2028	205,000	99,591	304,591
2029	215,000	92,145	307,145
2030	100,000	85,800	185,800
2031-2035	1,970,000	613,650	2,583,650
	$ 2,880,000	$ 1,110,810	$ 3,990,810

Fiscal Year	Private Placement		
Ending September 30	Principal	Interest	Total
2026	405,000	298,269	$ 703,269
2027	470,000	238,851	708,851
2028	470,000	234,039	704,039
2029	475,000	229,155	704,155
2030	485,000	224,041	709,041
2031-2035	2,480,000	1,034,157	3,514,157
2036-2040	2,645,000	862,625	3,507,625
2041-2045	2,820,000	651,169	3,471,169
2046-2050	2,310,000	398,615	2,708,615
2051-2055	1,380,000	156,470	1,536,470
	$ 13,940,000	$ 4,327,390	$18,267,390

The TWDB financing includes a principal forgiveness component that is not reflected in the tables above. The outstanding balance will be reduced as project costs are incurred and the related amounts are forgiven by the Texas Water Development Board.

NOTE 7 -- PENSION PLAN

Texas Municipal Retirement System

A. Plan Description

The City 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.

B. 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.

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

	2024	2023
Inactive Employees or Beneficiaries Currently Receiving Benefit	22	20
Inactive Employees Entitled to but Not Yet Receiving Benefits	31	28
Active Employees	37	38
	90	86

C. 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.

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

C. Contributions (Continued)

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.9% and 18.29% for calendar years 2024 and 2025 respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $441,606, and were equal to the required contributions.

D. 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.

E. Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:Salary increases were based on a service-related table. Mortality rates for active members are based on the Salary increases were 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. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements.

Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over 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.

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

E. Actuarial Assumptions (Continued)

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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Infrastructure	6.00%	6.00%
	100.00%	

F. 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.

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

G. Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2023	$ 9,006,890	$ 6,211,957	$ 2,794,933
Changes for the year:			
Service Cost	281,933	-	281,933
Interest	606,206	-	606,206
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(80,817)	-	(80,817)
Changes of Assumptions	-	-	-
Contributions - Employer	-	400,524	(400,524)
Contributions - Employee	-	134,254	(134,254)
Net Investment Income	-	648,258	(648,258)
Benefit Payments, Including Refunds of Employee Contributions	(334,062)	(334,062)	-
Administrative Expense	-	(4,140)	4,140
Other Changes	-	(97)	97
Net Changes	473,260	844,737	(371,477)
Balance at December 31, 2024	$ 9,480,150	$ 7,056,694	$ 2,423,456

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

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	$ 3,701,428	$ 2,423,456	$ 1,362,747

NOTE 7 -- PENSION PLAN (Continued)

Texas Municipal Retirement System (Continued)

H. 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*.

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

For the year ended, the City recognized pension expense of $282,282.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ 10,436	$ 81,838
Changes in Actuarial Assumptions	-	26,849
Differences Between Projected and Actual Investment Earnings	-	86,301
Contributions Subsequent to the Measurement Date	321,164	-
	$ 331,600	$ 194,988

The City reported $321,164 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (December 31, 2024) will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended December 31,	
2025	$ (58,924)
2026	27,540
2027	(107,378)
2028	(45,790)
Thereafter	-
	$ (184,552)

NOTE 8 -- OTHER POST EMPLOYMENT BENEFITS (OPEB)

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 post-employment benefit," or OPEB. Membership in the plan at December 31, 2024, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	24
Inactive Employees Entitled to but Not Yet Receiving Benefits	5
Active Employees	37
	66

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Calendar Year Ended December 31,	Total SDBF Contribution Rate	Retiree Portion to SDBF Contribution Rate
2023	0.42%	0.21%
2024	0.37%	0.20%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2019 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	4.08% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2024 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2023	$ 135,355
Changes for the year:	
Service Cost	5,594
Interest	5,120
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(1,543)
Changes of Assumptions or Other Inputs	(6,457)
Benefit Payments	(4,699)
Net Changes	(1,985)
Balance at December 31, 2024	$ 133,370

There is no separate trust maintained to fund this Total OPEB Liability. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability	$ 156,055	$ 133,370	$ 115,203

For the year ended September 30, 2025, the City recognized OPEB expense of $5,902. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 1,968
Changes in Actuarial Assumptions	-	21,630
Contributions Subsequent to the Measurement Date	1,299	-
	$ 1,299	$ 23,598

NOTE 8 -- OTHER POST EMPLOYMENT BENEFIT (OPEB) (Continued)

Deferred outflows of resources in the amount of $1,299 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the subsequent plan year ended December 31, 2025 (fiscal year ended September 30, 2026). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,		
2025	$	(7,275)
2026		(10,788)
2027		(4,847)
2028		(688)
2029		-
Thereafter		-
	$	(23,598)

NOTE 9 -- TRANSFERS

Transfers at September 30, 2025 are noted below

From	To		Amount	Purpose
General Fund	Non-Major Fund	$	138,372	Transfer fund balances and cash to a new fund
Debt Service	Water and Wastewater		200,000	In support of utility fund
		$	338,372	

The inter-fund receivables and payables are as follows:

From	To		Amount	Purpose
General Fund	Non-Major Fund	$	28,122	Short Term Borrowing
Water and Wastewater	Debt Service	$	240,786	Short Term Borrowing
Water and Wastewater	General Fund		11,889	Short Term Borrowing
		$	280,797	

NOTE 10 -- TAX INCREMENT REINVESTMENT FINANCING ZONE (TIF)

The City of Devine approved a resolution in 2013 to create a tax increment financing reinvestment zone to support revitalization activities between Medina County and the City of Devine. The Tax Increment Financing Reinvestment Zone (the "Zone") extend until December 31, 2038. The Tax Increment Reinvestment Zone Financing Plan provides for tax increment allowable expenses in the approximate amount of $8,095,000 The City contributed $91,734 in fiscal year 2025 to the Zone.

NOTE 11 -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts.

NOTE 12 – COMMITMENTS

Warhorse Pump Station Improvements
At fiscal year-end, the City had outstanding construction and engineering commitments related to the Warhorse Pump Station Improvements project. The remaining commitments consisted of $30,695 for engineering services and $711,142 for construction, for total outstanding commitments of $741,837.Additional costs of $35,236 have been incurred for other project-related expenses.

TWDB 2025 Bond Drinking Water Project
The City also has outstanding commitments related to the TWDB 2025 Bond Drinking Water project. Remaining commitments include $1,120,412 for design and planning services and $393,083 for grant administration services, totaling $1,513,495 in remaining project commitments.

NOTE 14 -- PRIOR PERIOD ADJUSTMENT

As of October 1, 2024, the City implemented GASB Statement 101 related to compensated absences. This led to the recording of a liability for sick leave and vacation that are more likely than not to be taken in the future. Beginning net position was adjusted for the liability incurred in prior years.

	Governmental Activities	Business-Type Activities
Beginning Net Position, Previously Reported	$ 4,494,690	$ 8,220,053
Understated Compensated Absences	(292,016)	(65,096)
Beginning Net Position, Restated	$ 4,202,674	$ 8,154,957

NOTE 13 – NEW FUNDS ESTABLISHED

The City established new special revenue funds during the fiscal year to separately account for restricted resources and other purposes. The funds include the Airport Fund, Court Technology and Security Fund, Child Safety Fund, and Police Forfeiture Fund, each created to ensure proper tracking and reporting of revenues dedicated to these specific purposes.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund
- Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Plan Years
- Schedule of Contributions - Last 10 Fiscal Years
- Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		**2025 Actual Amounts**	Variance With Final Budget - Positive (Negative)	2024 Actual
	Original	Final			
REVENUES					
Property Taxes	$ 1,326,500	$ 1,326,500	**$ 1,375,647**	$ 49,147	$ 1,318,930
Sales Taxes	1,790,000	1,790,000	**1,791,317**	1,317	1,801,694
Franchise Taxes	185,000	185,000	**184,815**	(185)	187,464
Payment in Lieu of Property Tax	-	-	**5,520**	5,520	4,880
Licenses and Permits	53,300	53,300	**68,654**	15,354	55,225
Rent	6,500	6,500	**4,925**	(1,575)	6,775
Fines and Forfeitures	79,975	79,975	**126,308**	46,333	85,820
Health and Sanitation Fees	1,122,136	1,122,136	**1,049,683**	(72,453)	1,127,092
Grants	50,000	50,000	**533,288**	483,288	145,380
Interest Income	11,140	11,140	**40,684**	29,544	14,299
Miscellaneous	3,000	1,329,434	**21,906**	(1,307,528)	23,590
	4,627,551	5,953,985	**5,202,747**	(751,238)	4,771,149

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025 Actual Amounts	Variance With Final Budget - Positive (Negative)	2024 Actual
	Original	Final			
EXPENDITURES					
Administration	$ 382,290	$ 470,690	**$ 460,836**	$ 9,854	$ 335,553
Municipal Court	104,285	116,919	**105,796**	11,123	70,360
Street	545,908	1,602,508	**476,201**	1,126,307	314,108
Police	1,355,235	1,446,035	**1,312,078**	133,957	1,056,759
Health and Sanitation	973,408	973,408	**942,897**	30,511	919,786
Animal Control	225,083	225,083	**210,407**	14,676	179,763
Parks and Recreation	81,988	81,988	**36,712**	45,276	14,985
Golf Course	39,500	117,500	**67,555**	49,945	53,483
Library	203,421	203,421	**202,178**	1,243	155,573
Airport	122,550	122,550	**84,850**	37,700	178,739
Community Center	25,602	25,602	**21,776**	3,826	15,089
Code Enforcement	133,200	133,200	**159,132**	(25,932)	145,264
Emergency Management	14,350	14,350	**1,058**	13,292	18,533
Capital Outlay	344,815	344,815	**1,323,780**	(978,965)	326,134
TOTAL EXPENDITURES	4,551,635	5,878,069	**5,405,256**	472,813	3,784,129
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,916	75,916	**(202,509)**	(278,425)	987,020
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	**(138,372)**	(138,372)	(92,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	**(138,372)**	(138,372)	(92,000)
Net Change in Fund Balance	75,916	75,916	**(340,881)**	(416,797)	895,020
Fund Balances , Beginning	2,778,906	2,778,906	**2,778,906**	-	1,883,886
Fund Balances, Ending	$ 2,854,822	$ 2,854,822	**$ 2,438,025**	$ (416,797)	$ 2,778,906

CITY OF DEVINE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2025

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council and as such is a good management control device. Annual budgets are adopted for the general fund, utility fund, Lodging Fund, Texas Commission on Law Enforcement Fund (TCOLE), Unclaimed Property Fund, Airport, Court Technology and Security, Child Safety, Police Forfeiture, TIF Fund, Home Program fund and the Debt Service Fund. Of these budgets, the General Fund, Texas Commission on Law Enforcement (TCOLE), Lodging, and the Debt Service Fund are legally adopted. The general fund budget exceeded the code enforcement department.

Budgetary preparation and control is exercised at the fund level. The city administrator is authorized to transfer budget amounts between accounts within a department. These transfers cannot increase the overall budgeted expenditures.

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CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN YEARS

	Total Pension Liability			
	2015	2016	2017	2018
Service Cost	$ 128,659	$ 165,807	$ 205,888	$ 221,419
Interest (on the Total Pension Liability)	262,136	326,844	357,395	397,975
Changes of Benefit Terms	605,272	646,960	-	-
Difference between Expected and Actual Experience	(67,120)	65,984	169,723	131,753
Change of Assumptions	53,414	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(62,081)	(96,994)	(155,138)	(124,016)
Net Change in Total Pension Liability	920,280	1,108,601	577,868	627,131
Total Pension Liability - Beginning	3,106,240	4,160,760	5,269,361	5,847,229
Total Pension Liability - Ending	$ 4,026,520	$ 5,269,361	$ 5,847,229	$ 6,474,360

	Plan Fiduciary Net Position			
	2015	2016	2017	2018
Contributions - Employer	$ 137,430	$ 204,547	$ 282,988	$ 300,137
Contributions - Employee	79,715	82,164	103,722	111,640
Net Investment Income	3,161	155,456	366,634	(97,193)
Benefit Payments, Including Refunds of Employee Contributions	(62,081)	(96,994)	(155,138)	(124,016)
Administrative Expense	(1,925)	(1,754)	(1,897)	(1,874)
Other	(94)	(95)	(96)	(97)
Net Change in Plan Fiduciary Net Position	156,206	343,324	596,213	188,597
Plan Fiduciary Net Position - Beginning	2,141,381	2,297,587	2,640,911	3,237,124
Plan Fiduciary Net Position - Ending	$ 2,297,587	$ 2,640,911	$ 3,237,124	$ 3,425,721
Net Pension Liability - Ending	$ 1,728,933	$ 2,628,450	$ 2,610,105	$ 3,048,639
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.06%	50.12%	55.36%	52.91%
Covered Payroll	$ 1,719,860	$ 1,643,285	$ 1,728,698	$ 1,860,662
Net Pension Liability as a Percentage of Covered Payroll	100.53%	159.95%	150.99%	163.85%

Total Pension Liability					
2019	2020	2021	2022	2023	2024
$ 247,708	$ 239,021	$ 232,683	$ 234,469	$ 243,406	$ 281,933
440,552	482,919	517,810	539,741	574,504	606,206
-	-	-	-	-	-
44,981	28,053	(136,526)	16,402	8,313	(80,817)
37,226	-	-	-	(55,723)	-
(143,026)	(133,916)	(325,930)	(253,977)	(306,160)	(334,062)
627,441	616,077	288,037	536,635	464,340	473,260
6,474,360	7,101,801	7,717,878	8,005,915	8,542,550	9,006,890
$ 7,101,801	$ 7,717,878	$ 8,005,915	$ 8,542,550	$ 9,006,890	$ 9,480,150

Plan Fiduciary Net Position					
2019	2020	2021	2022	2023	2024
$ 339,024	$ 328,037	$ 307,393	$ 330,789	$ 347,781	$ 400,524
123,957	118,425	114,060	114,748	120,200	134,254
531,305	325,511	642,427	(413,616)	630,739	648,258
(143,026)	(133,916)	(325,930)	(253,977)	(306,160)	(334,062)
(2,993)	(2,099)	(2,962)	(3,566)	(3,993)	(4,140)
(89)	(82)	20	4,257	(28)	(97)
848,178	635,876	735,008	(221,365)	788,539	844,737
3,425,721	4,273,899	4,909,775	5,644,783	5,423,418	6,211,957
$ 4,273,899	$ 4,909,775	$ 5,644,783	$ 5,423,418	$ 6,211,957	$ 7,056,694
$ 2,827,902	$ 2,808,103	$ 2,361,132	$ 3,119,132	$ 2,794,933	$ 2,423,456
60.18%	63.62%	70.51%	63.49%	68.97%	74.44%
$ 2,065,958	$ 1,973,751	$ 1,902,003	$ 1,912,475	$ 2,003,341	$ 2,237,566
136.88%	142.27%	124.14%	163.09%	139.51%	108.31%

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS*

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions in	Contribution] Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 441,606	$ 441,606	$ -	$ 2,426,941	18.20%
2024	386,597	386,597	-	2,178,564	17.75%
2023	340,520	340,520	-	1,962,498	17.35%
2022	314,799	314,799	-	1,850,219	17.01%
2021	313,566	313,566	-	1,924,511	16.29%
2020	323,515	323,515	-	1,952,938	16.57%
2019	338,205	338,205	-	2,069,671	16.34%
2018	291,567	291,567	-	1,800,908	16.19%
2017	262,836	262,836	-	1,689,824	15.55%
2016	197,955	197,955	-	1,719,860	11.51%

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CITY CONTRIBUTIONS

Valuation Date:
Actuarially determined contribution rates are calculated as of December 31 and become effective in January,

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, longest amortization ladder
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Change in Assumptions:	2023: New Mortality assumptions 2019: New Retirement and mortality assumptions 2015: Investment rate of return lowered from 7% to 6.75%
Changes in benefits:	2024: Employee contribution rate increased from 5% to 6%

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
LAST EIGHT CALENDAR YEARS*

	Total OPEB Liability			
	2017	2018	2019	2020
Service Cost	$ 3,457	$ 4,466	$ 4,339	$ 5,921
Interest on Total OPEB Liability	3,424	3,495	4,025	3,732
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	3,231	(1,857)	(2,113)
Change of Assumptions or Other Inputs	8,086	(7,555)	20,742	19,964
Benefit Payments	(346)	(558)	(826)	(790)
Net Change in Total OPEB Liability	14,621	3,079	26,423	26,714
Total OPEB Liability - Beginning	89,026	103,647	106,726	133,149
Total OPEB Liability - Ending	$ 118,268	$ 106,726	$ 133,149	$ 159,863
Covered Payroll	$ 1,860,662	$ 2,065,958	$ 1,973,751	$ 1,902,003
Total OPEB Liability as a Percentage of Covered Payroll	6.36%	5.17%	6.75%	8.40%

	Total OPEB Liability			
	2021	2022	2023	2024
Service Cost	$ 7,414	$ 8,224	$ 3,806	$ 5,594
Interest on Total OPEB Liability	3,249	3,245	5,130	5,120
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	417	3,266	(3,319)	(1,543)
Change of Assumptions or Other Inputs	4,931	(58,973)	6,866	(6,457)
Benefit Payments	(2,281)	(2,677)	(3,806)	(4,699)
Net Change in Total OPEB Liability	13,730	(46,915)	8,677	(1,985)
Total OPEB Liability - Beginning	159,863	173,593	126,678	135,355
Total OPEB Liability - Ending	$ 173,593	$ 126,678	$ 135,355	$ 133,370
Covered Payroll	$ 1,912,475	$ 2,003,341	$ 2,237,566	$ 2,426,941
Total OPEB Liability as a Percentage of Covered Payroll	9.08%	6.32%	6.05%	5.50%

*GASB Statement No. 75 requires 10 years of data to be provided in this schedule. The City will develop the schedule prospectively as data becomes available.

NOTES TO SCHEDULE OF CHANGES

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

SUPPLEMENTARY INFORMATION

Supplementary information includes combining nonmajor individual fund statements which are not required by the GASB, nor a part of the basic financial statements.

FUND DESCRIPTIONS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and expenditures that are legally restricted for a specific purpose.

- **Lodging** Accounts for hotel occupancy tax revenues and expenditures, funding mainly the community and conference centers.

- **TCOLE (TEXAS COMMISSION ON LAW ENFORCEMENT)** – Accounts for financial resources allocated for law enforcement training and related activities, funded by the Texas Commission on Law Enforcement (TCOLE).

- **Unclaimed Property** - Accounts for money or assets that the City is unable to locate the rightful owner of after 3 years.

- **Airport Fund** – Accounts for revenues and expenditures related to the operation and maintenance of the City's airport facilities, including fuel sales, hangar leases, and other airport-related services.

- **Court Technology and Security Fund** – Accounts for revenues and expenditures related to municipal court technology improvements and court security, funded by court costs assessed in municipal court cases in accordance with state law.

- **Child Safety Fund** – Accounts for revenues and expenditures dedicated to programs that promote child safety within the community, funded by court costs assessed in municipal court cases as authorized by state law.

- **Police Forfeiture Fund** – Accounts for revenues and expenditures associated with property seized and forfeited as part of law enforcement activities in accordance with state forfeiture laws. Funds are used for law enforcement purposes permitted by statute.

- **TIF (TAX INCREMENT FINANCING) Fund** - Accounts for the revenues and expenditures, funding the designated redevelopment area for public improvements.

- **HOME Program**- Accounts for federal funding received to expand affordable housing for low-income households.

BUDGET TO ACTUAL - DEBT SERVICE FUNDS

Debt Service funds are used to accumulate funds to pay debt.

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

	Special Revenue Funds		
	Lodging Tax Fund	TCOLE Fund	Unclaimed Property Fund
ASSETS			
Cash and Cash Equivalents	$ 80,663	$ 3,204	$ 124
Accounts Receivable	1,458	-	-
Due from Other Funds	-	-	-
TOTAL ASSETS	$ 82,121	$ 3,204	$ 124
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	$ -	$ -	$ 122
Due to Other Funds	-	-	-
Total Liabilities	-	-	122
Fund Balance:			
Restricted	82,121	3,204	2
Total Fund Balances	82,121	3,204	2
TOTAL LIABILITIES AND FUND BALANCES	$ 82,121	$ 3,204	$ 124

CITY OF DEVINE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2025

	Special Revenue Funds			
	Airport Fund	Court Technology & Security Fund	Child Safety Fund	Police Forfeiture Fund
ASSETS				
Cash and Cash Equivalents	$ 39,298	$ 61,482	$ 9,026	$ 2,763
Accounts Receivable	-	-	-	-
Due from Other Funds	28,122	-	-	-
TOTAL ASSETS	$ 67,420	$ 61,482	$ 9,026	$ 2,763
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ -	$ -	$ -	$ -
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balance:				
Restricted	67,420	61,482	9,026	2,763
Total Fund Balances	67,420	61,482	9,026	2,763
TOTAL LIABILITIES AND FUND BALANCES	$ 67,420	$ 61,482	$ 9,026	$ 2,763

CITY OF DEVINE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2025

	Special Revenue Funds			
	TIF Fund	HOME Program Fund	**Total Nonmajor Governmental Funds**	2024
ASSETS				
Cash and Cash Equivalents	$ 148,291	$ 5,121	**$ 349,972**	$ 173,760
Accounts Receivable	-	153,355	**154,813**	2,021
Due from Other Funds	-	-	**28,122**	11
TOTAL ASSETS	$ 148,291	$ 158,476	**$ 532,907**	$ 175,792
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	$ -	$ 156,293	**$ 156,415**	$ 122
Due to Other Funds	-	-	**-**	33,503
Total Liabilities	-	156,293	**156,415**	33,625
Fund Balance:				
Restricted	148,291	2,183	**376,492**	142,167
Total Fund Balances	148,291	2,183	**376,492**	142,167
TOTAL LIABILITIES AND FUND BALANCES	$ 148,291	$ 158,476	**$ 532,907**	$ 175,792

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

	Special Revenue Funds		
	Lodging Tax Fund	TCOLE Fund	Unclaimed Property Fund
REVENUES			
Occupancy Taxes	$ 16,136	$ -	$ -
Property Taxes	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Grants and Donations	-	2,511	-
Interest Income	237	9	-
TOTAL REVENUES	16,373	2,520	-
EXPENDITURES			
Current:			
Administration	9,857	-	-
Police	-	1,686	-
TOTAL EXPENDITURES	9,857	1,686	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,516	834	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Net Change in Fund Balance	6,516	834	-
Fund Balances, Beginning	75,605	2,370	2
Fund Balances, Ending	$ 82,121	$ 3,204	$ 2

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

	Special Revenue Funds			
	Airport Fund	Court Technology & Security Fund	Child Safety Fund	Police Forfeiture Fund
REVENUES				
Occupancy Taxes	$ -	$ -	$ -	$ -
Property Taxes	-	-	-	-
Charges for Services	30,078	-	-	-
Fines and Forfeitures	-	1,633	-	-
Grants and Donations	-	-	-	-
Interest Income	30	4,399	136	2
TOTAL REVENUES	30,108	6,032	136	2
EXPENDITURES				
Current:				
Administration	-	-	-	-
Police	-	2,000	-	1,001
TOTAL EXPENDITURES	-	2,000	-	1,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,108	4,032	136	(999)
OTHER FINANCING SOURCES (USES)				
Transfers In	37,312	57,450	8,890	3,762
TOTAL OTHER FINANCING SOURCES (USES)	37,312	57,450	8,890	3,762
Net Change in Fund Balance	67,420	61,482	9,026	2,763
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	$ 67,420	$ 61,482	$ 9,026	$ 2,763

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

	Special Revenue Funds			
	TIF Fund	HOME Program Fund	**Total Nonmajor Governmental Funds**	2024
REVENUES				
Occupancy Taxes	$ -	$ -	**$ 16,136**	$ 19,051
Property Taxes	91,734	-	**91,734**	6,464
Charges for Services	-	-	**30,078**	-
Fines and Forfeitures	-	-	**1,633**	-
Grants and Donations	-	321,332	**323,843**	2,513
Interest Income	-	-	**4,813**	333
TOTAL REVENUES	91,734	321,332	**468,237**	28,361
EXPENDITURES				
Current:				
Administration	5,450	352,290	**367,597**	20,980
Police	-	-	**4,687**	796
TOTAL EXPENDITURES	5,450	352,290	**372,284**	21,776
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,284	(30,958)	**95,953**	6,585
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,958	**138,372**	-
TOTAL OTHER FINANCING SOURCES (USES)	-	30,958	**138,372**	-
Net Change in Fund Balance	86,284	-	**234,325**	6,585
Fund Balances, Beginning	62,007	2,183	**142,167**	135,582
Fund Balances, Ending	$ 148,291	$ 2,183	**$ 376,492**	$ 142,167

CITY OF DEVINE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
LODGING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget- Positive (Negative)	2024 Actual Amounts
	Original	Final			
REVENUES					
Lodging Taxes	$ 20,000	$ 20,000	**$ 16,136**	$ (3,864)	$ 19,051
Interest Income	40	40	**237**	197	322
TOTAL REVENUES	20,040	20,040	**16,373**	(3,667)	19,373
EXPENDITURES					
Administrative	9,324	9,324	**9,857**	(533)	9,785
TOTAL EXPENDITURES	9,324	9,324	**9,857**	(533)	9,785
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,716	10,716	**6,516**	(4,200)	9,588
Net Change in Fund Balance	10,716	10,716	**6,516**	(4,200)	9,588
FUND BALANCE, BEGINNING	75,605	75,605	**75,605**	-	66,017
FUND BALANCE, ENDING	$ 86,321	$ 86,321	**$ 82,121**	$ (4,200)	$ 75,605

CITY OF DEVINE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
TCOLE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		2025	Variance with	2024
			Actual	Final Budget-	Actual
	Original	Final	**Amounts**	Positive (Negative)	Amounts
REVENUES					
Grants	$ -	$ -	**$ 2,511**	$ 2,511	$ 2,513
Interest Income	2	2	**9**	7	10
TOTAL REVENUES	2	2	**2,520**	2,518	2,523
EXPENDITURES					
Police	-	-	**1,686**	(1,686)	796
TOTAL EXPENDITURES	-	-	**1,686**	(1,686)	796
Excess (Deficiency) of Revenues Over (Under) Expenditures	2	2	**834**	(4,204)	1,727
Net Change in Fund Balance	2	2	**834**	**(4,204)**	1,727
FUND BALANCE, BEGINNING	2,370	2,370	**2,370**	-	643
FUND BALANCE, ENDING	$ 2,372	$ 2,372	**$ 3,204**	$ (4,204)	$ 2,370

CITY OF DEVINE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE ACTUAL TOTALS FOR 2024)

	Budgeted Amounts		**2025**	Variance With Final Budget -	
	Original	Final	**Actual Amounts**	Positive (Negative)	2024 Actual
REVENUES					
Property Taxes	$ 278,445	$ 278,445	**$ 309,512**	$ 31,067	$ 301,892
Interest Income	1,900	1,900	**1,722**	(178)	2,388
TOTAL REVENUES	278,445	278,445	**311,234**	30,889	304,280
EXPENDITURES					
Debt Service:					
Principal	250,000	250,000	**65,000**	185,000	225,000
Interest and Fiscal Charges	18,465	18,465	**15,778**	2,687	17,259
TOTAL EXPENDITURES	268,465	268,465	**80,778**	187,687	242,259
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,980	9,980	**230,456**	220,476	62,021
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	**(200,000)**	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	**(200,000)**	(200,000)	-
Net Change in Fund Balance	9,980	9,980	**30,456**	20,476	62,021
FUND BALANCE - BEGINNING	474,008	474,008	**474,008**	-	411,987
FUND BALANCE - ENDING	$ 483,988	$ 483,988	**$ 504,464**	$ 20,476	$ 474,008

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Financial Advisory Services
Provided By:

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